



ANNUAL REPORT

2006



AMMB Holdings Berhad

(223035-V) (Incorporated in Malaysia)

Corporate Mission

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



2006 Cover Rationale

What customers look for is a financial partner of choice who will provide better expertise and a spectrum of innovative financial solutions. It is all about experience, dedication, commitment, professionalism and integrity.

The cover for 2006 is splashed with 'waves' that symbolise the arches of the AmBank Group logo. The strong colours of red and yellow are the core colours of the AmBank Group.

Red symbolises energy, strength, power, courage, prosperity and tenacity, whilst yellow reflects confidence, cheerfulness, enthusiasm, creativity, encouragement and a vibrant presence.

White enhances the positive values signifying our unity, consistency and simplicity of unwavering focus towards new levels of excellence.

Customer

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Notice of Fifteenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifteenth Annual General Meeting of AMMB Holdings Berhad (“the Company”) will be held at Dewan AmBank Group, 7th Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur on Wednesday, 9 August 2006 at 2.30 p.m. for the following purposes:

Item	Agenda	Resolution on Proxy Form
As Ordinary Business		
1.	To receive the Audited Accounts for the year ended 31 March 2006 and the Reports of the Directors and Auditors thereon.	(Resolution No. 1)
2.	To approve a first and final dividend of 5.0% less tax for the year ended 31 March 2006.	(Resolution No. 2)
3.	To approve payment of Directors’ fees for the year ended 31 March 2006.	(Resolution No. 3)
4.	To re-elect the following Directors who retire by rotation pursuant to Article 89 of the Company’s Articles of Association: (a) Y Bhg Tan Sri Datuk Dr Aris Othman (b) Y Bhg Tan Sri Dato’ Mohd Ibrahim Mohd Zain (c) Y Bhg Dato’ Izham Mahmud (d) Puan Shalina Azman	(Resolution No. 4) (Resolution No. 5) (Resolution No. 6) (Resolution No. 7)
5.	To re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.	(Resolution No. 8)
As Special Business		
To consider and if thought fit, to pass the following resolution as Ordinary Resolution:		
6.	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 “THAT subject to the approvals from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors, may, in their discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum of the issued share capital of the Company for the time being.”	(Resolution No. 9)
7.	To transact any other business of which due notice shall have been received.	

Notice of Dividend Entitlement and Payment

NOTICE IS HEREBY GIVEN that the first and final dividend of 5.0% less tax for the financial year ended 31 March 2006, if approved by the shareholders at the Fifteenth Annual General Meeting, will be paid on 5 September 2006 to shareholders whose names appear in the Record of Depositors on 18 August 2006.

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 18 August 2006 in respect of ordinary transfers; and
- b. Shares bought on Bursa Malaysia Securities Bhd on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Bhd.

By Order of the Board

**RAVINDRA KUMAR
THAMBIMUTHU**
(LS 0000902)

Group Company Secretary

Kuala Lumpur
18 July 2006

Notes

- (1) A shareholder of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy or an attorney need not be a shareholder of the Company. Under Section 149(1) of the Companies Act, 1965, if a proxy is not a shareholder, he must be an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.
- (2) An Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one proxy in respect of each securities account held with ordinary shares of the Company standing to the credit of the securities account. The proxy so appointed shall be the beneficial owner of the shares in the said securities account or a person as provided under Section 149(1) of the Companies Act, 1965.
- (3) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
- (4) The instrument appointing the proxy must be deposited at the Registered Office of the Company at 22nd Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur **not less than 48 hours** before the time appointed for holding the Meeting.
- (5) **Explanatory Note on the Resolution No. 9**
 – **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**
 Ordinary resolution no. 9, if passed, will give the Directors of the Company, from the date of the General Meeting, authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding 10 percent of the issued share capital of the Company for the time being, as and when the need or business opportunities arise which the Directors consider would be in the interest of the Company. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.

Statement Accompanying Notice Of Annual General Meeting

Directors Who Are Seeking Re-Election At The 15th Annual General Meeting Of The Company

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

- Y Bhg Tan Sri Datuk Dr Aris Othman
- Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain
- Y Bhg Dato' Izham Mahmud
- Puan Shalina Azman

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

Letter to Shareholders



Dear Shareholder,

The financial year that has just ended on 31 March 2006 saw continuity amidst changes. We delivered on our commitment to shareholders by achieving higher profits, declaring higher dividends, and strengthening the capital position of the AmBank Group, whilst maintaining a prudent approach to risk.

We started the year with a new corporate structure, which reflects our multi-niche strategy in the financial services industry. We completed the implementation of the corporate reorganisation that we had embarked on in FY2005, namely:

- The listing of the investment banking operations under AmInvestment Group Berhad on 18 May 2005;
- The business merger of the Group's commercial banking and finance company operations into a single legal entity, AmBank (M) Berhad on 1 June 2005;



The Group's participation in SMIDEX 2006 (in conjunction with the ASEAN + 3 SME Convention 2006): AmBank Group employees (in red) with the Prime Minister, YAB Dato' Seri Abdullah Ahmad Badawi (second from left) and International Trade and Industry Minister, YB Dato' Seri Rafidah Aziz (far left).

Our Commitment to Shareholders in Financial Year 2006

In our last Letter to Shareholders, we had detailed the targets for the financial year ended 31 March 2006, as well as current strategic initiatives that the Group was implementing to enhance shareholder value and place the AmBank Group in the league of leading financial institutions in the country. These objectives were:

- The establishment of a strategic alliance in the insurance business, with the Insurance Australia Group Limited acquiring a 30.0% equity in AmAssurance Berhad; and
 - The commencement of Islamic banking operations by AmBank (M) Berhad through a separate wholly-owned subsidiary company, AmIslamic Bank Berhad on 1 May 2006.
- Improving asset quality and reducing the non-performing loans ratio to less than 10.0%;
 - Improving productivity by reducing its overheads to income ratio to 36.0%;
 - Reducing the funding cost by mobilising more demand deposits; and
 - Improving customer service.

Measuring Our Progress

For the financial year ended 31 March 2006, Group pre-tax profit improved by 44.2% to RM710.1 million. Net profit after tax and minority interests rose by 79.2% to RM365.5 million. This result represents a post-tax return on equity of 7.4%, a marked improvement from 4.6% registered in the previous year. Other operating income, a key metric for new business growth, was up 19.0% and the Group's other operating income to total income ratio, at 31.6%, has been consistently above 30.0% for

the last three years. Accordingly, the Group's net earnings per share were higher at 17.2 sen per share vis-à-vis 10.8 sen per share for the previous financial year.

The improved performance was mainly attributed to the strong growth in retail lending, decline in non-performing loans, increase in investment and trading income arising from expansion of treasury activities and improvement in general insurance premiums earned.

The improvement in profitability was however moderated by the rise in overhead expenses, some of which were one-off, relating to the transformation of the finance company into a commercial bank, as well as marketing expenses incurred in support of business expansion. Accordingly, the overheads to total income ratio stood at 41.0%, significantly higher than of our target of 36.0%.

The results were achieved in an increasingly competitive marketplace, and against economic uncertainties. The economic environment was challenging due to rising interest rates, lower trading volumes on Bursa Malaysia, higher oil prices and heightened geopolitical risks, although our economy proved its resilience with a GDP growth of 5.3% in 2005.

On behalf of the Board, I wish to thank the management and staff for contributing towards the improved performance of the Group.

Dividends

Accordingly, in recognition of the improved performance and in line with our commitment to pass on value to shareholders, the Board of Directors is recommending a final dividend payment of 5.0% less tax, an increase from the 4.0% less tax, paid in FY2005. This will result in a payment of approximately RM76.7 million to shareholders, or 21.0% of the net profit after taxes and minority interests of RM365.5 million. This is consistent with our commitment of paying up to 25.0% of the net profits of the Group annually as dividends.

This corporate reorganisation, whilst challenging at the beginning, proved to be a rewarding step for the Group. The streamlined operations have enabled us to gain meaningful market share by offering a comprehensive range of innovative products and quality services, as well as increasing the scale of our already strong franchise in the country.

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



Tan Sri Dato' Azman Hashim (left) receiving the Rating Agency Malaysia (RAM) 'Malaysian Top Lead Manager 2004 (Corporate Sukuk Market)' Special Merit Award from the Deputy Prime Minister, YB Datuk Seri Najib Abdul Razak.

Balance Sheet Growth

As a result of the transformation of the Group's finance company into a full-fledged commercial bank in June 2005 with a nationwide network of 170 branches and 233 ATMs, we are beginning to strengthen our balance sheet. During the year:

- Total assets increased by RM10.1 billion or 16.3% to RM72.3 billion, firmly consolidating the Group's position as the fifth largest banking group in the country.
- Total customer deposits mobilised rose by 13.0% or RM4.5 billion to RM38.9 billion as at March 2006.
- Net loans and advances expanded by 11.9% or RM4.8 billion to RM44.9 billion, the first time the Group has achieved double digit loans growth since the Asian financial crisis. The loans growth was mainly driven by higher disbursements of hire-purchase, residential mortgages and credit card financing.

(L-R): Mr Cheah Tek Kuang (Group Managing Director, AmBank Group), YBhg Dato' Azlan Hashim (Deputy Chairman, AmBank Group), Mr Michael Hawker (Chief Executive Officer, Insurance Australia Group), and Mr James Strong (Chairman, Insurance Australia Group) during the signing ceremony between Insurance Australia Group and AmAssurance.

- Loans to the SMEs registered an increase of RM1.3 billion to constitute 10.0% of the Group's total loans portfolio.
- Overall capital adequacy ratio improved to 13.94% with a Tier-1 capital ratio of 9.96%. With total risk weighted assets standing at RM54.63 billion, the capital funds are sufficient to support further asset growth of RM41.20 billion.
- Total shareholders' funds stood at RM5.03 billion, whilst capital funds, inclusive of subordinated debt, rose to RM7.62 billion.

Improving Asset Quality

The Group's net non-performing loans (NPL) ratio, based on a three-month classification registered a sharp decline to 9.6% as at end-March 2006, compared to 13.8% a year ago.



The intensified recovery efforts under a centralised Group Rehabilitation Unit to restructure the corporate loans that were extended prior to the Asian financial crisis, the implementation of a centralised Retail Collections system coupled with the improved economic environment, have all contributed to a decline in the overall level of NPLs. The loan loss coverage has also improved from 32.2% to 36.7% as at end March 2006.

Lower Funding Costs

The Group's total low cost deposits, comprising savings and demand deposits, rose by RM285.3 million to RM4.5 billion. Although we are increasing the number of retail and corporate current accounts, our progress in securing low cost funding is lagging our target, and therefore has yet to have a significant impact on reducing our cost of funding. We are hopeful that the pace of acquiring such funding sources will pick up significantly in the current financial year as the Group intensifies its marketing campaigns. Another key initiative to widen the Group's access to low cost funding is the launch of its cash management services in March 2006.

Customer Service

The importance of excellent customer service in an intensely competitive financial services industry is the key to the AmBank Group staying ahead of the competition. The Group continues to commit significant resources in its pursuit to improve standards of customer service.

Starting with the Customer F.I.R.S.T campaign, AmBank has now established a separate Service Quality Improvement Unit, which is deploying the Six Sigma methodology to improve customer service at the branches and other business operations.

Consolidating Our Market Position

AmInvestment Group

Rising interest rates and lower trading volumes periodically affected activities in the capital markets. Despite these challenges, with a disciplined approach to managing expenses, risk and capital, the investment banking group achieved a net profit after tax of RM247.3 million, a 22.5% increase over the previous year, surpassing the profit forecast of RM240.8 million as set out in its initial public offering prospectus.

Good performance does not go unnoticed. Our emphasis on research and development and culture of innovation has once again enabled the Group to play an instrumental role in the development of the real estate investment trust industry, garnering top accolades for being a pioneer and the dominant player in 2005.

Retail and Commercial Banking

During the financial year 2006, total retail loans expanded by nearly 17.9% or RM4.9 billion to RM32.0 billion. The Group remains the dominant hire-purchase financier in Malaysia with a hire purchase portfolio totaling RM23.1 billion, translating into a market share about 23.0%. The Group's mortgage business continues to expand to RM9.8 billion, whilst the credit cards-in-circulation have risen

to 446,000. The target of half a million cards in circulation is now within reach. During the year, the Bank launched the AmBank-RealRewards MasterCard, AmBank-RealRewards 2006 FIFA World Cup MasterCard, AmBank Platinum Card and AmBank Imagine Visa Card.

This rapid expansion in retail lending activities was made possible through the use of technology, the credit scoring models and the improvements in processes and procedures as customers continue to demand reductions in response times.

Taking advantage of the liberalisation of the exchange control regulations, the Group is capitalising on its entrenched franchise in investment and retail banking to introduce foreign currency products, innovative unit trust funds, private equity funds and real estate investment trusts.

Insurance

We have also moved up the ranks in the insurance industry due to the 10.9% growth in new insurance premiums to RM653.9 million. In the general insurance industry, AmAssurance is ranked fifth, whilst in the life insurance industry, it is ranked eighth with a market share of 4.0%.

Considerable effort is also being made to implement the two-pronged strategy to expand our insurance business: product bundling of life and general insurance products to be sold to retail and corporate customers; and expansion of the agency network.

The strategic alliance with the Insurance Australia Group Limited, the largest insurance company in Australia, provides an opportunity for AmAssurance to further consolidate its position in the industry by leveraging on their expertise and skills.

Into a New World Order

The persistently high commodity and energy prices will continue to fuel economic uncertainties in the global economy. Therefore, we foresee that the coming twelve months will remain very challenging for the banking industry. Nevertheless, we are confident that with our culture of innovation and prudent risk management, we should be able to forge ahead in these challenging times.

The Group is also preparing itself to compete with foreign financial institutions in view of the impending liberalisation of the financial services industry. The Group believes that it has an entrenched leadership position in various customer and product segments, extensive market experience and expertise, effective leadership, and considerable brand equity to mount an effective challenge to the entry of foreign competition.

In addition to the developments in the domestic markets, the Group has also implemented strategies to enhance the Group's regional operations, namely in Singapore and Indonesia, to strengthen its footprint in the region. We are finalising the

The Group continues to commit significant resources, in its pursuit of international standards of customer service.



(L-R): Tan Sri Dato' Azman Hashim (Chairman, AmBank Group), Encik Mohamed Azmi Mahmood (Managing Director, Retail Banking, AmBank (M) Berhad), Mr Jim Cheah (MasterCard International Vice President and Senior Country Manager, Malaysia and Brunei), and Perry Ong (General Manager, Card Services and LOC Department, AmBank (M) Berhad) launching the AmBank Platinum MasterCard.

acquisition of the remaining 51.0% equity interest in the Singaporean stockbroking operations of Fraser Securities, and also raising our equity stake in PT AmCapital Indonesia to 99%. The expansion will provide additional competitive advantages in terms of regional diversity and expanded reach in competing with the regional and global competitors.

Serving the Community

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

Our Priorities in Financial Year 2007

Although the economic environment going forward is very different, with moderating GDP growth and rising interest rates, we remain focused in FY2007 on achieving targets that are similar to that set in the previous financial year, namely, to improve:

- The return on equity and return on assets;
- The overall asset quality and reduce the non-performing loan ratio;
- The overall productivity and efficiency as measured by the overheads to income ratio; and
- The cost of funding by mobilising more demand and savings deposits from retail, corporate and institutional clients.

We will continue to improve our core competencies while looking for opportunities to take advantage of market trends and introduce innovative products to suit our customers' financial needs in these prevailing market conditions.



Mr Cheah Tek Kuang, Group Managing Director, AmBank Group (left) receives the "Most Innovative Islamic Financial Products" award from Minister of Finance II, YB Tan Sri Nor Mohamed Yacoop (right).

Lending a helping hand to those in need have always been the Group's tradition. Throughout the financial year, the Group contributed unreservedly toward the charitable, education, cultural health and sports organisations mission to be caring corporate citizen.

A Word of Appreciation

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

I would also like to take this opportunity to convey my heartfelt gratitude to two of the Company's directors who retired during the year: Y Bhg Prof Tan Sri Dato' Dr Rashdan Haji Baba who has served the Board for close to a decade; and Y Bhg Tan Sri Dato' Lim Kok Wing who was appointed to the Board two years ago. Their contributions to the Group's progress are greatly appreciated.

I thank all of you for helping to make this year a success. As we set our course for the future, we remain excited about the opportunities and challenges ahead, and are optimistic about our prospects for growth.

Yours sincerely,

Tan Sri Dato' Azman Hashim
Non-Executive Chairman

Kuala Lumpur
30 June 2006

Our Philosophy



The strategies we follow and the actions we take are all aligned to value creation for all our stakeholders.

The AmBank Way

A Culture of Excellence and Professionalism

Customer Priority

Our clients are our reason for existence. We are committed to them and we will strive to provide outstanding service to all our customers.

Integrity

Integrity and honesty are paramount in everything we do when we conduct our business. We will treat all our business partners and competitors with unwavering grace and honour.

Speed and Creativity

We strive to be fearless, responsive and nimble in our approach to doing business. We are not afraid to pioneer new ideas and approaches.

Quality

Any output or deliverable we produce serves to represent the AmBank Group. We know we must never compromise on what we need to do to preserve the reputation of the Group.

Initiative

We are empowered to take responsibility for what we do, going the extra mile and applying sound judgement in the process.

Vision and Goal-Orientation

We are a winning team. Our victories and goals are achieved through a strong sense of purpose, ownership and commitment.

Teamwork

Teamwork is the essence of our success. We willingly come together in formal and informal teams, valuing our colleagues and cooperating wholeheartedly with them.

Open-Mindedness

The spirit of open communication is important to us. We will give and receive criticism constructively. We will always treat each other with respect and good humour.

Self-Realisation

We will coach, develop and mould our people to allow them to realise their highest potential. We will facilitate their ability to meaningfully contribute to the AmBank Group.

History and Recent Corporate Developments

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.



Our Early History

Tracing our early history, Arab-Malaysian Development Bank Berhad (AMDB) was incorporated on 5 August 1975 as a joint venture between Malaysian Industrial Development Finance Berhad (55.0%), 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, with a staff of four, occupying one floor at the Hong Leong Building in Jalan Bandar, Kuala Lumpur. Today, we have grown into a Group with a staff strength of 9,280.

Two years later in 1978 we moved to Bangunan Dato' Zainal in Jalan Melaka, where we soon occupied six floors. Our next big move was in 1986, when we relocated to our present corporate headquarters in Jalan Raja Chulan.

Tan Sri Dato' Azman Hashim, with whom the Group has been synonymous, first emerged as a major shareholder in AMDB, when he purchased the 55% shareholding held by MIDF on 22 April 1982, and later in the year the remaining shareholding held by the Arabs.

The Bank changed its name in December 1983 to Arab-Malaysian Merchant Bank Berhad (AMMB), a name by which we were known for nearly three decades until our recent rebranding in June 2002.

What's unique about us is that we're the only banking group that has its roots as a merchant bank. In line with our aspirations to provide a full range of financial services to our customers, we have over the years either acquired the necessary operations or established subsidiary companies to provide the services. However, the missing piece was always the commercial banking licence.

Since the Malaysian banking legislation does not permit a merchant bank from holding a commercial banking subsidiary, AMMB completed a major restructuring exercise in 1992, with AMMB Holdings Berhad emerging as the holding company of the Group.

Only then, were we able to fulfil our ambitions on 1 August 1994, with the establishment of AmBank Berhad to acquire the commercial banking branch operations of Bank of America Asia (HK) Limited in Malaysia, operating under the name of Security Pacific Asian Bank.

Our next major expansion came with the acquisition of the finance company operations of MBf Finance Berhad in June 2002, and together with this, the Group undertook a major rebranding exercise, adopting the vibrant red and yellow colours, and changing our name to "AmBank Group".

Our history over the first two decades was filled with a string of "Firsts", as we blazed the trail of innovation, and introduced new products and services to meet the diverse needs of our customers.

Although the last Asian crisis in 1998 impacted many of the corporations in Malaysia, including the AmBank Group, we have now emerged as a much stronger institution. We have reorganised and streamlined our business operations into investment banking, retail and commercial banking, Islamic banking and the insurance business. We have also strengthened our processes, procedures and risk management standards. Having consolidated our position in the Malaysian financial services industry, we have now set our sights on regional expansion.

In 1994, we unveiled our corporate promise "**Together, We Can Do Anything**", an affirmation that we are committed to providing innovative solutions for our customers. However, in today's competitive environment, as customer service has become the key enabler for success, our corporate promise too has evolved to "**Customer F.I.R.S.T**". This is our promise, that YOU, our Customer is at the centre of everything we do.

Today, with our extensive nationwide branch network, ATMs, and internet banking services, we can truly say that the AmBank Group, as the fifth largest financial services group in the country, is only a phone call or a click away.



- 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.

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).

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

1982

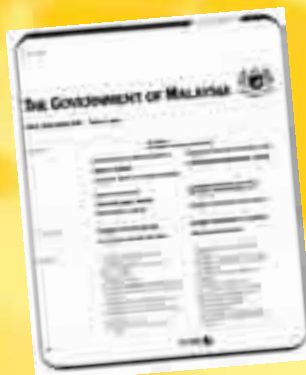
- Tan Sri Dato' Azman Hashim acquired 100.0% shareholding in the Group.

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.

1980

- AMMB co-lead managed the US\$200.0 million, 12-Year Syndicated Term Loan for the Government of Malaysia.
- AMMB initiated the formation of Malaysian 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.





1987

- On 22 January 1987, AMMB launched the first unit trust to invest 90.0% in Malaysian Government securities, called the Arab-Malaysian Gilts to provide tax-exempt income to individual investors on their short term funds.
- In July 1987, AMMB launched the AMIGOS (Arab-Malaysian Individuals' Government Securities) programme to enable retail investors to invest in government securities.
- AMMB sponsored the establishment of The Malaysia Fund Inc, a closed-end investment fund listed on the New York Stock Exchange, to invest in equities of Malaysian companies listed on the KLSE. The Malaysia Fund raised US\$87.0 million.

- AMMB completed its Government assigned study on the privatisation of Jabatan Telekom.
- In 1984, the Group acquired Arab-Malaysian Insurance Berhad (AMIB), a general insurance company formerly known as Teguh Insurance Company Sdn Bhd.

1985

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

1986

- The Group acquired a stockbroking firm, Kris Securities Sdn Bhd, now known as AmSecurities Sdn Bhd.
- The Group relocated to its corporate headquarters in 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.





1988

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

1989

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



1990

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

1991

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



1992

- AMMB Holdings Berhad (AHB) won the Asian Management Award for Financial Management from Asian Institute of Management.

1993

- AMMB launched Tabung Ittikal Arab-Malaysian, the first Islamic Unit Trust Fund on 12 January 1993.
- AMMB was Co-Manager of General Electric Corporation's US\$300.0 million Dragon Bonds Issue.
- AMMB acted as Manager and Arranger for the RM240.0 million Syndicated Credit Facility for construction of Menara Kuala Lumpur.

1994

- On 1 August 2004, the Group ventured into commercial banking with the acquisition of the Malaysian operations of Security Pacific Asian Bank Limited from Bank of America (Asia) Limited. Commencement of commercial banking operations under Arab-Malaysian Bank Berhad.





1995

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

1996

- AMMB Holding Berhad's annual report won the 'Overall Award for the Most Outstanding Annual Report' for six consecutive years from 1991 to 1996 in the NACRA competition
- Macquarie Bank Limited, Australia acquired 30.0% shareholding in AMMB Futures Sdn Bhd.
- Transferred the portfolio funds management business of AMMB into a separate subsidiary company, AMMB Asset Management Sdn Bhd.

- Macquarie Bank Limited, Australia acquired 30.0% shareholding in AMMB Assets Management Sdn Bhd and Arab-Malaysian Unit Trust Berhad.
- The 1996 Far Eastern Economic Review Survey of Asia's 200 Leading Companies ranked AMMB first in the overall category of "Innovative in Responding to Customer Needs" and third in terms of "Overall Leadership".

1997

- Visa International awarded the AmBank Al-Taslim VISA Card the "1996 Member Excellence Award for the Most Creative Card Programme in Asia".
- AMMB Securities (HK) Limited commenced stock broking operations in Hong Kong.
- The Group's website was awarded the 'Internet Website of the Year' for 1997 by the Association of Computer Industry Malaysia (PIKOM).



1998

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

2000

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



"Our success is not based on any one product, but is based on the ability to deliver a full-service capability."

– Tan Sri Dato' Azman Hashim
Chairman, AmBank Group

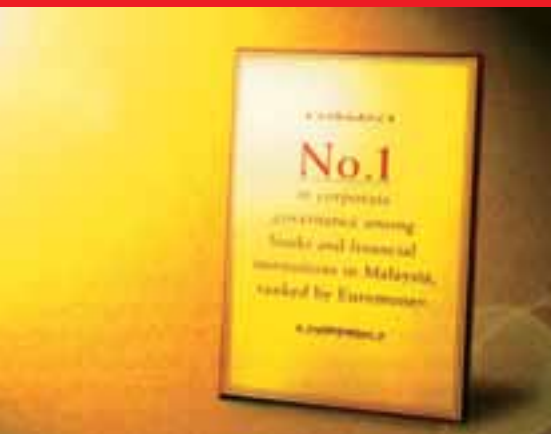


2001

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

2002

- Merger of Arab-Malaysian Finance Berhad and MBf Finance Berhad, following the vesting of the assets and liabilities of AMFB into MBf Finance Berhad. MBf Finance Berhad changed its name to AmFinance Berhad. AMFB was converted into a holding company.



- Re-branding and changing of the name from “Arab-Malaysian Banking Group” to “AmBank Group” with new Group corporate colours of vibrant red, representing prosperity and good fortune and bright yellow symbolising commitment and unity – reflect our new corporate identity and herald the transformation towards a more customer-centric organisation.

2003

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

2005

- Completed privatisation of AMFB Holdings Berhad.
- Listed AmInvestment Group Berhad on Bursa Malaysia on 18 May 2005, the Group’s investment banking operations.

- On 1 June 2005 the merger of AmBank and AmFinance took place to create AmBank (M) Berhad, the sixth largest domestic bank in the country.

2006

- In January 2006, AmPrivate Equity, a private equity fund, was launched.
- On 10 March 2006 Insurance Australia Group Limited, Australia acquires 30.0% shareholding in AmAssurance Berhad.
- On 16 February 2006, AIGB and ARA Asset Management (Malaysia) Limited (ARA) entered into a joint venture to manage a Real Estate Investment Trust.
- On 20 April 2006, Am ARA REIT Managers Sdn Bhd was incorporated with AIGB holding 70.0% equity and ARA 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 into a separate subsidiary company.



Service Quality Improvement



In today's fast evolving business environment, companies that wish to progress ahead of others must have a competitive edge. At the AmBank Group, we reaffirm that our competitive edge comes from improving our service delivery standards.



CUSTOMER F.I.R.S.T. Friendly, Innovative, Responsive, Simple and Trustworthy, these are the values that the Group is embracing to achieve excellence in customer service delivery standards. This is more so in an environment of increasing customer awareness, products and services transparency, and the growing maturity of the financial services industry.

In an effort to cultivate and reinforce these values and the desired attitude in customer service by front-line staff, the Group had implemented a number of related programmes that include our client charter, group-wide customer management initiatives, training, complaint management system, contests as well as internal and external customer campaigns.

The Customer Care Unit was set up in May 2005 with the objective of providing quick resolution to customer complaints by ensuring centralised management of complaints with respect to the banking services provided by Retail Banking Division. The role was later expanded to address the root cause of the problems faced by customers by improving the business processes at the business units.

Accordingly, the Unit was renamed "Service & Quality Improvement" (SQI) on 6 December 2005, with the mission statement **"To Position AmBank as the No. 1 Customer Service Provider in the Banking Industry"**.

Functions of Service and Quality Improvement Department

Service & Quality Management

- To centrally track and manage all complaints and feedback.

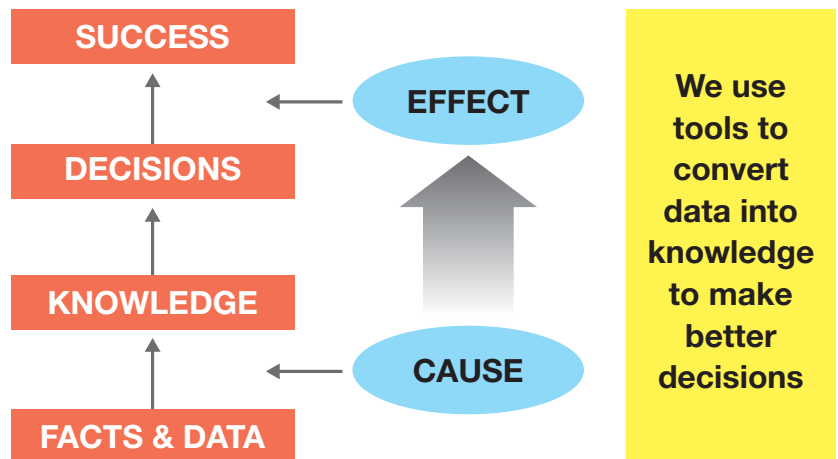
Projects & Consulting

- To continuously identify and implement Six Sigma projects to improve process efficiencies.

Continuous Improvement

- To develop and customise Six Sigma curriculum for AmBank Retail Banking;
- To promote and provide Six Sigma training; and
- To initiate and implement continuous improvement programmes such as Kaizen and Customer Service campaigns.

Knowledge Based Management



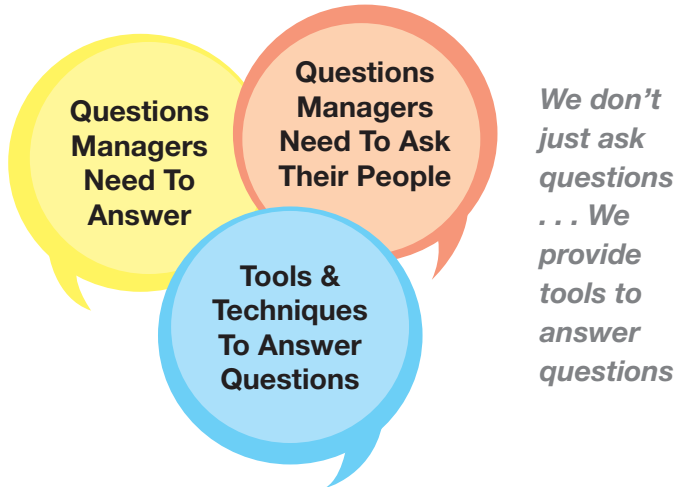
We use tools to convert data into knowledge to make better decisions

In line with this vision, the Retail Banking Division has embarked on a two-year journey to inculcate a culture of quality and innovation throughout the Bank, using the Six Sigma methodology, a structured, data-driven approach for continuous improvement. The objective is to improve customer satisfaction, eliminate waste, reduce costs and increase profits.

As a first step, we have started to train a project team in the tools and methodology of Six Sigma, whilst executing well-structured projects, to have a significant impact on customer service. Among the key projects initiated were:

- SMILE, a project to increase the friendliness of the front-line staff at branches.
- Queue Improvement project to reduce customer waiting time for counter transactions at branches. We continue to measure and monitor the achievement of customer service delivery for the core banking transactions.
- Customer Service Campaign (Phase 1), involving 31 branches to measure the overall branch performance on customer service

Questions We are Asking to Improve Productivity



via feedback through questionnaires sent to customers and the customer satisfaction index.

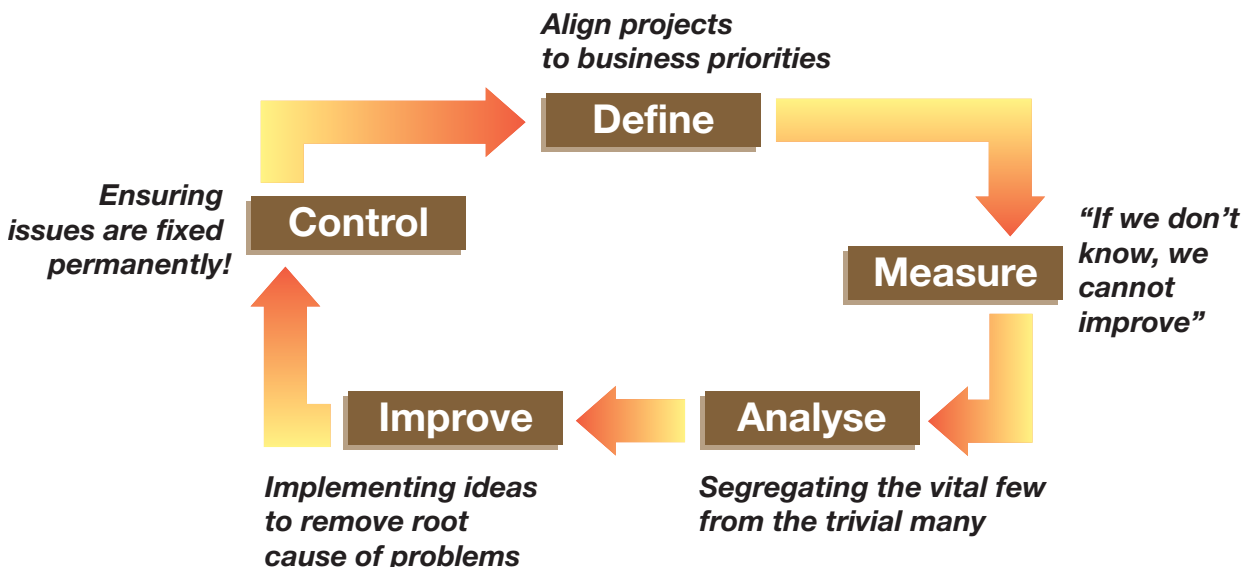
The principle on which Six Sigma practices the application of tools and techniques is most commonly known by the acronym of DMAIC – Define, Measure, Analyse, Improve and Control – the project steps in process improvement.

A Quality Council, chaired by the Managing Director of Retail Banking and comprising all Heads of

Department, has been established to oversee matters related with implementation and development of policies with regards to overall management of Six Sigma. The Council meets monthly to review the company-wide implementation progress, establish project selection criteria, and review the progress of the deployment.

With the deployment of Six Sigma, the Bank is evolving to put the customer at the centre of our organisation, and ensuring that everything we do is to improve customer satisfaction.

DMAIC: Problem Solving Approach



Corporate Structure

Subsidiaries and Associated Companies

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

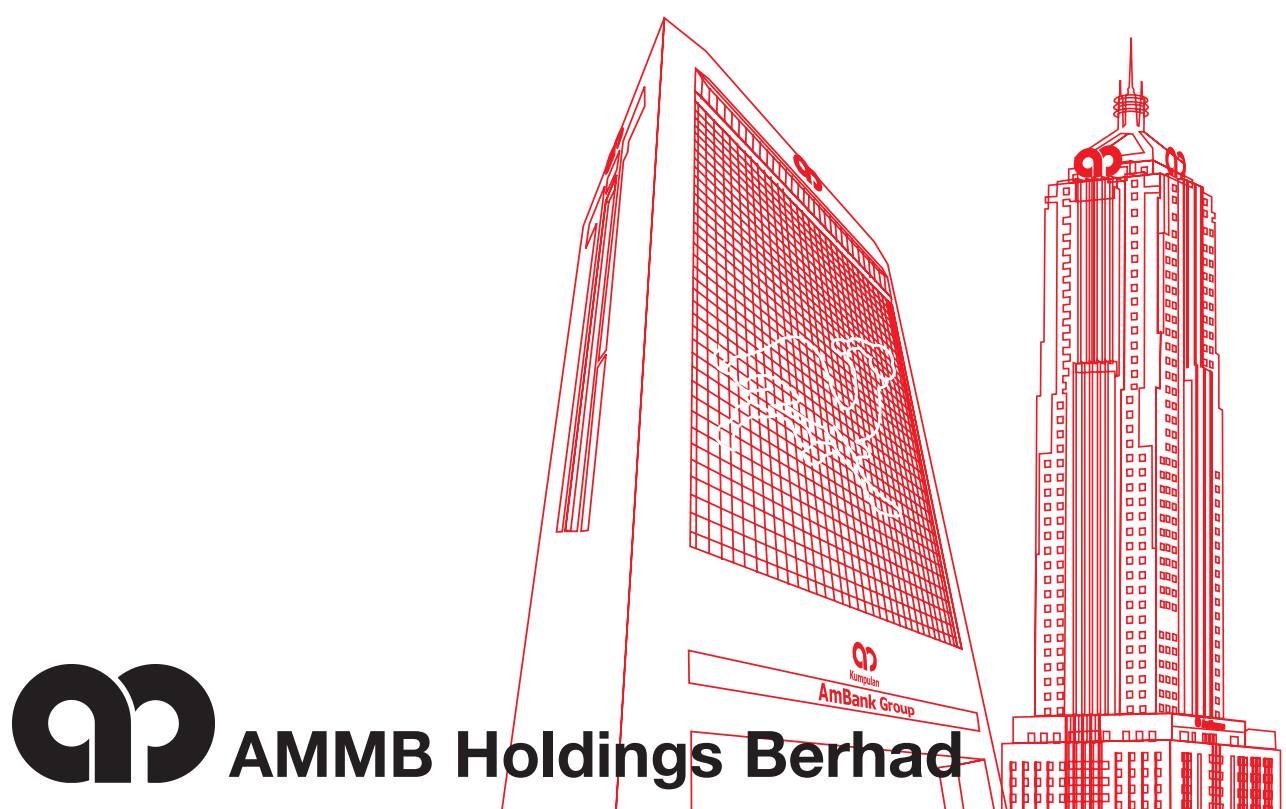
Companies	Effective Shareholdings (%)
Investment Banking	
AmInvestment Group Berhad	51.00
AmMerchant Bank Berhad	51.00
AmInternational (L) Ltd	51.00
Broking	
AmSecurities Holding Sdn Bhd	51.00
AmSecurities Sdn Bhd	51.00
AmFutures Sdn Bhd	51.00
AmResearch Sdn Bhd	51.00
AmEquities Sdn Bhd	51.00
AmPrivate Equity Sdn Bhd	40.80
PT AmCapital Indonesia	42.36
Funds Management	
AmInvestment Services Berhad	51.00
AmInvestment Management Sdn Bhd	51.00
Malaysian Ventures Management Incorporated Sdn Bhd	40.80
AMMB Consultant Sdn Bhd	51.00
Real Estate Investment Trust Management	
AmProperty Trust Management Berhad	51.00
Am ARA REIT Holdings Sdn Bhd	35.70
Am ARA REIT Managers Sdn Bhd	35.70
Trustee and Custodian Services	
AmTrustee Berhad	60.40
AMMB Nominees (Tempatan) Sdn Bhd	51.00
AMMB Nominees (Asing) Sdn Bhd	51.00
AMSEC Nominees (Tempatan) Sdn Bhd	51.00
AMSEC Nominees (Asing) Sdn Bhd	51.00
AM Nominees (Tempatan) Sdn Bhd	51.00
AM Nominees (Asing) Sdn Bhd	51.00
South Johor Securities Nominees (Tempatan) Sdn Bhd	51.00
Associated Companies – Singapore	
Fraser International Pte Ltd	24.99
Fraser Securities Pte Ltd	24.99
Fraser Financial Planners Pte Ltd	24.99
Fraser-AMMB Research Pte Ltd	24.99
Fraser Financial Services Pte Ltd	24.99
Fraser Nominees (Private) Limited	24.99

Companies	Effective Shareholdings (%)
Commercial & Retail Banking	
AmBank (M) Berhad	100.00
AmIslamic Bank Berhad*	100.00
AMBB Capital (L) Ltd	100.00
Arab-Malaysian Credit Berhad	100.00
AmTrade Services Limited	100.00
Life and General Insurance	
AmAssurance Berhad	70.00
Others	
AMFB Holdings Berhad	100.00
AmProperty Holdings Sdn Bhd	100.00
Bougainvillea Development Sdn Bhd	100.00
MBf Trustees Berhad	60.00
MBf Information Services Sdn Bhd	100.00
Dormant	
MBf Equity Partners Sdn Bhd	100.00
Natprop Sdn Bhd	100.00
AMCB Mezzanine Sdn Bhd	100.00
AMMB Factors Sdn Bhd	100.00
Annling Sdn Bhd	100.00
Crystal Land Sdn Bhd	80.00
Everflow Credit & Leasing Corporation Sdn Bhd	100.00
AmCredit & Leasing Corporation Sdn Bhd	100.00
Komuda Credit & Leasing Sdn Bhd	100.00
Lekir Development Sdn Bhd	100.00
Li & Ho Sdn Bhd	100.00
Malco Properties Sdn Bhd	51.00
MBf Nominees (Asing) Sdn Bhd	100.00
MBf Nominees (Tempatan) Sdn Bhd	100.00
Teras Oak Pembangunan Sdn Bhd	100.00
Arab-Malaysian Services Berhad	70.00
AmManagement Services Sdn Bhd	100.00
AmSecurities (HK) Limited	51.00
AMMB Labuan (L) Ltd	51.00
AMMB Properties Sdn Bhd	51.00
Malaysian Ventures Sdn Bhd [^]	13.98
Malaysian Ventures (Two) Sdn Bhd [^]	17.68
South Johor Securities Nominees (Asing) Sdn Bhd	51.00

* formerly known as AMBB Capital Berhad and prior to that, known as AmBank Berhad.
[^] under members' voluntary liquidation.

Organisation Structure

Principal Businesses



AmInvestment Group Berhad

Investment Banking
Debt Capital Markets
Islamic Capital Markets
Treasury
Corporate Advisory
Equity Capital Markets
Equity Derivatives
Private Banking
Offshore Banking
Funds Management
Private Equity
Real Estate Investment Trusts
Stockbroking
Futures Broking
Research
Trustee Services

AmBank (M) Berhad

Business Banking Services

Commercial Banking
SME Financing
Trade Finance
Factoring
Cash Management
Treasury

Retail Banking Services

Hire Purchase
Mortgages
Credit Cards
Deposits
Remittance Services
Share Financing
Bancassurance

AmIslamic Bank Berhad

Commercial Financing-i
SME Financing-i
Trade Finance-i
Hire Purchase-i
Home Financing-i
Personal Financing-i
Share Financing-i
Al-Tasrif Credit Card-i
Deposits-i
Islamic Treasury Products

AmAssurance Berhad

Life Insurance
General Insurance

Board of Directors

Y Bhg Tan Sri Dato' Azman Hashim

Non-Independent Non-Executive Chairman

Y Bhg Dato' Azlan Hashim

Non-Independent Non-Executive Deputy Chairman

Y A Bhg Tun Mohammed Hanif Omar

Senior Independent Non-Executive Director

Y Bhg Tan Sri Datuk Dr Aris Othman

Independent Non-Executive Director

Y Bhg Tan Sri Datuk Clifford Francis Herbert

Independent Non-Executive Director

Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain

Independent Non-Executive Director

Y Bhg Dato' Izham Mahmud

Independent Non-Executive Director

Mr Cheah Tek Kuang

Group Managing Director

Mr Soo Kim Wai

Non-Independent Non-Executive Director

Puan Shalina Azman

Non-Independent Non-Executive Director



Group Company Secretary

Ravindra Kumar Thambimuthu
LL B (Melbourne)
LL B (Hons)
LL M (London)
Dip Air & Space Law (London)

ravindra-kumar@ambg.com.my

Corporate Information

Registered Office

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

Registrar

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

Auditors

Messrs Ernst & Young
Chartered Accountants

Principal Banker

AmBank (M) Berhad

Stock Exchange Listing

Main Board of Bursa Malaysia
Securities Berhad (13.02.92)

Website

ambg.com.my

Please e-mail your comments and enquiries to:
gpa@ambg.com.my

FRIENDLINESS



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

C u s t o m e r | F . I . R . S . T



Profile of Directors

Y Bhg Tan Sri Dato' Azman Hashim

Non-Independent Non-Executive Chairman

Y Bhg Tan Sri Dato' Azman Hashim, a Malaysian, aged 67 was appointed to the Board on 15 August 1991 and has been the Chairman of AMMB Holdings Berhad since 1991. He is the Non-Executive Chairman of the Company. He currently serves as a member of the Company's Nomination Committee.

He also sits as Chairman of the Board of several subsidiaries of AMMB Holdings Berhad, namely AmInvestment Group Berhad, AMFB Holdings Berhad, AmBank (M) Berhad, AmMerchant Bank Berhad, AmIslamic Bank Berhad (formerly known as AMBB Capital Berhad, formerly known as AmBank Berhad), AmProperty Trust Management Berhad and AmAssurance Berhad.

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

Tan Sri Dato' Azman is the Executive Chairman of AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad) and Chairman of AMDB Berhad, RCE Capital Berhad, Malaysian South-South Corporation Berhad, and MCM Technologies Berhad. He serves as a member on the Board of Pembangunan MasMelayu Berhad. Tan Sri Dato' Azman is also involved in several charitable organisations as Chairman of AmGroup Foundation and Perdana Leadership Foundation, and trustee for ECM Libra Foundation, Better Malaysia Foundation and the Malaysian Liver Foundation.

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





Y Bhg Dato' Azlan Hashim

Non-Independent Non-Executive Deputy Chairman

Y Bhg Dato' Azlan Hashim, a Malaysian, aged 64, joined the Board on 12 February 1992 and has been the Deputy Chairman of AMMB Holdings Berhad since 1992. He is the Chairman of the Group Information Technology Committee and a member of the Company's Nomination, Audit and Examination, and Remuneration Committees.

He is also the Deputy Chairman of AmProperty Trust Management Berhad, and sits as the Chairman of the Board of AmSecurities Sdn Bhd and AmInternational (L) Ltd.

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 and Co., and was a Senior Partner there prior to joining the AMDB Berhad's Board in 1982.

Dato' Azlan is currently the Executive Vice-Chairman of AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad). He also serves on the Board of AMDB Berhad, Metrod (M) Berhad, Paramount Corporation Berhad, Sapura Industrial Berhad, Kesas Holdings Berhad, Kumpulan Perangsang Selangor Berhad, Syarikat Permodalan & Perusahaan Selangor Berhad and Global Carriers Berhad. He is a Trustee of AmGroup Foundation.

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

Y A Bhg Tun Mohammed Hanif Omar

Senior Independent Non-Executive Director

Y A Bhg Tun Mohammed Hanif Omar, a Malaysian, aged 67, was appointed to the Board of Directors on 6 May 1994. He is also a Board member of AMMB Holdings Berhad's subsidiaries namely AMFB Holdings Berhad, AmBank (M) Berhad and AmIslamic Bank Berhad (formerly known as AMBB Capital Berhad, formerly known as AmBank Berhad).

He was the Inspector General of the Malaysian Police for 20 years until his retirement in January 1994. Tun Mohammed Hanif is also currently the Chairman of General Corporation Berhad, Deputy Chairman of Genting Berhad and Resorts World Berhad, and a Director of Fullmark Manufacturing Berhad. He has been the President of the Malaysian Institute of Management since 2002.

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



Y Bhg Tan Sri Datuk Dr Aris Othman

Independent Non-Executive Director

Y Bhg Tan Sri Datuk Dr Aris Othman, a Malaysian, aged 61, was appointed to the Board of Directors on 1 April 2004. He is the Chairman of the Company's Audit and Examination, and Nomination Committees.

Tan Sri Datuk Dr Aris is also a Board member of AMMB Holdings Berhad's subsidiaries namely, AmInvestment Group Berhad and AmMerchant Bank Berhad. He is also a Director of YTL Power International Berhad.

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

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

Y Bhg Tan Sri Datuk Clifford Francis Herbert

Independent Non-Executive Director

Y Bhg Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 64, was appointed to the Board of AMMB Holdings Berhad on 16 April 2004. He is also a member of the Company's Nomination Committee.

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

Tan Sri Datuk Clifford is currently the Chairman of Percetakan Nasional Malaysia Berhad and a Board member of Resorts World Berhad, AmInvestment Group Berhad, AmMerchant Bank Berhad, AmBank (M) Berhad and AmIslamic Bank Berhad (formerly known as AMBB Capital Berhad, formerly known as AmBank Berhad). Additionally, Tan Sri Datuk Clifford is also involved in several charitable organisations.

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



Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain

Independent Non-Executive Director

Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain, a Malaysian, aged 62, joined the Board of Directors on 16 April 2004.

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

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

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



Y Bhg Dato' Izham Mahmud

Independent Non-Executive Director

Y Bhg Dato' Izham Mahmud, a Malaysian, aged 65, was appointed to the Board of Directors of the Company on 16 October 2003. He is the Chairman of the Remuneration Committee and a member of the Company's Audit and Examination, and Nomination Committees.

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

He is currently the Executive Chairman of Delcom Services Sdn Bhd group of companies. His current directorships in public companies include AmInvestment Group Berhad, AmMerchant Bank Berhad, Pearl Island Country Club Berhad, CNLT (Far East) Berhad, and Opus International Group plc (formerly known as Kinta Kellas Public Limited Company).

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



Mr Cheah Tek Kuang

Group Managing Director

Mr Cheah Tek Kuang, a Malaysian, aged 59, was appointed to the Board on 14 January 1994 and he is currently the Group Managing Director of AMMB Holdings Berhad. He is also a member of the Group Information Technology Committee.

He joined AmMerchant Bank Berhad in 1978 and served in various senior positions in the Bank. In 1994, he was promoted to Managing Director, and he became the Group Managing Director of AmMerchant Bank Berhad from January 2002 to December 2004 before assuming the office of Group Managing Director in AMMB Holdings Berhad. He remains as a Non-Independent Non-Executive Director of AmMerchant Bank Berhad.

His directorships in other public companies include AmInvestment Group Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad (formerly known as AMBB Capital Berhad, formerly known as AmBank Berhad), AmAssurance Berhad and Cagamas Berhad. He also currently serves on the Board of Employees' Provident Fund, Bursa Malaysia Berhad and is the Alternate Chairman of the Malaysian Investment Banking Association. He is also the Chief Executive Officer of AmBank (M) Berhad.

Mr Cheah has a Bachelor of Economics (Honours) degree from the University of Malaya and is a Fellow of the Institute of Bankers Malaysia.

Mr Soo Kim Wai

Non-Independent Non-Executive Director

Mr Soo Kim Wai, a Malaysian, aged 45, was appointed to the Board of Directors on 4 October 2002. He is also a member of the Company's Remuneration Committee.

He is currently the Managing Director of AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad). He also sits on the Board of RCE Capital Berhad, MCM Technologies Berhad and AmProperty Trust Management Berhad, and hold directorships in other private limited companies.

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

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





Puan Shalina Azman

Non-Independent Non-Executive Director

Puan Shalina Azman, a Malaysian, aged 39, joined the Board of Directors on 16 October 2003

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

She holds a Bachelor of Science in Business Administration majoring in Finance and Economics from Chapman University in California and in 1993 she obtained her Masters in Business Administration from University of Hull in United Kingdom.

Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba

Independent Non-Executive Director (Resigned as Director on 15 December 2005)

Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba, a Malaysian, aged 70, joined the Board of Directors on 22 June 1996. He was the Chairman of the Audit and Examination, and Remuneration Committees, and a member of the Nomination Committee of the Company.

He was also a Board member of AmInvestment Group Berhad, AmMerchant Bank Berhad and AmIslamic Bank Berhad (formerly known as AMBB Capital Berhad, formerly known as AmBank Berhad). Currently, he is a director of AmcorpGroup Berhad (formerly known as Arab-Malaysian Corporation Berhad), Unisem (M) Berhad and Computer System Advisers (M) Berhad.

Previously, Prof Tan Sri Dato' Dr Mohd Rashdan had served as the Executive Chairman of Kumpulan Guthrie Berhad from 1982 to 1987 and Telekom Malaysia Berhad from 1987 to 1995.

Prof Tan Sri Dato' Dr Mohd Rashdan graduated with a BSc from the University of Reading (UK) and later obtained his PhD from the University of Leeds.

Y Bhg Tan Sri Dato' Dr Lim Kok Wing

Independent Non-Executive Director
(Resigned as Director on 13 March 2006)

Y Bhg Tan Sri Dato' Dr Lim Kok Wing, a Malaysian, aged 59, joined the Board on 1 November 2004.

Tan Sri Dato' Dr Lim is currently President of the Malaysian Institute of Directors, Chairman of the Board of Advisors of the Malaysian Footwear Manufacturers Association, Special Advisor to the Branding Association of Malaysia, an Advisor to the National Science Centre, a Fellow of the Institute of Public Relations Malaysia, a Member of the Malaysian Business Council and National Higher Education Council, and Patron of the Malaysian Furniture Entrepreneurs Association.

He is President of the Malaysian World Peace Foundation, Malaysian Content Creation Council, Limkokwing Executive Leadership College, Council for Effective Communications, Malaysian Education Promotion Council, Malaysian-American Society, and Designers and Animators Guild Malaysia & UK, and a former Vice-Chairman of the Malaysian Red Crescent Society. He is Founder President of Limkokwing University College of Creative Technology, Branding & Packaging Design Centre Sdn Bhd, Public Opinion & Perception Research Centre, and Centre for Content Creation.

He is also Director of Multimedia Development Corporation Sdn Bhd and the Malaysian Design Innovation Centre Sdn Bhd.

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

Tan Sri Dato' Azman Hashim and Dato Azlan Hashim are brothers. Puan Shalina Azman is the daughter to Tan Sri Dato' Azman Hashim. Tan Sri Dato' Azman Hashim is the Executive Chairman and a substantial shareholder of AmcorpGroup Berhad, which in turn is a substantial shareholder of AMMB Holdings Berhad. Tan Sri Dato' Azman Hashim is a director of Slan Sdn Bhd and Ginagini Sdn Bhd, which are his family-owned companies. These companies are deemed substantial shareholders of AMMB Holdings Berhad by virtue of their interests in AmcorpGroup Berhad. Dato' Azlan Hashim, Mr Soo Kim Wai and Puan Shalina Azman are the Executive Vice Chairman, Managing Director and Deputy Group Managing Director of AmcorpGroup Berhad respectively.

None of the Directors have been convicted for offences within the past 10 years. None of the Directors have any conflict of interest with the Company other than as announced or set out in Note 37 to Financial Statements under "Significant Related Party Transactions and Balances".



C u s t o m e r F . I . R . S . T

INNOVATION

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

The Management



Cheah Tek Kuang

Group Managing Director
AMMB Holdings Berhad
and
Chief Executive Officer
AmBank (M) Berhad



Mohamed Azmi Mahmood

Managing Director
Retail Banking
AmBank (M) Berhad

Y Bhg Dato' James Lim Cheng Poh

Managing Director
Business Banking
AmBank (M) Berhad



Ng Lian Lu

Chief Executive Officer
AmAssurance Berhad



Kok Tuck Cheong
 Managing Director
 AmMerchant Bank Berhad

Pushpa Rajadurai
 Executive Director
 AmMerchant Bank Berhad

John Tan
 Managing Director
 AmSecurities Sdn Bhd



Mustafa Mohd Nor
 Economic Adviser
 AmInvestment Group Berhad

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

Mahdi Murad
 Executive Director
 Retail Banking
 AmBank (M) Berhad

Ahmad Zaini Othman
 Chief Executive Officer
 AmIslamic Bank Berhad

Kamalul Arifin Othman
 Chief Executive Officer
 AmProperty Trust Management Berhad

Corporate Governance

The Group firmly believes that integrity, excellence and commitment in its people, supported by a sound system of policies, practices and internal controls will help create long-term value for our Shareholders.



BOARD OF DIRECTORS

Principle 1: Board's Conduct of Affairs

Our Shareholders depend on the Company's Board for strategic guidance and oversight of the AmBank Group. The Board recognises its overriding responsibility to act diligently and progressively, in accordance with the law, in serving the interests of Shareholders, as well as its employees, customers and the community at large.

The Board remains fully committed in 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 roles and responsibilities of the Board include:

- Reviewing and approving the strategic business plans of the Group as a whole and that of the individual operating units. This encompasses the annual budget, medium term corporate plan, new investments/divestments as well as mergers and acquisitions.
- Overseeing the conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to credit, 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

There is a clear division between the roles of the Chairman and Group Managing Director. The roles remain separate and 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 their individual contributions with the assistance of the Nomination Committee; and
- Maintaining ongoing dialogues with the Chief Executive Officers of the various major subsidiary companies and providing appropriate mentoring and guidance.

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

The Board monitors the Management and performance of the Group Managing Director on behalf of the Shareholders.

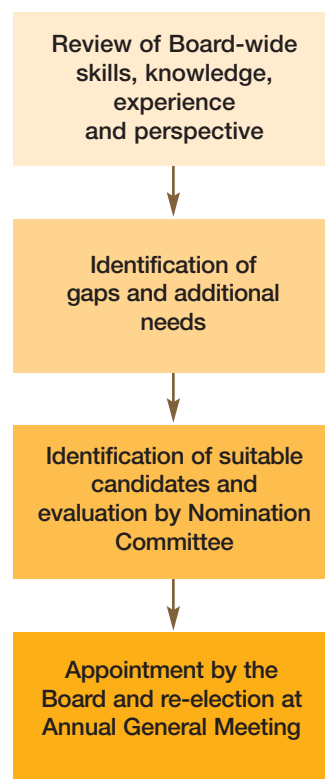
Good corporate governance not only embodies compliance to statutory requirements, but also creates the environment in which fairness, transparency, accountability and responsibility combine to foster integrity and professional conduct at every level of our organisation.

Principle 3: Board Composition, Selection and Appointment

The Board strives to achieve a balance of skills, knowledge, experience and perspective among its Directors.

The Board currently comprises ten (10) Directors of which five (5) are Independent Non-Executive Directors, providing a healthy Board balance.

SELECTION OF DIRECTORS



Appointment and Resignation

Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan bin Haji Baba recently retired as Independent Non-Executive Director of the Company and its various subsidiaries. The Group has been fortunate in having an Independent Director of Prof Tan Sri Rashdan Baba's calibre for almost a decade, who has contributed significantly to the Group's success.

In addition, the Group also extends its gratitude to Y Bhg Tan Sri Lim Kok Wing who had retired after close to two years of service on the Board.

Principle 4: Board Performance

Board Independence

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

The Directors participate fully in decision-making on key issues regarding the Company and its subsidiaries. The views of Independent Non-Executive Directors carry substantial weight in Board decisions. They fulfill their roles in ensuring that strategies proposed by the Management are fully discussed and examined as well as ensuring that the interest of Shareholders and Stakeholders of the Company are properly safeguarded.

Independence

The Board applies the criteria as specified under the Bursa Malaysia Listing Requirements to establish whether or not a Non-Executive Director may have a relationship with the AmBank Group which could (or could be perceived to) affect their decision-making.

Senior Independent Non-Executive Director

In line with the recommendations stipulated in Part 2 of the Code on Corporate Governance, the Board has appointed Y A Bhg Tun Mohammed Hanif bin Omar as the Senior Independent Non-Executive Director to whom any concerns on issues affecting the AMMB Holdings Berhad Group of companies may be conveyed.

Election at Next Annual General Meeting

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

Tenure

The Articles of Association provides that each Director must retire at least once in every three years at the Annual General Meeting, but are eligible for re-election.

Formalisation of Rights, Duties and Obligations

Once a Director is appointed, there are several key elements relating to the formalisation including:

- *Directors Code of Conduct*
This code sets out that Directors will pursue the highest standards of ethical conduct.
- *Director’s Deed*
The Deed covers a number of issues including indemnity, Directors’ and officers’ liability insurance, the right to obtain independent advice and the requirements concerning confidential information.
- *Induction Training*
New Directors take part in a formal induction programme which ensures that Directors meet with the AmBank Group executives and other key staff members and to familiarise themselves with the Group’s governance framework, financial management and business operations.

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

Selected Training Programmes Attended by Directors

Course Title / Trainer	Date Organised
Executive Workshop on Risk Management <i>(Dr Heinz Riehl via IBBM)</i>	18 July 2005
Executive Briefing on New Financial Reporting Standard <i>(Trainers from Ernst & Young)</i>	4 Jan 2006
Executive Workshop on Anti-Money Laundering and Corporate Fraud <i>(Mr Tan Sin Liang)</i>	18 Jan 2006
Executive Briefing on Islamic Banking <i>(Trainers from IIUM)</i>	18 April 2006

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 training courses related to corporate risk, management strategies and developments in the industry.

Performance Evaluation

Performance evaluations are conducted by the Nomination Committee and cover the Board, each Director and the Board Committees.

The framework used to assess the Directors is based on the expectation that they are performing their duties in a manner which should create and continue to build sustainable value for Shareholders and in accordance with duties and obligations imposed upon them under the law and guidelines issued by the regulatory authorities.

Principle 5: Access to Directors

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



Principle 6: Access to Information

All Directors have unrestricted access to information within the Group. The advice and services of the Group Company Secretary are readily available to the Board in matters of law, governance and compliance with statutory duties.

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

obtain professional advice they require to assist them in their work.

Board meetings are held monthly, wherein Board reports are circulated prior to the meetings, allowing the Directors to review further information that may be required. Additional Board meetings are convened whenever necessary. The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled.

Thirteen (13) Board Meetings were held during the FY2006. The attendance of Board members at the meetings of the Board and the various Board Committees is summarised in the Table.

Group Company Secretary

The Group Company Secretary is in attendance at all Board meetings. He has been empowered by the Board to assist the Board in matters of law, governance and in complying with statutory duties, including compliance with the Bursa Malaysia Listing requirements.

Number of Meetings Attended in FY2006

	Board of Directors	Nomination Committee	Remuneration Committee	Audit & Examination Committee
Y Bhg Tan Sri Dato' Azman Hashim	13/13 (Chairman)	1/1* (Member effective 15 December 2005)	N/A	N/A
Y Bhg Dato' Azlan Hashim	13/13	3/3	3/3	4/4
Y A Bhg Tun Mohammed Hanif Omar	12/13	N/A	N/A	N/A
Y Bhg Tan Sri Datuk Dr Aris Osman @ Othman	10/13	1/1* (Member effective 15 December 2005, Committee Chairman)	N/A	4/4 (Committee Chairman)
Y Bhg Tan Sri Datuk Clifford Francis Herbert	13/13	1/1* (Member effective 15 December 2005)	N/A	N/A
Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain	12/13	N/A	N/A	N/A
Y Bhg Dato' Izham Mahmud	13/13	3/3 (Committee Chairman)	3/3	4/4
Mr Cheah Tek Kuang	13/13	N/A	N/A	N/A
Mr Soo Kim Wai	13/13	N/A	2/2* (Member effective 27 September 2005)	N/A
Puan Shalina Azman	11/13	N/A	N/A	N/A
Y Bhg Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba (Resigned on 15 December 2005)	9/10	2/2*	1/1*	3/3*
Y Bhg Tan Sri Dato' Dr Lim Kok Wing (Resigned on 13 March 2006)	4/12	N/A	N/A	N/A

Note:

1. The Risk Management Committee of Directors is established at AmMerchant Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad and AmAssurance Berhad.
2. * Reflects the number of meetings held during the period the Director was appointed.

Principle 7: Board Committees

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

1. Nomination Committee
2. Remuneration Committee
3. Audit & Examination Committee
4. Risk Management Committee

The majority of the members of these four main Committees are independent Directors. Committee performance is reviewed annually. Membership criteria are based on a Director's skills and experience, as well as his ability to add value to the Committee.

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

The Nomination Committee

The Committee is responsible for regularly reviewing the Board's structure, size and composition, as well as making recommendations to the Board on any changes that are deemed necessary. It reviews the performance of the Board, Committees and Directors. It also recommends the appointment of Directors to Committees of the Board as well as annually reviews the mix of skills, experience and competencies that Non-Executive Directors should bring to the Board.

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

Principle 8: Procedures for Developing Remuneration Policies

The Remuneration Committee

All members of the Remuneration Committee are Non-Executive Directors. In carrying out its duties, the Committee met three (3) times during FY2006.

The Committee is responsible for determining and recommending to the Board the framework for the remuneration of Directors and the Chief Executive Officers.

Principle 9: Level and Mix of Remuneration

Directors' Remuneration

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

Principle 10: Risk Management

Risk Management Committee of Directors (RMCD)

As the Company is an investment holding company, the Risk Management Committee of Directors is established as Committees of the Boards of AmBank (M) Berhad, AmMerchant Bank Berhad, AmAssurance Berhad and AmSecurities Sdn Bhd.

The Risk Management Committee comprising of Non-Executive Directors is responsible for the review of risks in all aspects of the Group's business.

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



The Risk Management Committee of Directors held the following number of meetings during FY2006:

Subsidiary	Number of RMCD Meetings Held
AmMerchant Bank Berhad	11
AmBank (M) Berhad	6
AmAssurance Berhad	5
AmSecurities Sdn Bhd	3

Principle 11: Accountability

The Audit and Examination Committee

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

- The Group's financial reporting accounting policies and controls;
- The work of the Group's Internal Audit;
- Compliance with regulatory requirements; and
- The appointment, evaluation and oversight of the external auditor.

It is the Board's policy that at least one member of the Committee shall have accounting/finance experience. The AEC meets regularly with the external auditors and the Group Internal Audit.

During the year, the number of meetings held by the AEC is as follows:

Subsidiary	Number of AEC Meetings Held
AmMerchant Bank Berhad	8
AmBank (M) Berhad	10
AmAssurance Berhad	8
AmSecurities Sdn Bhd	4

Principle 12: Financial Controls

Statement on Internal Control

Responsibility Statement

The Board of Directors is responsible for the Group's system of internal control and its effectiveness, which is designed to ensure effective and efficient operations, internal control, including financial reporting and compliance with laws and regulations.

In establishing and reviewing the system of internal control, the Directors have considered the materiality of relevant risks, the likelihood of such a loss being incurred and the cost of control. Therefore, it follows that the system of internal control can only provide reasonable but not absolute assurance against the risk of material loss.

Management of Information

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

Internal Control Environment and Key Processes

The Group has adopted a co-ordinated and formalised approach to internal control and risk management. The AEC of the Board oversees the Group's financial statements and the work of the Group's Internal Audit Department.

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

Audit and Examination Committee Report

Terms of Reference

The functions of the Committee are as follows:

- To provide assistance and to review and report to the Board in relation to:
 - Fulfilling the statutory and fiduciary responsibilities of the Company/Group; and
 - Monitoring of the accounting and financial reporting practices of the Company/Group;
- To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct and protecting the assets of the Company/Group;
- To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by Management to the Board and Shareholders;
- To review the quarterly results and year-end financial statements of the Company/Group and to ensure compliance with accounting standards and legal requirements;
- To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors;
- To evaluate the adequacy and effectiveness of the Management control systems of the Company/Group through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses and to determine that appropriate corrective actions are being taken by the Management;



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

Summary of Key Activities

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

Internal Audit

- Reviewed and approved the Internal Audit Department's annual audit plan, including its resource and training needs.
- Reviewed the Internal Audit Department's methodology in assessing the risk levels of the various auditable areas and ensured that audit emphasis was given on critical risk areas.
- Monitored the progress of the Internal Audit Department in completing its audit plan and assessed the performance of the Department.
- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas.
- Reviewed reports of the Internal Audit Department (including internal investigations, Bank Negara Malaysia, external auditors and other external parties) and considered Management's response and accordingly directed Management to take the necessary remedial action. The Committee also followed-up on major issues raised in the reports.

External Audit

- Reviewed the appointment of the external auditors and their independence and effectiveness.
- Reviewed their audit plan, annual audit fees and scope of work for audit and non-audit assignments.
- Reviewed the external auditor's results and report as well as the Management's consequent responses to the findings of the external auditors.

Financial Results

- Reviewed the quarterly results and financial statements of the Group before recommending them for approval to the Board of Directors.
- Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for approval.
- Compliance with the following regulations was ensured:
 - Provisions of the Companies Act 1965 and the Banking and Financial Institutions Act 1989
 - The Listing requirements of Bursa Malaysia
 - Applicable accounting standards in Malaysia
 - Other relevant regulatory requirements

Related Party Transactions

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

Principle 13: Internal Audit

Internal Audit Function

The Internal Audit function operates under a charter from the AEC that gives it unrestricted access to review all activities of the Group. The Head of the Group Internal Audit reports to the AEC.

The 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. All audits are conducted in a manner that conforms to international auditing standards.

The audit function covers all major business groups and consists of five (5) main categories of work:

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

Among others, the audit plan covers reviews of the adequacy of the following:

- Risk management
- Quality of assets
- Operational controls
- Financial controls
- Customer service
- Compliance with laws and regulations
- Management efficiency
- Lending practices
- Information technology
- Data centres and network security

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

There is a robust process for ensuring prompt resolution of audit issues, which includes monthly reviews of

progress by the Chairman of the AEC. The AEC also receives formal reports on significant issues until satisfactory action has been taken.

External Audit

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

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

They are elected by the Shareholders of the Company annually.

Non-Audit Services

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

Specifically the policy:

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

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY2006 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

Audit Fees

The total of the statutory and non-statutory audit fees for the AHB Group (excluding expenses and service tax) charged by E & Y in the financial year ended 31 March 2006 amounted to RM1.05 million [FY2005: RM0.89 million].

Non-Audit Services Fees

Non-audit fees charged by E & Y for the financial year ended 31 March 2006 (excluding expenses and service tax) amounted to RM1.26 million [FY2005: RM0.40 million].

The non-audit fees are primarily related to the review of capital raising circulars in respect of the Hybrid Tier One Capital raised by AmBank, subordinated bonds raised by AmMerchant Bank and the establishment of the Islamic banking subsidiary.

Responsibility Statement

The Board of Directors is required by the Companies Act, 1965, to prepare financial statements for each financial year which give a true and fair view of the Group and its state of affairs, results and cash flows at the end of the financial year.

Following discussions with the auditors, the Directors consider that:

- The appropriate accounting policies are consistently applied and supported by reasonable and prudent judgments, and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements.
- The Group keeps accounting records which are disclosed with reasonable accuracy; and
- The financial statements comply with the Companies Act 1965.

The Board and Board Committees also have the general responsibility for taking such steps to safeguard the assets of the Group, and to detect and prevent fraud as well as other irregularities.

Principle 14: Communication with Shareholders

Reaching out to Shareholders and Investors

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

Communication with Shareholders

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

right to vote on various resolutions related to company matters. If Shareholders are unable to attend a meeting, they can submit their proxies via post. External auditors are also present to assist the Directors in answering questions from Shareholders. The auditor can respond on any business item that concerns them in their capacity as auditor.

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

Alternatively, they may also obtain the Group's latest announcements via the Bursa Malaysia's website at <http://announcements.bursamalaysia.com>.



Senior Management personnel responsible for Investor Relations activities:

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

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

Investor Relations Calendar

2006

26 June 2006

CLSA
ASEAN Access Day
Singapore

6-8 June 2006

Merrill Lynch
The 10th Annual Global Emerging Markets One-On-One Forum
California, USA

10-12 May 2006

Citigroup
Financial Conference 2006
Singapore & Hong Kong

26 January 2006

BNP Paribas
Malaysia Corporate Day
Singapore

12-13 January 2006

Deutsche Bank
Annual Corporate Malaysia Conference
Singapore

2005

10-14 October 2005

Merrill Lynch
Merrill Lynch 8th AsiaPac Financial Services Investor Forum
London

27-28 June 2005

Citigroup
Citigroup Asean Corporate Days (Financial Institutions Investor Conference)
London & New York

7-9 June 2005

Merill Lynch
Global Emerging Markets One on One Investor Forum
California, USA

16-17 May 2005

Citigroup
Invitation to Financial Institutions Investor Conference
Singapore & Hong Kong

18-19 April

ABN Amro Asia Equity Research (M) Sdn Bhd
ABN Amro Malaysia Conference
Boston & New York

22-24 March 2005

CIMB
Invest Malaysia 2005
Kuala Lumpur

Compliance with Bursa Malaysia Listing Requirements

Other Bursa Malaysia Compliance Information

1. Share Buy-back

The Company has not purchased any of its own shares during FY2006 and the preceding financial year.

2. Material Contracts

There were no material contracts (not being 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 2006.

4. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company, Directors or Management by the relevant regulatory bodies during the financial year.

5. Profit Guarantees

During the financial year, there were no profit guarantees given by the Company.

6. Revaluation Policy

The Company has not revalued its landed properties and therefore has not adopted any revaluation policy at the date of this report.

7. Utilisation of Proceeds Raised from Corporate Proposals

During the financial year, the fund raising exercises undertaken by the subsidiaries of the Company are as follows:

(a) The proceeds totaling RM294.781 million from the listing of AmInvestment Group Berhad (AIGB) involving, inter alia, the issue of 210,558,000 shares by AIGB at the issue price of RM1.40 per ordinary share were utilised, as given in Table 1.

(b) On 30 October 2005, AmMerchant Bank Berhad issued RM200 million Subordinated Tier 2 Bonds, which qualifies as part of the capital funds, for the purpose of redeeming the Negotiable Subordinated Certificates of Deposit (NSCD) in part and to defray issuance expenses for the issue. This is illustrated in Table 2.

Table 2: Utilisation of Proceeds by AmMerchant Bank Berhad

Description	Utilisation (RM'000)
Part redemption of NSCD	199,335
Payment of issuance expenses	665
Total proceeds	200,000

(c) On 27 January 2006, AMBB Capital (L) Ltd (AMBB Capital), a wholly owned subsidiary of AmBank (M) Berhad (AmBank), issued US\$200.0 million fixed-to-floating rate step-up non-cumulative non-voting guaranteed preference shares each with a par value and a liquidation preference of US\$100,000. The proceeds of US\$200.0 million (equivalent to approximately RM725.8 million) was then on-lent by AMBB Capital to AmBank in the form of a subordinated term loan, which qualifies as part of the capital funds of AmBank. This is illustrated in Table 3.

Table 1: Utilisation of Proceeds by AmInvestment Group Berhad

Description	Approved Utilisation (RM'000)	Actual Utilisation (RM'000)
Settlement of cash payment due to AHB pursuant to the transfer of 100% of AmSecurities Holding Sdn Bhd to the Company	214,400	214,400
Payment of estimated listing expenses	9,000	4,200
Working capital	71,381	76,181 ¹
Total proceeds	294,781	294,781

Note:

¹ RM50.0 million of the proceeds allocated as working capital of AIGB was injected as share capital in AmMerchant Bank Berhad on 31 May 2005. The balance of RM26.2 million was allocated for utilisation as general working capital for the Group's operations.

Table 3: Utilisation of Proceeds by AmBank (M) Berhad

Description	Utilisation (RM'000)
Working capital	715,657
Payment of issuance expenses	10,143
Total proceeds	725,800

8. Options, Warrants or Convertible Securities

During the financial year, none of the warrants outstanding were exercised into ordinary shares. As at 31 March 2006, the following warrants were outstanding:

- (i) 143,534,078 Warrants 1997/2007 with an exercise price of RM6.51 per share, which expire on 13 May 2007; and
- (ii) 132,105,145 Warrants 2003/2008 with an exercise price of RM2.19 per share, which expire on 20 March 2008.

9. Variation in Results

There was no profit forecast, projection or unaudited results made or announced for FY2006.

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

At an Extraordinary General Meeting held on 26 September 2005, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

Pursuant to paragraph 10.09(1)(b), Part E, Chapter 10 of the Listing Requirements of Bursa Malaysia, the details of the recurrent related party transactions conducted in FY2006 pursuant to the shareholders' mandate is given in Table 4.

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

Table 4: Details of the Recurrent Related Party Transactions Conducted in FY2006 Pursuant to the Shareholders' Mandate

Related Parties	Nature of Transaction of Transacting Parties	Actual Value (RM'000)	Relationship with the Company
MCM Consulting Sdn Bhd	Purchase of software and hardware and provision of IT related services ¹	2,804	Companies in which a Director and major shareholder were deemed to have an interest
MCM Systems Sdn Bhd		20,708	
MCM Horizon (formerly known as Blue Star Infotech (Malaysia) Sdn Bhd)		8,758	
Harpers Travel (M) Sdn Bhd	Airline ticketing services	1,778	
Computer System Advisers (M) Berhad	Purchase of software and hardware and provision of IT related services	9,580	Companies in which a Director was deemed to have an interest
Unigaya Protection System Sdn Bhd	Armed and unarmed security guard services	285	Companies in which a Director were deemed to have an interest
Modular Corp Sdn Bhd	Provision of electronic card technologies and services	5,608	Companies in which a Director and major shareholder were deemed to have an interest

* IT consultancy related services consist of but not limited to the following services:

1. design, development and customisation of software;
2. integration, installation, implementation, testing and commissioning of the software in the designated systems;
3. provision of maintenance services and upgrades to the existing mainframe related applications and the system;
4. development, optimisation and implementation of the website; and
5. provision of project management services.

Managing Risks

Risk management is of paramount importance in our day-to-day operations. Consequently, we devote significant resources, including investment in personnel and technology to the measurement, analysis and management of risk.

Overview

The Group acknowledges that effective risk management is fundamental to each business unit within the Group for the overall aim of achieving continuous growth in shareholder value. The Group has established a comprehensive risk and compliance management framework to ensure best practice alignment.

The Board provides leadership, oversees risk appetite and ensures that a robust risk and compliance culture prevails. The Risk Management Committee of Directors and the Executive Risk Management Committees oversee the Group's risk management policies and controls. These key risk governing structures are set up in each of the licensed institutions, i.e. AmBank (M) Berhad, AmMerchant Bank Berhad, AmIslamic

Bank Berhad and AmAssurance Berhad (the term Bank hereinafter in this section shall refer to each licenced institution of the Group). On a day-to-day basis, the various risks inherent in the Group's operations are managed by both the Group Risk Management and each business unit. At the Group level, the consolidated risks of the banking institutions within the Group are reviewed by the Group Risk Forum.

Overall Group Risk Management Process



Risk Management Goals



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

Product Approval Programme

As we recognise the importance of addressing reputational risks among our clients, investors, regulators and the general public, one of the initiatives implemented by the Group is the Product Approval Programme (PRAP). The PRAP ensures that all risks inherent in new products/ financing packages and related business activities are identified, and measures to minimise these risks are put in place, before the launch of the products. All new products require the sign-off of the respective risk control units, including Risk Management, Legal, Finance and the Internal Audit as well as approval by the Risk Management Committee/Board.

Risk Management Approach

The Group's approach to risk management may be divided into primary (front-end) and secondary risk management. Primary risk management incorporates risk mitigating measures applied at transactional levels, including collaterals and controls, the matching of risk exposures and the practice of experienced judgment.

Secondary risk management involves mitigating measures that are applied to the residue risk from the primary level, where such risks are normally governed by long term profitability requirements and maximum loss tolerance targets. Pricing and diversification policies, behaviour estimation, exposure limits in relation to profits/capital and quantitative models on portfolio averages, fall under the scrutiny of the Group's secondary risk management framework.

Current Risk Issues and Mitigating Processes

The following are some of the key risk factors relating to the Bank's business and the mitigating actions taken to address the major areas of concerns:

Funding Risks

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

Overall Risk Governance Framework and Objectives

BOARD OF DIRECTORS	Approves the risk management strategies and the engagement of new products or activities and establishes the broad risk tolerance level.				
RISK MANAGEMENT COMMITTEE DIRECTORS	<ul style="list-style-type: none"> Independent from management and comprises only directors, chaired by an independent director. 	<ul style="list-style-type: none"> Reviews senior management's activities and ensures that risk management processes are implemented and functioning. 	<ul style="list-style-type: none"> Ensures that risks at all levels are managed effectively and that risk tolerance levels are effectively enforced. 	<ul style="list-style-type: none"> Reviews high-level risk exposures and resultant management decisions. 	
THE EXECUTIVE RISK MANAGEMENT COMMITTEES	<ul style="list-style-type: none"> Implements the risk strategy and capital allocation decisions of the Board. 	<ul style="list-style-type: none"> Reviews risk exposures of the Bank and environment, and sets appropriate risk positioning strategy. 	<ul style="list-style-type: none"> Assesses the Bank's ability to accommodate risks under normal/stress scenarios, reviews compliance with constraints set and assesses risk-return profile. 	<ul style="list-style-type: none"> Evaluates and approves recommendations made by the risk management and business units. 	
GROUP RISK FORUM	<ul style="list-style-type: none"> Reviews and evaluates major risk exposures at Group level. Sets uniform standards in risk measurement and tolerance for the Group. 		<ul style="list-style-type: none"> Reviews and makes decisions on common risk issues for adoption across the Group. 		
RISK MANAGEMENT DEPARTMENT					
<ul style="list-style-type: none"> Central platform for which risks throughout the Bank can be aggregated for overview on a portfolio basis. Sets and standardises risk measurement methodology to enable comparability. Acts as a central resource for evaluating risks to assist the management, business and operating units. Recommends the means to control or minimise risks on a portfolio basis. 					
MARKET AND FUNDING RISK MANAGEMENT COMMITTEE	CREDIT, STRATEGIC & CAPITAL RISK MANAGEMENT COMMITTEE		OPERATIONAL & LEGAL RISK MANAGEMENT COMMITTEE		
MANAGEMENT OBJECTIVES					
<p><i>Market Risk</i></p> <ul style="list-style-type: none"> Ensures that losses from market risk can be promptly attended to. Ensures that risk positions are sufficiently liquid so that the Bank may reduce its position without incurring potential loss beyond sustainability. 	<p><i>Funding Risk</i></p> <ul style="list-style-type: none"> Ensures availability of sufficient funds at reasonable cost to honor all financial commitments. Ensures an optimal funding structure and diversification of funding sources, customer base, and maturity period. 	<p><i>Credit Risk</i></p> <ul style="list-style-type: none"> Ensures that exposure to credit risk is always kept within the Bank's capability and financial capacity to withstand potential future losses. Ensures that net income generated is commensurate with the risks taken. 	<p><i>Strategic Risk</i></p> <ul style="list-style-type: none"> Ensures that corporate strategic goals set by the Group are matched with an appropriate risk appetite and capital base. <p><i>Capital Risk</i></p> <ul style="list-style-type: none"> Manages capital resources. Maintains a strong capital base to drive and support the Group's business developments, whilst ensuring shareholders' returns are optimised. 	<p><i>Operational Risk</i></p> <ul style="list-style-type: none"> Systematically identifies the critical potential points to minimise risk arising from people/failed internal processes/ external events on daily operations. Assesses the potential cost to minimise the risk impact through mitigating measures and policies. 	<p><i>Legal/Regulatory Risk</i></p> <ul style="list-style-type: none"> Ensures that there is no regulatory or legal breach of conduct or applicable laws. Ensures that standard policies and procedures are complied with. Inculcates a standardised compliance culture across the Group.

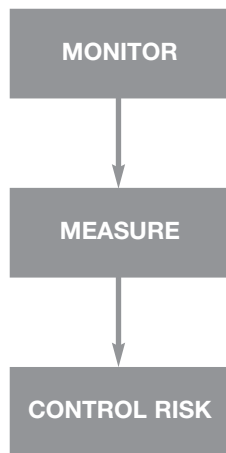
Management Approach:

- The sale of eligible loans to Cagamas Berhad
- Issuance of Negotiable Instruments of Deposit
- Initiating Asset Backed Securitisation
- Proactive management of liquidity gap cumulative profile
- Proactive management of cash flow through maintenance of adequate cash and liquefiable assets above what is required by BNM
- Diversification and stabilisation of liabilities through active management of funding sources, including customer deposit base and interbank exposures
- Exploring the opportunity of foreign currency funding lines

Market Risk

Changes in interest and foreign exchange rates, credit spreads and equity prizes, and increases in volatility can affect the value of financial instruments and may also affect customer-flow-related revenues and proprietary trading revenues. It may also affect the volume of debt and equity, underwriting and merger and acquisition transactions.

The primary objective of market risk management is to ensure that losses



from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Bank to reduce its position without incurring potential loss that is beyond its sustainability.

The market risk of the trading and non-trading portfolio is managed separately. The duration-weighted-gap value-at-risk (DWG VAR) approach is used to compute market risk exposure for non-trading portfolio and parametric value-at-risk (parametric VAR) as well as sensitivity analysis is used to compute risk exposure for trading portfolio.

The market risk exposure of trading and non-trading activities is primarily controlled through a series of limits. Stop loss, parametric VAR and position

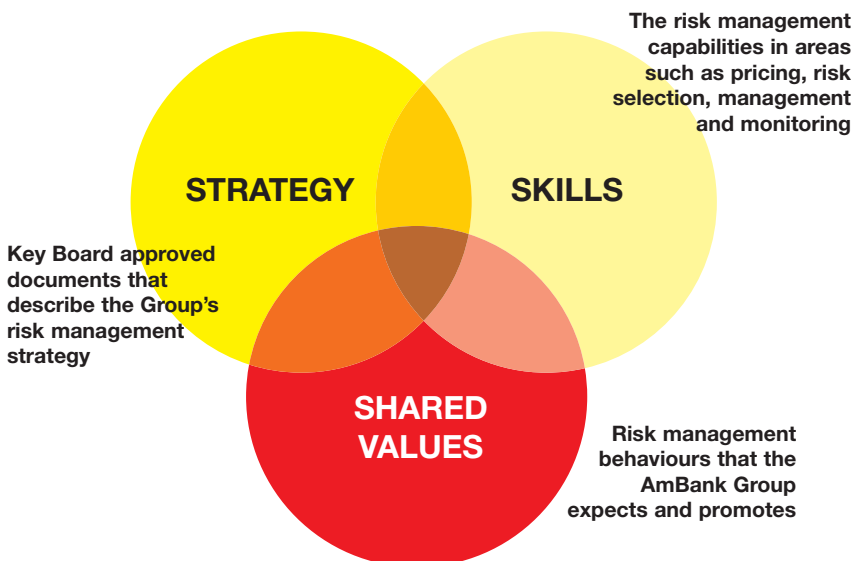
sensitivity limits govern the trading activities while the DWG VAR limits govern the non-trading positions.

Each relevant business desk is assigned month-to-date, quarter-to-date and year-to-date stop loss limits based on the business profitability budget. VAR limits are used to control the size of risk positions to ensure they are within sustainable capacity of the Bank. Approved by the Board of Directors of the Bank, these limit structures align specific risk-taking activities with the overall risk appetite of the Bank and of its individual business units.

Management Approach

- The development and introduction of floating rate loan products on a continuous basis, e.g. Islamic Floating Rate Financing, Islamic Floating Rate Housing Loan, etc.
- The sale of eligible loans to Cagamas Berhad, issuance of Negotiable Instrument of Deposits and Asset Backed Securitisation initiatives
- The execution of scenario analysis on a periodic basis to serve as an indicator of the Bank's change in economic value under various potential market conditions and interest rate movements.
- To complement the VAR, the Bank has a set of scenario analysis that serves as an indicator of the change in portfolio value under various potential market conditions such as shifts in currency rates, general equity prices and interest rates, as well as the shift in the yield curve.

Our Risk Management Culture



Credit Risk

- Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.
- The primary objective of credit risk management framework is to ensure that exposure to credit risk is always kept within the Bank's capability and financial capacity to withstand potential future losses.

Management Approach:

- Implementation of credit risk rating and retail credit scoring models.
- The Bank's strategy over the last few years has been to systematically manage its concentration to large corporate loans and the real estate and construction sector by consciously diversifying the asset base into manufacturing, particularly in the SME and retail housing and credit card market segments.
- Various monitoring controls have also been implemented, by means of:
 - Portfolio management reporting
 - Regulatory and internal lending limits and risk policy compliance at the transaction levels
 - Watchlist on borrowers
 - Compliance with portfolio management strategies

Capital Risk Management

Regulatory capital risk may expose the Bank to insolvency action or assumption of control by the authorities should the capital requirements decline to an unsatisfactory level.

Management Approach:

- The Group Corporate Services department oversees the capital adequacy position of the Bank to ensure compliance with the requirements of BNM and to take prompt action to address projected or actual capital deficiency.
- The management oversees on a quarterly and adhoc basis, the levels and trends of material risks, sufficiency of capital against the various risks and its compliance with established adequacy goals and future capital requirement based on the Bank's reported risk profile.

Operational Risk Management

The Bank faces risks arising from people, failed internal processes and external events affecting its daily operations. As such, major emphasis is placed on people, processes, and systems supported by adequate information technology.

Management Approach:

- Operational risk is minimised with appropriate policies, internal controls and procedures, back-up procedures for key activities and contingency planning.
- Independent reviews by both internal and external auditors are carried out through periodic audits to assess control effectiveness.
- The execution of risk assessment methodology, in respect of:
 - Process Risk Mapping to analyse process flows to determine possible risk level inherent.
 - Risk Self Assessment for business, operational and support units to identify strengths and weaknesses in its operating environment and assess its operations and activities against potential operational risk vulnerabilities.
 - Incidence and Loss Management Reporting to analyse and estimate probable occurrences of operational incidences and loss from information collated in a database.
 - Key Risk Indicators is one area being identified to be developed.

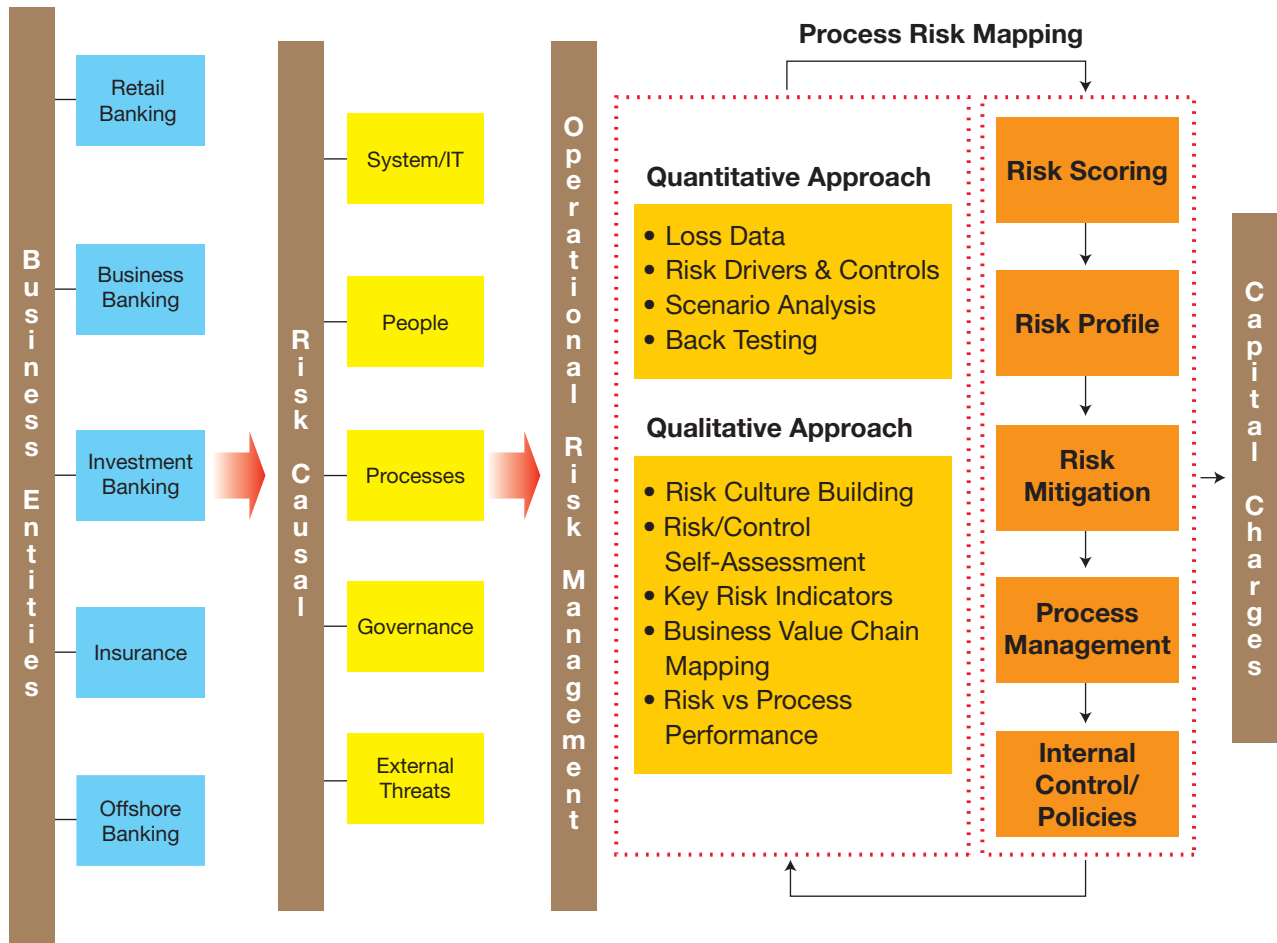
Legal & Regulatory Risk Management

- Proactive regulatory risk monitoring and control processes are essential for any banking group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practices.
- The potential legal and regulatory risks faced by the Bank arises from the breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgment, that may lead to the incurrence of losses, disruption or resulting in financial and reputational risk.
- Group Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff.

**Management Approach:**

- Some of the measures that have been introduced include monitoring and reporting, training, offering advice and disseminating information. There is a process 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 with 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 with the assurance that staff are aware and comply with regulatory requirements.
- The conduct of Risk Awareness Programmes and regular training.
- Compliance awareness training is conducted on a regular basis to ensure that staff keep abreast with banking, securities and anti-money laundering laws as well as other regulatory developments. The Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations through various search modes. The training programmes are designed to help staff develop their skills to identify compliance issues and cultivate good corporate ethics.

Operational Risk Management Approach



- 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, Group Compliance facilitates briefings, disseminates information and leads coordination efforts.

Strategic Risk

- Strategic risk at the Bank's corporate level are the Bank's risks of not achieving its corporate strategic goals which also includes various risks associated with pursuing and executing corporate exercises with regards to:
 - Mergers and Acquisitions/divestments
 - Corporate Restructuring
 - Strategic alliances with external parties
 - Fund Raising

Management Approach:

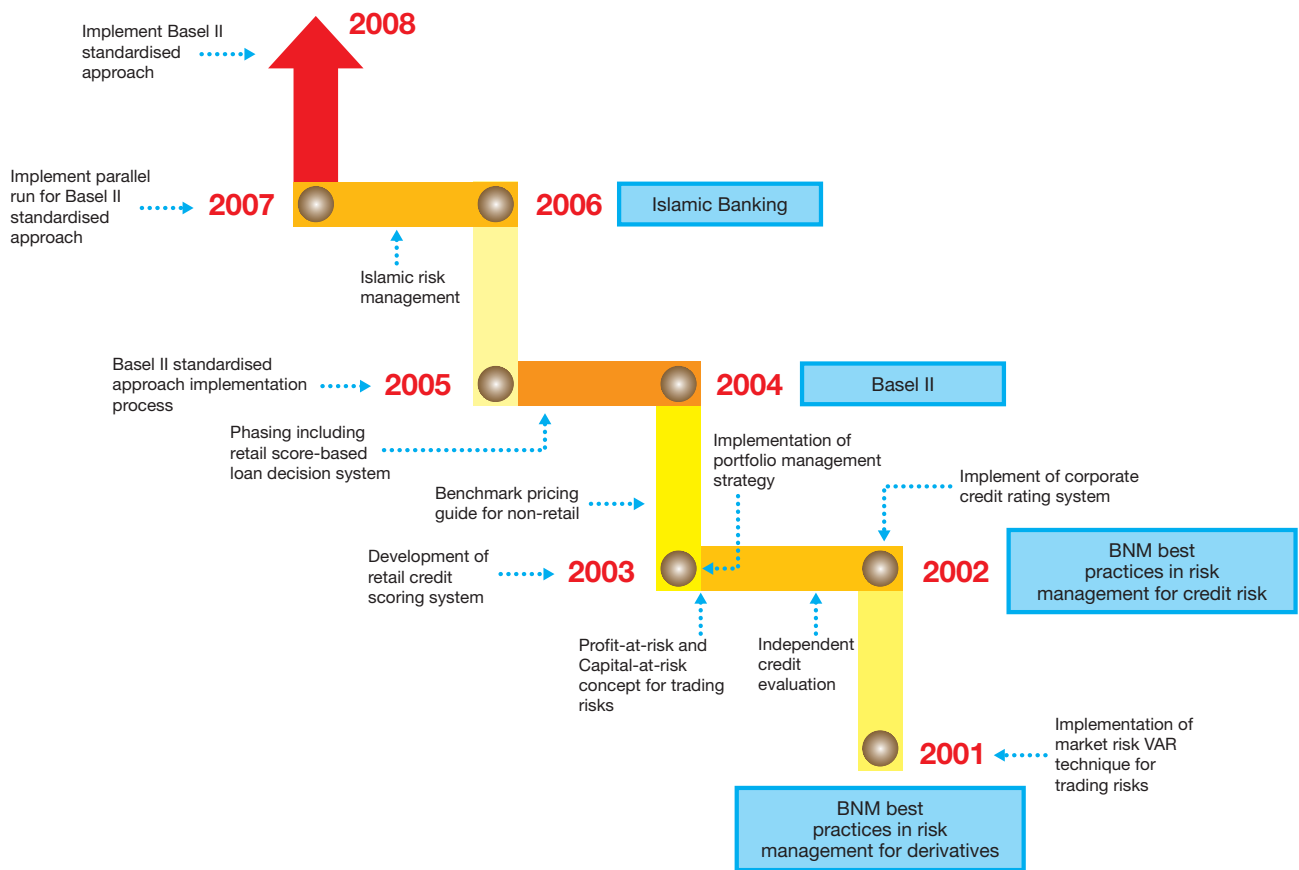
- Complete Board involvement in setting strategic goals where the Board is regularly updated on

matters affecting corporate strategy implementation and corporate projects/transactions. Board strategy forums, amongst others, focus on longer term issues and strategic initiatives.

- The Group Strategic Steering Committee monitors the effectiveness of the management processes used for corporate transactions.
- Adherence to group project management framework, such as the establishment of the Steering Committee, project office and workstreams appropriate to the project or transaction.

Seeing a risk is one thing, anticipating it is another.

Risk Management: Yearly Developments and Initiatives



- Formal due diligence and verification processes, including taxation, legal, finance, treasury and regulatory sign-offs and execution of confidentiality agreements.

Business Continuity

Our Business Continuity Management (BCM) places importance on building up the organisational resilience and capability to safeguard the interest of the Group's stakeholders as well as its brand and reputation against the various adverse events that may potentially threaten the operations. The placement of BCM framework on Group-wide basis provides guidance in adopting a standard approach to formulate continuity strategy and assistance in understanding and applying BCM principles.

The BCM identifies resources such as systems, work space and premises, facilities and communications that are required in ensuring the continuation of critical business operations in the event of an interruption. The BCM programme will also enhance the capability of existing continuity plans and disaster discovery centre in the established area such as information technology and treasury.

and operational risk and the formulation of a functional blueprint as well as implementation roadmap.

Phase 2 of the Project involves system implementation of the standardised approach for credit risk and a review of the existing policy and processes.

Key Initiatives for BASEL II

To further enhance the Risk Management processes, the Bank has embarked on an Integrated Risk Management Project to ensure compliance with Basel II. Phase 1 of the Project involved a diagnostic/gap analysis covering credit, market

Plans Going Forward

The economy is undergoing structural changes and shorter business cycles. Furthermore, the speed of information flows too has resulted in a more volatile business environment. In view of this, the Group will continue to strengthen its risk management systems and processes.



AmInvestment Group

No.1 at RAM Awards 2006



RAM League Awards 2006

RAM Lead Manager Awards

- No.1 - Lead Manager Award 2005 (Number of Deals)
- No.1 - Lead Manager Award 2005 (Issue Value)
- No.1 - Lead Manager Award, Islamic 2005 (Number of Deals)
- No.3 - Lead Manager Award, Islamic 2005 (Issue Value)

RAM Awards of Distinction

- Blueprint Award - New Islamic Benchmark Deal (PG Municipal Assets Bhd)
- Blueprint Award - New Islamic Benchmark Deal (Cagamas MBS Bhd)
- Blueprint Award - New Benchmark Bond (Jimah Energy Ventures Sdn Bhd & Special Power Vehicle Berhad)

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RESPONSIVENESS

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

C u s t o m e r F . I . R . S . T



Business Operations Review

The AmBank Group's strategy of incrementally building a portfolio of growth options across different financial products and markets, has remained largely unchanged in recent years.



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



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

- **Investment Banking**

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

- **Retail Banking**

We continued to gain and retain customers, and grow a greater "wallet share" through expanded and improved customer service, by offering greater convenience and accessibility through our branch network and alternative delivery channels. The performance of

Retail Banking was characterised by excellent loans growth and increased market share in key products.

- **Business Banking**

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

- **Life and General Insurance**

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

INVESTMENT BANKING

AmInvestment Group Berhad (AIGB), the Group's investment banking operations, gained meaningful market share in key investment banking and capital market products.

By delivering expert advice, seamless execution and differentiated products and services, as well as putting our clients at the centre of everything we do, AIGB continued to maintain its standing as Malaysia's premier investment banking group in FY2006, although the markets presented many challenges.

Rising interest rates, lower trading volumes, higher oil prices and heightened geopolitical risk periodically affected activities in the capital markets. Despite these challenges, with a disciplined approach to managing our expenses, risk and capital, AIGB achieved a record net profit after tax of RM247.3 million, a 22.5% increase over the previous year. We delivered a net ROE of 13.0%, and reported earnings per share of 19.1 sen.

Through our investment banking, trading, research, structuring and distribution capabilities in equity and fixed income products, we continue to build on our transactional banking business model, which focuses on customer flow activities.

Debt Capital Markets

The Malaysian Debt Capital Markets continued to gain momentum in 2005 despite adjustments in the Overnight Policy Rate and the de-pegging of the Ringgit. Market conditions remained favourable for private sector fund raising, with a total of RM38.2 billion corporate debt securities issued.

With our efforts directed at helping our clients achieve optimal cost efficient funding, the Debt Capital Markets (DCM) team completed 17 transactions during the year, raising nearly RM13.8 billion Private Debt Securities (PDS), compared with RM7.1 billion PDS issuance in 2004, across a diversified portfolio of debt instruments and issuers – from conventional and Islamic to structured transactions, across a wide spectrum of industry sectors including the financial services, manufacturing, utilities and supranational sectors.

AmMerchant Bank displayed its consistency as a leader in the Malaysian Debt Capital Markets in 2005, building on DCM's strong performance over the past three years. More significantly, DCM joint lead managed the RM6.1 billion Islamic financing facilities issuance by Jimah Energy Ventures Sdn Bhd and Special Power Vehicle Bhd. This two tier financing facility involving the issuance of mezzanine debt of up to

RM895.0 million represents the largest Malaysian bond issue in 2005, and is one of the most aggressive greenfield project financing deals in Asia. This deal has earned numerous accolades including the Best Malaysian Deal Of The Year from Project Finance International, The Asset and Euromoney Project Finance.

ADB Prices RM500 Million Five-year Bond Issue in Malaysia

The Asian Development Bank (ADB) on 20 April successfully priced a RM500 million five-year bond issue under its RM2.5 billion Medium Term Note (MTN) Programme. AmMerchant Bank Berhad was the Lead Arranger of the programme and Sole Lead Manager for the bond issue. This is the first time that ADB has set up an Asian currency MTN Programme. ADB opened the RMB bond market in 2004 with its inaugural issuance of RMB10 billion 5.84% bonds due in 2009.

"ADB wishes to congratulate the Malaysian Government on the success of its capital market development programme," said ADB's Treasurer Muzi Kadirgama. "Malaysia now has one of the most vibrant bond markets in the region and the programme will enable ADB to develop an active borrowing presence in the country with the objective of building a flatter yield curve."

Priced at 95.40%, the issue carries a semi-annual coupon of 4.200% per annum. Prior to pricing, ADB and AmMerchant Bank conducted a roadshow presentation in Kuala Lumpur to present the programme and the issue to institutional investors.

Offered through a book-building process, the issue generated strong demand with total bids of over two times the issue amount. A broad range of local and foreign investors participated including fund managers, insurance companies, and financial institutions.

"ADB is pleased to have come back to the Malaysian capital market and is honoured to be given the opportunity to be the first supranational to have established the programme in Malaysia. The programme shows ADB's full commitment to contribute to the further development of the Malaysian bond market," M Kadirgama added.

"AmMerchant Bank is privileged to be part of this landmark transaction. We are pleased to have successfully priced the issue for ADB in spite of current market volatility. The success can be attributed to a well-coordinated execution strategy and market strength," said T C Kua, Managing Director of AmMerchant Bank Berhad.



ADB and AmMerchant Bank
AmMerchant Bank Berhad
AmMerchant Bank Berhad
AmMerchant Bank Berhad
AmMerchant Bank Berhad

In connection with the issue, ADB entered into a USD/MYR cross currency swap arrangement with Deutsche Bank, Lantau Branch. This is the first time such a swap has been executed in Lantau, which is another key initiative in promoting Lantau as a financial hub in line with the Malaysian Government's policy. The after-swap proceeds of the issue will be included in ADB's ordinary capital resources and will be used in its operations.

The programme represents another milestone in ADB's quest to develop the region's bond markets. Since early 2004, ADB has completed five other market opening transactions in the region's local currency bond markets, including India, Mexico, People's Republic of China, Philippines and Thailand.

The programme will offer ADB greater flexibility in terms of the issuance process in Malaysia as it includes standard borrowing documentation for both rate insurance and necessary government approvals have been secured upfront. Consequently ADB can issue local currency notes in Malaysia at a short notice and take advantage of favourable opportunities as and when they arise. Importantly, the programme will allow multiple issues of varying sizes and maturities.

ADB, based in Manila, is dedicated to reducing poverty in Asia and the Pacific region through pro-poor sustainable economic growth, social development, and good governance. Established in 1966, it is owned by 68 members – 48 from the region. In 2005, it approved loans and technical assistance totalling USD6.5 billion and USD198.8 million, respectively.

Jimah Gets RM6.1 Billion Islamic Facilities to Finance New Power Plant

Independent power producer (IPP) Jimah Energy Ventures Sdn Bhd (JEV) recently signed an agreement for the provision of Islamic financing facilities of up to RM6.1 billion for its proposed power station in Negri Sembilan.

The agreement was signed with a consortium of four merchant banks on 22 April 2006. AmMerchant Bank Bhd (AmMerchant), RHB Sekuriti Merchant Bankers Bhd (RHB Sekuriti), Malayan International Merchant Bankers Bhd (MIMB) and Bank Muamalat Malaysia Bhd (Bank Muamalat) are the joint lead arrangers for the fully underwritten medium term notes (MTN) issue.

The RM6.1 billion facilities make this the biggest corporate debt arrangement so far this year. Among the many milestones in the financing package is the incorporation of floating rate notes structure based on the principle of *istisna'*. The Islamic financing facilities will be used to part finance the construction of a 1,400MW coal-fired power plant located in Kuala Lohat in Muar, Negri Sembilan.

The entire facility comprises a RM4.947 billion Islamic Financing Facility, an RM800 million *Sukuk* Issuance Facility and another RM215 million *Sukuk* Issuance Facility. The financing package also includes a RM110.5 million *Kuliah* Facility, RM62.7 million *Bank Guarantee* Facility and a RM67.2 million *Standby Letter of Credit*.

The Islamic Financing Facility is issued into two tranches issued over a period of not more than 48 months, making it the longest defined issuance Islamic debt instrument in the domestic capital market. The bonds carry an initial period of between 1.5 years and 18.5 years. The entire MTN issue will be fully underwritten.

Among others, the financing package is to facilitate JEV's access to the Malaysian capital market in its efforts to raise large-scale and long-term financing for the project. JEV Chairman Tan Sri Neazudin bin Tan Sri Zikri said he added that the Islamic Financing Facility and the RM800 million *Sukuk* Issuance Facility had been

awarded indicative investment grade ratings of AAs1 and A1 respectively by Rating Agency Malaysia Bhd.

JEV, a wholly owned subsidiary of Jimah Energy Ventures Holdings Sdn Bhd (JEVH), is a special purpose company incorporated on 2 October 2003 to develop, own and operate the power plant. The first of the plant's two turbines is expected to begin operations in January 2009 and the second is scheduled to begin in July of the same year.

JEV signed a power purchase agreement (PPA) with Tenaga Nasional Bhd (TNB) on

The project received its EA approval from the Department of Environment (DOE) on 21 January 2005. The approval allows JEV to commence site preparation and construction works of the power plant.

On 22 March 2005, JEV received its Generating Licence from the Energy Commission (EC) for the generation and supply of electricity. During the signing ceremony, the licence was presented to JEV by the Chairman of the EC, Datuk A. Sh. Anwar MUDA'Nu.

JEV has appointed a consortium of Japanese companies led by Sumitomo Corporation to build the power plant. The other companies in the consortium are Wakayama-Harima Heavy Industries Co. Ltd and Terbita Corporation.

Speaking on behalf of AmMerchant Bank was AmBank Group Chairman Yng Yng Si Gao, Amman Harris and Managing Director and Chief Executive Officer of AmMerchant Bank, M. T. C. Kua. RHB Sekuriti was represented by the Chairman, Encik Abdullah Mat Isa, MIMB by its CEO, TM Turku Alinda Malek, and Bank Muamalat by its Chief Operating Officer, Yng Datu' Abdul Manaf Abd Wahab. ICN Bank Bhd, a signatory to the Bank Guarantee Facilities and the Standby



From left to right: Yng Datu' Abdul Manaf Abd Wahab, M. T. C. Kua, TM Turku Alinda Malek, Encik Abdullah Mat Isa, Yng Datu' Si Gao, M. T. C. Kua, and Yng Datu' Abdul Manaf Abd Wahab.

10 August 2004, under which JEV will sell a nominal capacity of 1,400MW to TNB for an initial term of 25 years. There is an option for the PPA to be extended for up to three additional periods of five years each, subject to mutual agreement. Coal for the power plant is to be procured from TNB Fuel Services Sdn Bhd (TFSS), a subsidiary of TNB, pursuant to a Coal Supply and Transportation Agreement signed with TFSS on 10 August 2004.

Letter of Credit), was represented by Peter Chew Wng Choon, Deputy Chief Executive Officer, Group Enterprise Banking.

JEV was represented by Yng Turku Neazudin and its Managing Director, Zulkifli Ibrahim.

Also present at the ceremony were Energy Water and Communications Minister, Yng Datu' Seri Dr Lim Keng Yek and TNB President and Chief Executive Officer, Yng Datu' Che Khalid Mohamed Noh.

We will continue to leverage on the collective expertise and experience of our staff to enhance the sustainability of our market leadership, despite a more challenging operating environment.

Asiamoney named us the Best Domestic Bond House. We swept the majority of the awards from Rating Agency Malaysia (RAM) and the Malaysian Rating Corporation (MARC).

In the first quarter of 2006, AmMerchant Bank completed 5 Ringgit-denominated transactions amounting to RM4.2 billion, which most notably includes the groundbreaking issue of RM3.8 billion Medium Term Note Programme by the Asian Development Bank (ADB).

This transaction for ADB signifies many pioneering activities including:

- The first funding programme by a supranational issuer in the Malaysian Debt Capital Markets;
- The first supranational issuance to be sole lead arranged by a Malaysian financial institution; and
- The first Ringgit-denominated issuance involving cross-currency swaps executed through the Labuan International Financial Exchange, signifying another key milestone in the Malaysian Government's vision to promote Labuan as a financial hub.

The DCM team has remained committed to setting new benchmarks through the introduction of new and innovative structured products for the domestic bond market. Following in the footsteps of the innovative RM80.0 million Parallel Mudharabah Bonds by PG Municipal Assets Berhad in early 2005, DCM joint lead managed the world's first rated Islamic Residential Mortgage Backed Securities by

Cagamas MBS Berhad, amounting to RM2.1 billion. This transaction sets the benchmark for the Islamic ABS market by introducing a new asset class to the domestic and global capital markets, which is appealing to both conventional and Islamic investors.

Our strong performance in the Debt Capital Markets in 2005 has been recognised given the wealth of accolades and awards won during the year.

Treasury

In 2005, concerns on inflationary pressures and high oil prices led to hikes in global interest rates with the US Federal Reserve raising its overnight Fed Funds rate from 2.50% p.a. to the current 4.75% p.a. On the local front, BNM continued to give assurance that monetary policy will remain accommodative to support macroeconomic policies for a more sustainable economic growth.

Volatilities in local interest rates and managed float exchange rates have contributed positively to our fixed income trading and foreign exchange activities. Fixed income trading operations was the major contributor to the Treasury's profitability. For recognition of the Bank's continued contributions and active participation in the domestic bond market, AmMerchant Bank was once again re-appointed by BNM as a Principal Dealer.

Notwithstanding the high level of surplus liquidity in the economy, resources and efforts are being continuously channelled towards diversifying the Bank's depositor base.

The Treasury Derivatives Unit continues to play a pivotal role in the management of the Bank's interest rate exposures. Also as one of the more active players in the interest rate derivatives market, particularly among the domestic banks, the Unit places emphasis on the identification and development of new derivative products to meet the growing needs and complexity of customer requirements.

The Islamic Treasury Unit likewise, continues to gear its efforts into strengthening and building its capabilities and franchise by leveraging on the Group Treasury operations, to support the large potential market growth for alternative financing in the Islamic banking system.

As Malaysian corporations increasingly venture abroad through cross-border mergers and acquisitions, besides meeting our clients' foreign currency requirements, we foresee the need for more advisory services.

Corporate Advisory and Equity Capital Markets

The Corporate Finance Department provides a full spectrum of equity capital raising and corporate advisory services to a diversified pool of clients ranging from government-linked companies to institutional and corporate clients.

We advice and assist clients across a number of fields and product groups such as industrial, consumer, oil and gas, plantation and agriculture, finance, technology, properties, construction, infrastructure, trading and services, telecommunications and promoted industries.

In 2005, we once again emerged as the leader in IPOs, helping our clients raise the largest amount of funds for primary listings on Bursa Malaysia amounting to RM2.4 billion. Furthermore, we lead the market with the most number of listings on Bursa



Malaysia totalling 18 listings, representing 23.0% market share in 2005. Not forgetting the Labuan International Financial Exchange (LFX), the Bank was awarded the Most Outstanding Listing Sponsor Award for 2005 from Bursa Malaysia for No. 1 position of listings on LFX.

We are also at the forefront in the listings of Real Estate Investment Trusts (REITs), advising two out of the three REITs that were listed on Bursa Malaysia in 2005. Of significance is our involvement as Adviser, Joint Managing Underwriter, Underwriter and Senior Co-Lead Manager for the listing of Starhill Real Estate Investment Trust, the largest REIT in Malaysia, with an asset size of RM1.15 billion.

AmInvestment Group Co-Lead Manager in Starhill REIT



(L-R) AmBank Group Chairman Tan Sri Dato' Azman Hashim, YTL Corporation Managing Director YBhg Tan Sri Dato' Francis Yeoh, YTL Corporation Executive Chairman YBhg Tan Sri Dato' Seri Yeoh Tiong Lay, and Chairman of ECM Libra Berhad YBhg Dato' Kalimullah Hassan during the launch of the prospectus held in conjunction with the initial public offering of Starhill REIT at the Carlton Conference Centre on 22 November 2005.

AmInvestment Group was the senior co-lead manager for the proposed listing of Starhill Real Estate Investment Trust (REIT) on the Main Board of Bursa Malaysia Securities Berhad. Sponsored by YTL Group, Starhill REIT offers institutional and retail investors an opportunity to "own" exclusive and high quality properties which are otherwise not within reach.

Starhill REIT boasts an asset portfolio of leading retail and hotel properties in Kuala Lumpur, namely Starhill Gallery, JW Marriott and Lot 10, all strategically located in the heart of Kuala Lumpur's central business district. In fact, Bintang Walk (YTL's brainchild) is probably the most attractive shopping and tourist destination in town,

encompassing a lifestyle shopping concept with al fresco dining along the Jalan Bukit Bintang walkway.

The proposed listing of Starhill REIT entails a public offering of 509,599,000 units, out of which 29,999,000 units will be offered to Malaysian retail investors and the remaining 479,600,000 units to institutional investors. The offering has been brought to overseas institutional investors via road shows in Singapore, Hong Kong, The Netherlands, and the United Kingdom.

The joint bookrunners for this offering are ECM Libra Securities Sdn Bhd, DBS Bank Ltd and Hong Kong and Shanghai Banking Corporation Ltd, with ECM Libra as the lead financial adviser.

We have also completed the listing of the Asian Bond Fund on Bursa Malaysia, representing South East Asia's first bond exchange traded fund and Malaysia's first exchange traded fund.

The Bank was the Joint Lead Manager and Joint Book Runner for AmBank (M) Berhad's Hybrid Tier-1 capital issue which was upsized from US\$150.0 million to US\$200.0 million due to good demand from Hong Kong, Singapore and London investors.

Our track record in the Malaysian M&A market is testament of our leading position as an M&A adviser to both local and foreign companies. Bloomberg had awarded the Bank with the No. 1 spot for completed M&A deals in Malaysia for 2005. We lead the market with completed transactions amounting to US\$3.02 billion (approximately RM11.0 billion). Amongst the notable transactions, are the restructuring of Sarawak Enterprise Corporation Berhad valued at RM1.6 billion and the privatisation of IOI Oleochemicals Industries Berhad by IOI Corporation Berhad valued at RM873.0 million.

Moving forward, we are expanding our core activities to cover new areas in the equity and equity-linked markets, Islamic securities and equity structured products, in line with the Government's efforts to further liberalise the capital markets and investment banking activities.

Given our established reputation as an innovative advisory partner and track record of superior execution with distribution capabilities, we are confident that we shall remain as the leading provider of corporate finance and advisory services, despite increased competition and challenging investment sentiment.

Equity Derivatives

The Equity Derivatives team specialises in the pricing and structuring of hybrid securities and derivatives. In 2005, we started to offer equity-linked structured investments and equity swaps to meet our clients' increasing demand for more sophisticated instruments. Our work on convertible bonds also complements the Bank's existing fund-raising capability.

The landmark deals in FY2006 include the successful listing in July 2005 of the Asian Bond Fund 2.

Private Banking

As part of the comprehensive services that we provide to high net worth individuals, AmPrivate Banking provides our clients with ready access to research and a full array of fixed income and equity securities as well as structured finance solutions.

In our third year of business operations, the assets under management registered an impressive growth of 41.0% or

RM500.0 million to RM1.7 billion, in spite of a more challenging year which saw local interest rates starting to rise and more cautious equity and fixed income markets.

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

This rather unique value proposition of providing advice and products along multi-asset, multi-strategy and multi-manager fronts, enables our clients to allocate their funds appropriately across different products during different market conditions.

With the recent liberalisation of investment in foreign assets, we now offer the Universal Portfolio Management Account which enables our clients to benefit from diversification under a multi-currency environment.

Offshore Banking

The offshore banking operations, undertaken by AmMerchant Bank Labuan Offshore Branch and AmInternational (L) Ltd (AMIL) in the Labuan International Offshore Financial Centre continued to focus on corporate advisory and treasury trading activities in both Ringgit-denominated financial instruments, as well as global fixed income and Islamic sovereign papers.

Further, in line with the initiative of the Labuan Offshore Financial Services Authority (LOFSA) to promote Labuan as an international Islamic financial hub in the region, AMIL had on 1 April 2005 established an Islamic banking window to solely undertake business based on Syariah principles.

AMIL was awarded the inaugural Most Outstanding Listing Sponsor for 2005 by the Labuan International Financial Exchange. Notable listings during the year include the primary listing of Sarawak International Inc's US\$800.0 million Guaranteed Notes Due 2015, and AMBB Capital (L) Ltd's US\$200.0 million Fixed-to-Floating Rate Step-up Non-cumulative Non-voting Perpetual Preference Shares, wherein AmMerchant Bank was also the Joint Lead Manager and Global Bookrunner.



We believe we can bring sound, strategic and innovative investment banking solutions to our vast spectrum of clients.

Funds Management Division

The funds management business comprises AmInvestment Services Berhad and AmInvestment Management Sdn Bhd which offers investment management, unit trust management and customised investment solutions for both retail and institutional clients. It presently manages 23 unit trust funds and various discretionary mandates.

The Group has now emerged as the second largest fund manager as at 31 March 2006, with RM10.2 billion of assets under management, with its market share rising by 2.2% to 13.8%. Total assets under management rose by RM3.3 billion during FY2006, due to the launch of new unit trust funds, the continued success of our Treasury Solutions and success in securing new institutional mandates. We are also ranked as the largest institutional fund manager with a market share of 17.1%.

In 2005 we received a number of accolades for the various unit trust funds under management.

- AmDynamic Bond was ranked by Standard & Poor's (S&P) as the Best Performing Fixed Income Fund, and in the Lipper Fund Table, it emerged as the best fund in the General Bond category.
- AmTotal Return was top in the Equity Asset Allocation Malaysian Flexible category in the S&P Table.
- AmIslamic Balanced was ranked third and top quartile in the Asset Allocation Islamic Neutral category (S&P) and fourth and top quartile in the Mixed Assets: Islamic category in the Lipper Fund Table.

AmMutual Funds Launches

Malaysia's First Global Islamic Equity Fund

The Funds Management Division (FMD) of AmInvestment Group on 25 April launched AmOasis Global Islamic Equity, the first global Islamic equity fund in Malaysia. This latest addition to the stable of funds known as AmMutual funds is available from AmBank as well as its other distribution channels.

AmOasis Global Islamic Equity invests into the Dublin-listed Crescent Global Equity Fund, which in turn invests in shares of Syariah-compliant companies across the globe in the US, Europe, and Asia. The Dublin-listed fund is managed by Oasis Crescent Capital (Pty) Ltd. Crescent Global Equity Fund has won prestigious global awards such as "Best Islamic Global Equity Fund 2005" at the Failaka Islamic Awards – Bahrain 2006, and the HH Sheikh Mohammed bin Rashid Al Maktoum Award: "Achievement in Islamic Finance" at the International Islamic Finance Forum – Dubai 2005.

The fund has an outstanding track record and gave a 5-year cumulative net return of 88% (as at the launch of AmOasis) to date since its inception in December 2000.

Oasis Crescent Capital (Pty) Ltd is part of the Oasis Group Holdings (Pty) Ltd. It has a strong investment track record as an investment manager with expertise in Syariah-compliant and conventional funds management. It was formed in June 1997 and manages over US\$3.5 billion in assets.

Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, said, "We are very pleased to be working with Oasis Crescent Capital (Pty) Ltd, with its excellent track record. With the launch of AmOasis Global Islamic Equity, investors will be able to enjoy the combined benefits of investment into Syariah-compliant companies

across the world as well as diversification into offshore markets. We are also proud to manage this fund which will be the first global Islamic equity fund in Malaysia."

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



Tan Sri Dato' Azman Hashim (right) and Mr Mohammed Shaheen Ebrahim, Chairperson of the Oasis Group.

AmOasis Global Islamic Equity has a fund size of 200 million authorised units, and was available during the initial offer period at RM1 per unit with a minimum investment amount of RM1,000 and a minimum subsequent additional investment amount of RM500. The fund is being sold across the Funds Management Division's different distribution channels, namely AmBank's branches, unit trust agency channels, and approved Institutional Unit Trust Agents (IUTAs).

We continue to dominate the industry as the largest fixed income fund manager in Malaysia on the back of strong performance, increasing our market share further from 26.0% as at end-March 2005 to 29.1% as at end-March 2006. We are also ranked among the top five largest fund managers in the country for equities.

Product innovation is our engine of growth, and the market liberalisation in 2005, which allows unit trusts to be invested overseas has brought us new opportunities for global alliances. We have adopted an open architecture business model bringing in the “best of breed” global funds. We are focusing our in-house capabilities on regional (including domestic) equities and bonds, as well as global Islamic bonds, for distribution both locally and offshore.

During the year, we launched the first global property equities and REIT fund in Malaysia called the AmGlobal Property Equities Fund in October 2005, partnering Henderson Global Investors. This was followed by the first Islamic global equity fund in Malaysia called AmOasis Global Islamic Equity, partnering Oasis Group Holdings Limited, in April 2006.

Stockbroking

Throughout 2005, the equity market was affected by concerns over the implications of global developments, primarily high oil prices, domestic inflation and growth prospects. Market capitalisation declined by 3.7% to RM695.27 billion and the average daily turnover fell to 414 million units (2004: 435 million units), and the performance of the KLCI, closing the year as at December 2005 at 899.79 points, lagged that of the other major global and regional indices.



Arising from the lower volume of turnover and intensified competition from the four new foreign-owned securities firms that commenced operations during the year, AmSecurities reported a pretax profit of RM9.8 million (FY2005: RM43.8 million). In terms of market share, AmSecurities contributed close to 8.0% of the total turnover on Bursa Malaysia.

AmSecurities operates from a position of strength, with a capital adequacy ratio, measured by liquid capital against total risk requirement, standing at 13.7 times as at end-March 2006, well above the minimum requirement of 1.2 times.

With 295 remisiers and 63 dealers, AmSecurities continues to expand its retail and institutional business and client base through continued expansion of branch based broking.

Among the strategies and initiatives implemented during the year were promoting the use of electronic and mobile broking and establishment of automated execution and settlement. In addition, it is also integrating the operations in Kuala Lumpur, Singapore and Jakarta, so that it can better service its customers by providing access to secondary trading and execution in the regional markets.

Futures Broking

The exchange traded derivatives market remained active during the year, although trading volumes declined by 6.6% to 2.5 million contracts on Bursa Malaysia Derivatives. In terms of average daily volume, the financial futures contracts, especially the KLCI Futures and the 3-month KLIBOR futures continued to improve due to increased interests by financial institutions in taking hedging positions against anticipated interest rate hikes. The Crude Palm Oil Futures market continued to be active and accounted for 47.0% of the total volume transacted on Bursa Malaysia Derivatives in the year.

With the continued expansion of both its retail and institutional business, the market share of AmFutures has consistently remained above 25.0% of the trading volumes. Going forward with the implementation of the new trading platform by Bursa Malaysia, to enable retail investors to trade equity derivative products as well as single stock futures, we are confident of remaining competitive and further consolidating our market leadership.

Real Estate Investment Trusts

AmProperty Trust Management Berhad (AmProperty Trust) manages the AmFirst Property Trust, which is listed on Bursa Malaysia. The Net Asset Value of the Trust as at 31 December 2005 is RM196.7 million.

For its financial year ended 31 December 2005, the Trust recorded higher rental income due to renewal of tenancies at higher rental rates. However, its pre-tax profit declined to RM10.7 million, from RM12.4 million in the previous year, due to higher operating expenses arising from upgrading and renovation works, lower investment income, and the provisions set aside for diminution in value of quoted shares.

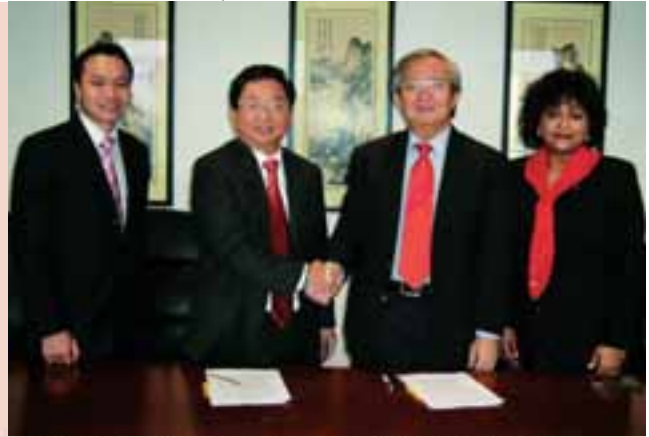
AmInvestment Group and ARA to Form JV Company to Manage REITs

AmInvestment Group entered into a Memorandum of Understanding (MOU) with ARA Private Equity Ltd (ARA) for the purpose of establishing a joint venture (JV) company to undertake the management of Real Estate Investment Trusts (REITs) to be listed on Bursa Malaysia. The signing was held in Singapore on 23 December 2005.

Pursuant to the MOU, AmInvestment Group and ARA will work together towards establishing a proposed joint venture company to act as the management company for such REITs. The proposed joint venture company is envisaged to be 70% held by AmInvestment Group while the remaining 30% will be by ARA.

ARA's track record and expertise in managing REITs successfully and AmInvestment Group's full range of investment banking services ranging from debt and equity capital markets, corporate advisory, treasury solutions, stock broking, and fund management will provide synergistic value to the proposed joint venture company and the REITs that it manages. ARA's contribution shall be the transfer of business and technical expertise in the management of REITs.

AmInvestment Group is the leader in the real estate investment trust asset class in Malaysia. AmMerchant Bank, a member of AmInvestment Group, listed the first property trust fund (the precursor of today's REIT), AmFirst Property Trust Fund, way back in 1999, which has been managed by AmProperty Trust Management Berhad



(l-r) Mr Thomas Kong (Manager, Business Development, ARA), Mr John Lim Hwee Chang (Group CEO, ARA), Mr Cheah Tek Kuang (Group Managing Director, AmBank Group), and Ms Poojita Rajendran (Executive Director, AmMerchant Bank).

since the listing. As a result of AmInvestment Group's extensive experience in this asset class, AmMerchant Bank was selected as the Adviser and Senior Co-Lead Manager of the Starhill REIT, the largest REIT in Malaysia. AmMerchant Bank is also the Adviser and Sole Bookrunner for the listing of the UOA REIT and has a pipeline of major REITs in various property and asset classes to be listed on Bursa Malaysia, including the proposed Sungai Wang Plaza REIT and KPJ Hospital REIT.

Given the rapid growth of the REITs industry, the proposed joint venture company is envisaged to further enhance AmInvestment Group's and ARA's involvement and contribution to the development of REITs and real estate market in Malaysia and the region.

Effective 2005, the Real Estate Investment Trusts are exempted from income tax, and the Trust reported a net profit after tax of RM10.7 million (FY2004: RM9.2 million). Accordingly, the net earnings of the Trust also rose to 7.70 sen per unit, compared with 6.66 sen per unit previously.

As at end-December 2005, the occupancy rate in Bangunan AmBank Group was 94.3%, and tenancies representing approximately 53.0% of the net lettable area, were successfully renewed during the year at higher rental rates, ranging between RM4.00 psf and RM5.50 psf per month. The occupancy rate at the AmBank Group Leadership Centre, where rental rates range between RM2.00 psf and RM2.50 psf per month, was approximately 83.1%. The Trust properties generated an average net yield of 7.2% compared with the industry average of 6.0%.

Both Bangunan AmBank Group and the Leadership Centre were revalued by an independent valuer on 27 December 2005 for RM180.0 million (approximately RM500 psf) and RM19.0 million (RM329 psf)

respectively. Following the approval of the Securities Commission, the revaluation surplus of RM10.0 million has been incorporated into the Trust accounts as at 1 January 2006.

On 30 December 2005, the Trust entered into an agreement to acquire Menara Merais, a 22-storey office tower with three basement car parks located in Petaling Jaya, for a purchase consideration of RM57.0 million. The acquisition will be funded through borrowings, and is presently pending the approval of the Securities Commission.

For the financial year ended 31 December 2005, AmFirst Property Trust declared a gross distribution of 7.7 sen per unit. This represents an increase of approximately 2.7% over the previous year's distribution of 7.5 sen per unit. The Trust will continue with its intensive property management practices which include measures to control operational costs without affecting the quality of the building services to ensure that the properties of the Trust remain competitive in the market.

Going Forward

The Group has implemented strategies to enhance its regional investment banking operations, namely in Singapore and Indonesia. The enhancement of the Group's regional investment banking footprint will provide additional competitive advantages in terms of diversity and expanded reach in meeting challenges with global competitors.

The Group also believes that its strong fundamentals such as its leadership positions in various segments across the Malaysian capital markets, extensive capital market experience and expertise, culture of innovation, effective leadership and high operating efficiency will enable the Group to compete successfully in the investment banking industry.

BUSINESS AND RETAIL BANKING

1 June 2005 marked the dawn of an exciting era for the Group following the merger between the Group's finance company and commercial banking operations. As a result of the merger, the commercial bank, AmBank (M) Berhad, is now the sixth largest domestic commercial bank in the country in terms of total assets and the fourth largest in terms of gross loans portfolio.



The Bank considers the following to be its principal competitive strengths:

- Extensive and diversified retail banking business;
- Extensive and diversified distribution network;
- Ability to provide a wide range of product and services;
- Established and reputable brand name; and
- Important strategic alliances.

With the conversion of our "finance" branches into "bank" branches, we were finally able to offer our customers the traditional commercial banking over-the-counter services. In fact, one of our first initiatives was to transform our extensive nationwide branches network into Sales and Service Centres (SSC's), providing value-added services to our customers, in line with the Group's F.I.R.S.T brand values: Friendly, Innovative, Responsive, Simple and Trustworthy.

Business Banking

The major focus of the Business Banking Division was on its two core product offerings, i.e., lending to the Small and Medium sized Enterprise (SME) and transactional banking. These products, primarily aimed at growing fee income, includes trade finance and services, factoring commercial lending program and cash management services, which is the latest addition to the Division's list of services.

Transactional Banking

Trade financing and services increased to RM1.5 billion as at end-March 2006 compared to RM1.0 billion in end-March 2005, and correspondingly trade income rose 38.0% during the year to RM51.1 million.

Another positive impact from the growth in trade services transactions is the increased opportunities in financing customers' cross-border transactions, particularly export financing, thereby contributing to an increase in income from foreign exchange.

Factoring services served as a catalyst for the Division to form new relationships within the public sector. We have structured a lending program, which provides flexibility and speed for customers awarded with supplies and services contracts by government ministries and agencies. The package incorporates pre-shipment facilities, offering customers the ability to purchase the necessary materials to fulfill the requirements of the entire contract. The revenue from this program, though less significant at the initial stages of the launch, nevertheless has provided a modest contribution to our strategy of growing fee income.

As outlined in the 9th Malaysia Plan, substantial budget allocations have been made for infrastructure and maintenance works to boost the construction sector. The Bank has introduced a contract financing program, incorporating the issuance of performance and financial guarantees, for small and medium sized contractors that are awarded work contracts by the public sector.

In December 2005, the Division launched its cash management services, with online capabilities. Customers are able to enjoy a comprehensive package of product offerings, which includes payments, collections and liquidity management. The system enables us to mobilise more current account deposits from corporate clients, as well as to serve our customers better as we understand and identify their banking requirements based on statistic trends and the profiling of their operations.

SME Lending

In order to better serve our SME customers, we have established a network of five Regional Business Centres, situated in the Klang Valley, Penang, Johor Bahru, Kuching and Kota Kinabalu, complemented by 11 commercial business centres, strategically located throughout the country.

In FY2007, we shall be establishing commercial business centres at another five locations, to cover the industrial zones in the northern states of Kedah and to tap business opportunities along the east coast of Peninsula Malaysia as well as the areas around the oil fields of Bintulu, Sarawak. Coupled with the counter services provided by the Bank's branches, these business centres will be equipped with improved infrastructure to facilitate the processing of loans at a shorter turnaround time.

Apart from local regional growth, the Division has also established a trade service centre in Hong Kong. This centre enables the Division to handle end-to-end trade transactions originating from Malaysia, as well as capturing higher business volume and revenue from cross-border Asian and China trade.

The Bank is also enhancing its trade finance system, to provide speedy turnaround time and quality service to customers. Once completed, there will be integration of multiple systems such as the factoring and cash management systems, the loan system and the overdraft system, thus enhancing the operational efficiency of the Bank. Another system which has recently been implemented on 1 May 2006 is the Corporate Loan System.

In line with the Government's call for banks to provide full financial support to SMEs, we are establishing a new credit rating model, taking into consideration the distinctive qualities and unique operations of SMEs.

Our support to the SMEs must not be solely gauged by the amount of financing which we have disbursed. At the same time, we have teams of specialist Account Managers trained to focus on this sector and to customise our solutions to them.

AmBank Launches Cash Management Services



Y Bhg Dato' James
Lim Cheng Poh

AmBank (M) Berhad recently launched its new cash management services suite, AmBiz-CashPro, a tool guaranteed to enhance the efficiency and reduce costs of business customers in their day-to-day routine cash management tasks. It covers a full spectrum of activities such as receivables management, payables management, liquidity management, and corporate Internet banking.

AmBiz-CashPro combines the cash management capabilities (that are currently only fully available from foreign banks operating in Malaysia) with the broad coverage of AmBank's nationwide branch network. The suite was developed by Nucleus Software Export Ltd, and is powered by its Cash@Will system. Via AmBiz-CashPro, AmBank is the first local bank to provide a full cash management suite of products. There is also a strong focus on security to ensure safe and accurate transaction processing and communications between AmBank and its customers. Another plus is that there will be continual improvements

deployed in phases to introduce enhancements in the product's features and services.

Commenting on the launch, Y Bhg Dato' James Lim, Managing Director, Business Banking, AmBank (M) Berhad said, "This launch represents a new phase in AmBank's capabilities. With AmBiz-CashPro, AmBank truly lives up to its mission of being a premier financial services provider offering innovative products and services to our customers."

Over the course of the year, AmBank will be conducting a series of roadshows to showcase AmBiz-CashPro and to educate customers on the application and advantages of cash management.

"Education will be key. In today's environment, a lot of companies are saddled with the tedious and mundane activities related to transaction processing, for example, cheque payments preparation. Through AmBiz-CashPro, we are able to provide customers with not only a cost-effective solution to transaction processing, but also the ability to free up their resources to concentrate on core business activities such as sales and customer service," said Mr Andre Lee, Head of AmBank's Cash & Trade Services Management.

Retail Banking

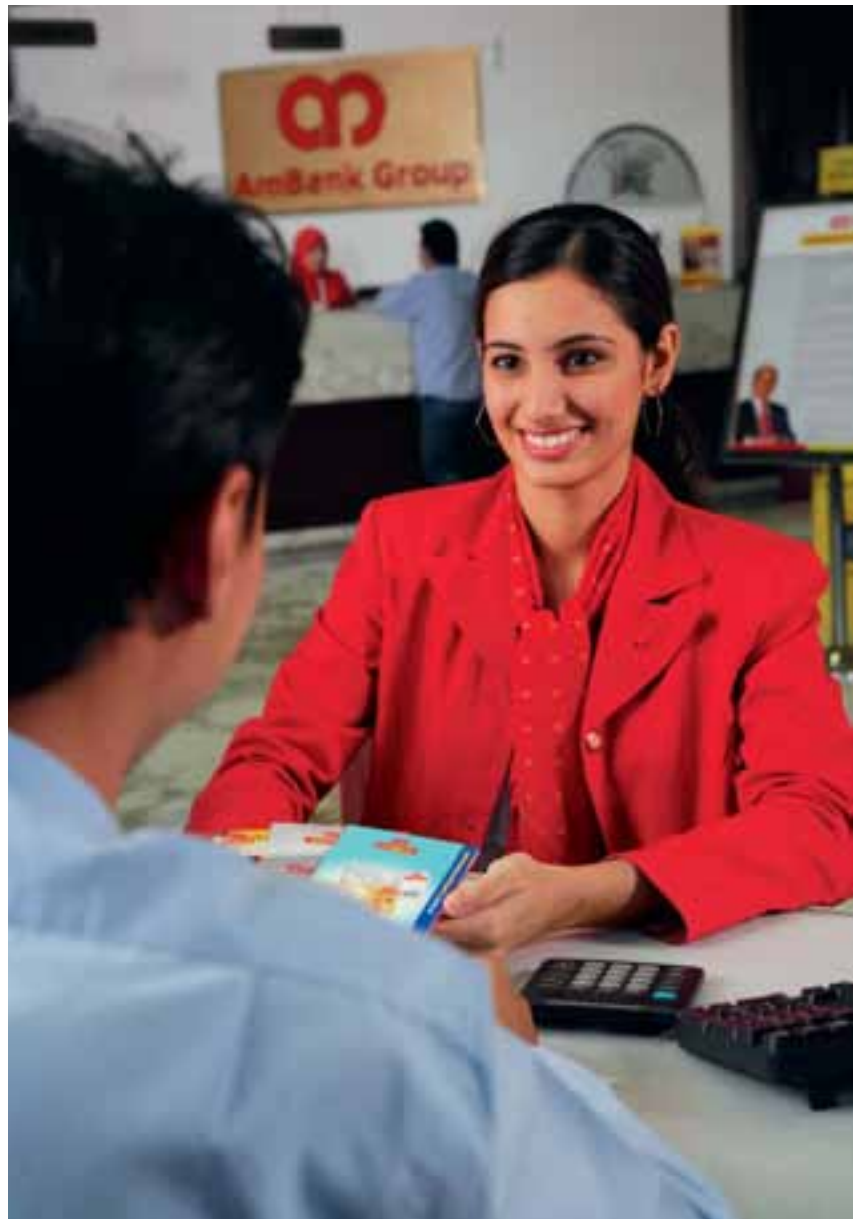
In our first financial year, as the retail banking division of AmBank (M) Berhad, we consolidated our market position and registered strong growth in revenue, profitability and loans. We maintained our leading position as the largest auto vehicle financier in the country, the second largest provider of personal financing loans, the third largest provider of credit cards financing, and continued to gain market share in mortgage loans.

To complement its network of 170 branches, the Bank continues to invest in modern technology to provide customers with added banking convenience and easier access via its alternative channels. The Bank has 233 automated teller machines (ATMs), 48 electronic banking channels (EBCs), a call centre and also offers mobile banking and Internet banking coverage.

The number of transactions performed using these alternative delivery channels has been on the rising trend. AmBank continues to pioneer extended banking hours and Sunday banking at selected nationwide branches, to offer customers greater convenience to conduct their banking transactions. We also continue to upgrade the product knowledge and skills of the 500 financial services agents and 120 personal bankers, who are responsible for marketing the retail consumer products.

Among the new products and services that were introduced during the year to meet changing customer needs were the variable rate hire purchase financing, housing loan refinancing scheme, deferred repayment housing loan, Real Rewards MasterCard, Platinum card, specialty Visa-Imagine card and AmGlobal Property Equities Fund.

During the year, a number of brand-building initiatives, such as campaigns and surveys on brand positioning, product development, customers / dealers satisfaction, data mining and cross-selling were



successfully implemented. In addition, we also established a service and quality improvement unit to spearhead customer relationship projects. The SMILE project, embracing Six Sigma principles, was piloted to significantly improve customer service.

During the financial year, retail lending expanded at a much faster rate, rising by 20.8%, to RM37.2 billion, whilst customer deposits increased by 11.4% to RM32.5 billion. Overall asset quality registered an improvement, with the net NPL ratio declining from 8.8% in FY2005 to 6.4%.

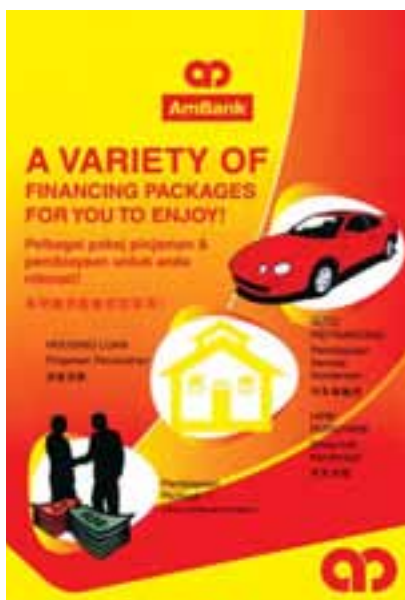


Hire Purchase

The Group maintained its key position as the largest financier of motor vehicles, with total loans outstanding rising to RM20.2 billion, translating into a market share of approximately 22.3%. The Bank disbursed new hire purchase loans totaling RM9.5 billion, an increase of 29.0% when compared to the previous year, due to the launch of various new car models, a low financing rate regime and an extensive auto dealer management program.

The Bank has implemented dealer incentive programs and loyalty campaigns, as well as half yearly dealer dialogue sessions, to strengthen its business relationships with its more than 3,200 auto dealers. The Bank has also forged strategic alliances with major vehicle distributors and auto dealers, including Auto Italia, DaimlerChrysler Malaysia, Hicomobil Kleeman, Honda, Naza Kia, Perodua, Proton and Toyota, and provided floor stocking and floor plan schemes to meet their working capital requirements.

We customised special financing schemes to complement the distributors' and auto dealers' marketing initiatives and actively participated in their roadshows, sales carnivals, and direct mailer sales promotion campaigns.



In June 2004, the Bank's hire purchase fulfillment department obtained the ISO 9001 accreditation from the Department of Standards Malaysia, the United Kingdom Accreditation Service and the Comité français d'accréditation. Since then, it has continued to streamline operating standards and requirements in the hire purchase processing, documentation, disbursement and customer service for improved efficiency.

In order to further reduce its credit processing time, the Bank has implemented an automated credit scoring system, which has been integrated with the Central Bank's Credit Bureau (CCRIS). This system allows for a quick and comprehensive check on borrowers' credit history, as well as enables the Bank to manage its credit risk more prudently.

With the amendments to the Hire Purchase Act, the Bank was the first to launch the variable-rate hire purchase financing scheme in October 2005. Our floor stocking and the newly introduced floor plan schemes remain popular amongst car dealers to finance their working capital requirements.

Meanwhile, our customers benefit from other services bundled into one financial package, including credit cards, personal insurance, investment products and overdraft facilities. The Bank provides extensive insurance, protection plans and other benefits via cross-selling of the insurance products.

As part of our contribution towards social awareness and consumer education program, the Bank publishes a monthly used and new car prices in The Star and The New Straits Times. Further, to assess the roadworthiness of hire purchase vehicles, the Bank also requires all used vehicles to undergo inspection by Pusat Pemeriksaan Kenderaan Berkomputer Sdn Bhd, the officially sanctioned vehicle inspection body in Malaysia.

In order to further consolidate our position as the prime car financier in Malaysia, the Bank continues to develop B2B and B2C loyalty via faster loan decision making processes and bundling of products with preferential rates.

Mortgage Loans

Despite the intense competition in the mortgage loan market segment, the Bank grew its mortgage portfolio to RM10.1 billion, or a market share of 6.6%. New housing loans approved during the year rose by 6.6% to RM3.3 billion. During the year, 49.0% of the new housing loans approved were for the purchase of the medium and high-end properties, as compared to 35.0% recorded previously.

The increase in loan approvals is attributed to the introduction of attractive mortgage loan packages, strategic-targeted marketing campaigns as well as close business relationships with established developers and real estate agents. The Bank actively participates in developers' project launches and major property exhibitions, such as the Malaysia Property Exhibition, organised by the Real Estate & Housing Developers' Association.

We work very closely with the key housing developers to tailor our mortgage loan packages to meet the needs of their property purchasers. This includes product bundling to incorporate credit cards, overdraft and insurance facilities to provide our customers with the benefits of total financing package experience.

One key marketing program launched was a 'Property Refinancing Campaign' initiated in collaboration with Samsung Malaysia Electronics Sdn Bhd. Under this campaign, premium audio-visual items were given away, such as the 42" Samsung Plasma TV for successful applications for loans amounting RM500,000 and above. The campaign proved to be successful and provided the opportunity to increase our penetration rate in the mid to high-end customer segment.



The Deferred Repayment scheme offered first-time house purchasers below 30 years of age an opportunity to purchase medium cost properties. Such customers would enjoy the flexible repayment option, whereby for the first two years after full drawdown they can service the interest on the credit facility, with principal repayment commencing only in the third year.

A national level sales conference was held in April 2005 as a platform to communicate the Bank's mortgage

business goals and objectives to the sales team and to commemorate results-proven achievement by the sales force. The Productivity Challenge Program II, i.e. a performance management program with clear performance metrics and incentive scheme to increase staff productivity, was re-launched in May 2005 as part of our efforts to strengthen marketing capabilities. Our sales personnel undergo regular comprehensive training and customer awareness programs to improve their selling skills.

We have improved on our processing system by revamping the credit application forms, and by having ongoing automation exercises and system enhancement initiatives, we have improved our backroom efficiency and turnaround time. The implementation of the Credit Scoring model and on-line credit checking with CCRIS on borrowers' credit worthiness assessment serve to improve loan decision making and asset quality.

In line with our customer friendly and corporate responsibility, we have consistently extended micro credit schemes to enable low income earners to own their homes. The Bank has a strategic alliance with the Selangor State government to provide low-cost housing loans, such as the Tabung Perumahan Ehsan facilities for the state government housing projects.

Notwithstanding the impending slower growth in selected segments of the property sector next year, AmBank is fully-gearred to grow its mortgage loans and market share. Our focus is on the high and medium cost development projects in strategic locations.

AmBank Launches Mortgage Refinancing Campaign

AmBank recently launched its Mortgage Refinancing Campaign on 26 October 2005 at Menara AmBank with the cooperation of Samsung Malaysia Electronics (SME) Sdn Bhd. Present at the launch ceremony was Enock Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad, and Mr Jimmy Tan, General Manager, Samsung Malaysia Electronics Sdn Bhd.

In his speech, Enock Mohamed Azmi said, "The Refinancing Campaign is aimed at 'new-to-bank' individual customers seeking refinancing facilities for residential and/or commercial properties. The promotion is available nationwide but is mainly targeted at properties located in major towns in the Klang Valley, Pulau Pinang, Johor, Ipoh, Seremban, Melaka, Kuantan, Kuching and Kota Kinabalu."

The campaign commenced on 26 October 2005 and ends on 31 January 2006. Customers who refinance with AmBank for a minimum term loan amount of RM150,000 are entitled to attractive gifts from Samsung ranging from the Home Theatre System, the 32" SlimFit HDTV, to the 42" Plasma TV. Best of all,

customers with higher term loan amounts of above RM500,000 are given the flexibility to choose from a variety of Samsung gifts.

Enock Azmi added, "This exciting offer will appeal to many as it is pooled at a very attractive low interest rate. It comes with great perks and benefits such as full zero-entry cost, high margin of finance, overdraft facility, daily interest computation, flexible repayment options, redraw facility, and much more. As a gesture of appreciation to its existing customers, AmBank has also invited its depositors, cardholders and free-purchase borrowers without a mortgage facility with the bank to refinance and take advantage of the great benefits offered by the package."

With this latest promotion, AmBank is confident of making further in-roads into the affluent mid- to high-end customer segments as well as attracting over RM100 million of new loans, which will contribute toward total new loans of over RM2 billion for the financial year ending 31 March 2006.



Mr Jimmy Tan (left) and Enock Mohamed Azmi Mahmood (right) officially launch the campaign.



Credit Cards and Line-of-Credit (LOC)

Despite the intense competition, AmBank charted an impressive growth of 23.2% with cards-in-circulation rising to 446,000 cards as at March 2006. Outstanding credit cards receivables and card spend recorded equally strong growth of 29.7% and 22.1% respectively. The growth was attributed to creative promotional campaigns and our commitment to superior customer service.

The Bank launched several new innovative cards, such as the prestigious Platinum card, targeting the high net worth individuals, whilst the Visa Imagine card was for the younger customers. The Visa-Imagine Card provides attractive financing packages for the purchase of Samsung hi-tech products.

AmBank’s array of card offerings is packaged to provide lifestyle themes, with the latest card being the FIFA World Cup card, targeting ardent football fans.

We also embarked on an aggressive advertising campaign to promote our balance transfer, easy payment and flexi payment schemes. Apart from that, we have also launched our innovative QuickCash program, where cash is easily and conveniently available via phone, fax, e-mail and sms channels, a first in the card payment industry. In addition, we expanded our alliances with major retailers to increase our merchant acquisition rate.

In conjunction with the nationwide Mega Sale carnival in August 2005, various promotions were held in collaboration with MasterCard to encourage card utilisation and take-up rate. As part of our efforts to build a loyal clientele, contests are continuously organised for cardholders, whilst the AmBonus points system rewards customers based on their spending. Holiday promotions devised with tour operators, such as the Hong Kong Disneyland travel packages, also boosted card spend.

The strategic alliance between AmBank and MBf Cards (M) Sdn Bhd has proven to be equally successful. MBf Cards receivables size stood at RM1.4 billion, with cards-in-circulation of 506,000. Aggregating AmBank and



MBf Cards receivables financing, total credit receivables outstanding rose by 11.3% to RM2.2 billion, placing AmBank as the third largest credit card financier in the industry.

With the full implementation of EMV (Europay, MasterCard and Visa International Service Association) in May 2005, there has been a significant reduction in card frauds. The recent integration of credit scoring system to CCRIS provides on-line credit checking facility and has started to translate into improved loan decision making process and faster processing turnaround time.

In FY 2007, the initiatives to grow our card business include issuance of corporate cards, prepaid cards, proprietary cards and co-branded cards. The Group is well-positioned to grow its card base through cross-selling activities and active data mining of its customer database. Our vision is to achieve recognition as the leader in the payments market landscape in Malaysia inspired by changing consumer needs.



Personal Financing

Personal financing is offered by the Bank through its tie-ups with Government co-operatives. The portfolio expanded by 44.0% to RM1.1 billion as at March 2006, placing AmBank second in the industry with a market share of approximately 6.5%.

The marketing promotion campaigns included bonanza gifts for the festive seasons, alliances with Tabung Haji for travel packages for Umrah, the “Fly with AirAsia” campaign which rewards customers with subsidised flight vouchers as well as a strategic tie-up for the financing of MODENAS motorcycles. Our Islamic personal financing product, the Personal Financing-i, provides customers with enhanced features of the automatic reducing term insurance coverage.

Moving forward, the Bank will continue to enhance its business relationships with government-linked corporations and develop pre-approved packages that are tailor-made for individual institution co-operatives.



Asset Financing & Small Business

Asset Financing & Small Business (AFSB) primarily provides financing products to SMEs, including industrial hire purchase, term loans, commercial property loan, block discounting, loans funded by BNM, loans backed by Credit Guarantee Corporation (CGC), loans under Bumiputra Development Unit (BDU) and CGC direct access guarantee schemes. With active promotion of the BNM-funded and CGC-guaranteed loan schemes, which are intended to assist SMEs in accessing cheaper loan financing, the total receivables have risen to RM2.0 billion.

The growth in the portfolio is attributed to strong strategic alliances forged with machinery dealers and suppliers. At present, one third of our total loans are to enterprises in the manufacturing sector, with the remaining to the agriculture, construction, transport, wholesale and retail sectors.

During the year, we enhanced our products to include overdraft facilities to facilitate cash-flow management of our SME customers. We also launched the AmBiz Cash Plan, a program lending scheme targeting the new automotive dealers. The BDU focuses on marketing and lending to the Bumiputera entrepreneurs.

In FY2007, the Bank will continue to expand its industrial equipment refinancing scheme and business coverage to include petrol dealer associations, business and trade associations and Bumiputera contractors and manufacturers.

Consumer Sales

The Consumer Sales business unit of the Bank offers bancassurance products comprising investment products in the form of fixed income, equity unit trusts and insurance products (including MRTA, life, general and auto insurance).



In January 2006, the Consumer Sales Unit marketed the AmGlobal Property Equities Fund, whereby AmBank became the first domestic bank to offer retail customers the opportunity to invest in global property securities. In order to offer customers the choice of the best unit trust products, the Bank also acts as an agent for the sale of third party funds from other unit trust management companies such as Hwang DBS, TA Unit Trust, ING, Prudential and OSK-UOB.

The Bank also launched a nationwide MegaFD campaign in July 2005, whereby customers were given rebates to purchase digital cameras at subsidised prices. Sales of our single and regular premium life insurance products have also registered strong growth. We now have personal bankers at the major branches to provide financial planning services and a full suite of investment products to our customers.

In FY2007, to further broaden its range of services, the Consumer Sales Unit will continue to expand its alliances with the unit trust and insurance companies.

Deposits

The remodeling of our branches into Sales and Service Centres (SSCs) has provided a new platform to increase our deposit base.

Furthermore, the introduction of cash management services in early 2006 has translated to higher opening of demand deposit accounts by business enterprises and corporations.

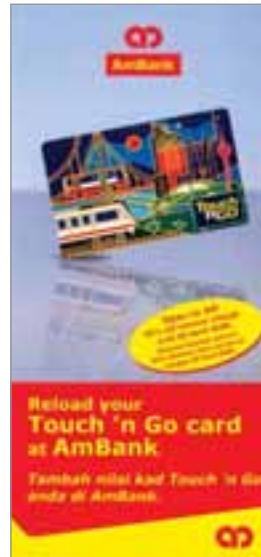
In FY2007, we are embarking on aggressive marketing campaigns and rolling out new products to mobilise low-cost deposits, specifically savings and demand deposits.

Channels

Branch Network

During the year, we continued the remodelling of the branches network, balancing focus between sales and service, improving customer banking experience, and maximising operational efficiency by optimising backroom operations through outsourcing to reduce operational costs. The infrastructure at the branches is being progressively upgraded to enable the provision of extended remittance services including Rentas, SWIFT, local and foreign currency demand drafts. The Queue Management System has been installed to improve efficiency.

Moving into FY2007, customer service excellence remains the major priority. Extended working hours on weekdays and weekends, at high traffic locations has enabled us to provide greater banking convenience for our customers.



eChannel

The eChannels, comprising Self Service machines (ATM, CDM and CQM) at Electronic Banking Centres, Internet Banking, a 24-hour Contact Centre and Mobile Banking are some of the services that have been developed to provide better service to out customers. In order to promote greater awareness of these services and usage of these facilities as well as operating cost per transaction, campaigns and nationwide roadshows were conducted at branches and strategic locations.

Currently, approximately 44% of customers' transactions at EBC branches are conducted via eChannels. The Internet Banking allows customers to perform selected transactions over the Internet including bill payment, account balance enquiry and online funds transfer.

During the year, the Group has formed a strategic alliance with Touch 'n Go, which enables the public to reload their Touch 'n Go Card at AmBank's Cash Deposit Machines. By 2006, 60 EBCs will be fitted with Touch 'n Go reload facilities.

The Bank's 140-seat Contact Centre operates 24 hours a day, enabling customers to access financial products and services over the telephone via Interactive Voice Response (IVR) and Customer Service Executives (CSE). Customers can check their account balances and transaction history, transfer funds and obtain insurance services, make credit card and loan repayments and subscribe to new services.



The Contact Centre is fully equipped with automated self-service support technology, predictive auto dialer, multi-channel integration and automated service request tracking.

Meanwhile, the Mobile Banking service allows customers to perform certain banking transactions using the SMS function, including reloading prepaid mobile telephone accounts and making balance enquiries. The Bank intends to increase its Mobile Banking service provision to include more bill payment services and auto payroll/claims alert.

In addition, the Bank has partnerships with over 45 major corporations including utilities, clubs and telecommunication providers, to enable its customers to transact or pay their bills via the use of either Internet Banking or ATM. The Bank continuously expands the partnership arrangement to better serve its customers.

In maintaining our position as Malaysia's premier financial services group, we constantly strive to be innovators in an industry that demands us to find new and creative products and services for our customers.

AmMobile Banking Provides Maxis Customers Top-Up and Banking Account Inquiry Services Via SMS



With AmBank Group's AmMobile Banking service, Maxis' Hotlink prepaid customers can now top-up their airtime value automatically via Short Message Service (SMS). This hassle-free and secure SMS Top-Up service is a collaboration between Maxis and AmBank Group to enable customers to reload their airtime on the move. This frees customers from the need to look for a retail outlet that sells reload coupons. The top-up denominations are currently available in RM30, RM50 and RM100. With AmMobile Banking service, Maxis' customers holding a savings or current account with AmBank Group are also able to check their bank account balance via SMS.

To enjoy this value added service, Maxis customers can now easily register at any of 184 AmBank and AmFinance branches nationwide or by calling the 24-hour Call Centre at 03-2612 6888. Once they have registered for the service, customers need

A handshake to seal the deal – Encheh Mohamed Azmi Mohamed, Head of Retail Banking, AmBank Group (left), and Mr Tan Lay Han, Senior General Manager, Head of Channel Distribution and Customer Services, Maxis, at a brief ceremony at Bangunan AmFinance, Jalan Yap Kwan Song on 15 January 2006 to commemorate the collaboration.

only send an SMS by typing TUP, the top-up denomination, followed by the Mobile PIN number, and send it to 32033. Upon receiving the request, the integrated AmMobile Banking system will check the customer's account and within 30 seconds the customer's airtime access will be updated. Customers will also be notified of their successful top-up via SMS.

A secure systems technology is used to ensure safe data transaction. Pre-registration safeguards account information, and all transactions require the Mobile PIN known only to the user. The technology partners for this project are QuickNet Com Sdn Bhd together with MCM Consulting Sdn Bhd.

The AmMobile Banking service is available everyday from 6 am to 12 midnight. For further enquiries or information, Maxis customers can contact 1-300-820-120 or call the 24-hour AmDirect Call Centre at 03-2612 6888.

ISLAMIC BANKING

During the year, revenue from the Group's Islamic banking business chartered encouraging growth, with pre-tax profit rising by 59.8% to RM148.3 million, whilst total assets expanded to RM9.4 billion as at end-March 2006. Total loans and financing reported at RM6.5 billion, accounted for 69.2% of total assets due to the continued strong demand for financing for motor vehicles and housing. Islamic banking has proven itself to be an increasingly important component of the Group's business activities.

Going forward, the Group's Islamic business would be driven by AmIslamic Bank Berhad (AmIslamic), which commenced operations on 1 May 2006 as a full-fledged Islamic bank, with shareholders' funds of approximately RM1.0 billion. The total Islamic banking assets of RM8.5 billion, were vested by AmBank into AmIslamic Bank, pursuant to a High Court Order.

AmIslamic Bank, with a universal banking licence, offers a complete range of innovative commercial and investment banking services, to meet the needs of different customer groups and demands. The Bank has also introduced its own logo and website - 'amislamicbank.com.my'.

The Bank's Syariah Committee members, include three distinguished scholars:

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



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

Investment Banking Activities

In 2005, AmMerchant Bank successfully completed 10 transactions, with issuance value of up to RM10.4 billion in the primary debt markets, for corporate clients involved in the Utilities, Finance and Trading/Services industries. AmMerchant won numerous domestic and international accolades in 2005:

- **Project Finance International Awards 2005**
Bond Deal of the Year in Asia Pacific for Kapar Energy Ventures RM3.4 billion BaIDS.
- **The Asset Asian Country Awards 2005**
Best Deal in Malaysia for Jimah Energy Ventures RM6.1 billion Islamic Financing transaction.
- **FinanceAsia Achievement Awards 2005**
Best Islamic Finance Deal for Cagamas MBS Berhad RM2.05 billion Islamic Residential Mortgage Backed Sukuk Musyarakah.

- **KLIFF 2005 Islamic Banking Award for 'Most Innovative Islamic Financial Product'**

RM80.0 million Mudharabah Bonds for PG Municipal Assets Berhad.

- **Asiamoney Domestic Awards 2005**

Best Bond House (over 80% were Islamic issues).

- **Rating Agency Malaysia (RAM) League Tables**

Topped Lead Manager's League Table for Sukuk Issues 2005 for most number of Islamic Securities issues.

The Mudharabah Bonds for PG Municipal Assets Berhad, was the first parallel Mudharabah or profit-sharing arrangement in the country, as well as first Municipal bonds issue, backed by tax assessments for industrial properties collected by a local government authority.



AmMerchant receives two FinanceAsia Achievement Awards: Mr Cheah Teck Kuang (left) receiving one of the two awards from Mr Siddiq Bazarwala.

The most outstanding deal of the year was the RM6.0 billion Islamic securities issued by Jimah Energy Ventures, comprising RM4.8 billion Senior Istisna' MTNs and RM1.0 billion Bai' Inah MTNs issuances by Jimah Energy Ventures Sdn Bhd and Special Power Vehicle Berhad, respectively. This landmark transaction marked several new firsts, not just for the financing of independent power plants. It was also the largest Islamic securities issue of 2005 and was the first floating rate Islamic securities in Malaysia.

Other notable Islamic transactions arranged by AmMerchant during the year included DRB-HICOM's RM1.0 billion Islamic Securities comprising BaIDS and Mudharabah Commercial Papers/Medium Term Notes Programmes and Antara Steel's RM500.0 million BaIDS.

Another successful initiative was the launch of the first Islamic global equity fund in Malaysia called AmOasis Global Islamic Equity, partnering Oasis Group Holdings Limited, in April 2006 provides investors an opportunity to invest offshore in Syariah-compliant funds.

Retail and Business Banking Activities

During the year, the major focus was on growing the Group's retail and commercial financing. In this regard, a number of new products were introduced and marketing campaigns organised:

- Al-Tasliif Free-For-Life Credit Card campaign was re-launched in April 2005, together with a new balance transfer programme.
- Quick Cash, a profit-free cash advance facility for three months. With a minimum request of RM1,000, the AmBank cardholders enjoyed a 0% easy payment plan for a period of 6 months. The campaign offered cardholders multiple hassle-free channels to request the service; either via the AmBank Contact Centre, SMS, e-mail or via fax sent to the AmBank Contact Centre.
- Basic Current Account-i and Basic Savings Account-i, based on the Wadiah principle.
- Cash Line Facility-i, a Murabahah-based overdraft credit facility
- Direct Access Guarantee-i (DAGS-i), a Syariah-based financing facility specially tailored for SMEs, in collaboration with the Credit Guarantee Corporation Malaysia Berhad.



Marketing and Promotions

The Group also played a key role in supporting Bank Negara Malaysia's efforts to promote greater awareness and knowledge of Islamic banking activities amongst the public through participation in the nationwide Islamic Banking and Takaful Roadshow 2005, as well as in various conferences and expositions.

We also entered into a Memorandum of Understanding with the International Islamic University of Malaysia in October 2005, for co-operation to promote Islamic banking, research and development of new products as well as providing in-house training to the AmBank Group staff on Islamic banking and finance.

The future looks set to hold many opportunities and AmIslamic Bank will be at the forefront to chart a new phase for the Group's expansion through the opening of dedicated marketing centres throughout the country, and introduction of innovative products and services to meet our customers' needs.

INSURANCE



The results reflect our focus on building stronger customer relationships to better align our products, services and distribution networks with our customer needs.

For the financial year ended 31 March 2006, AmAssurance achieved a commendable 72.0% growth in pretax profit to RM55.6 million, compared to RM32.3 million in the previous year.

The key to the significant growth was strong gross premium growth of 11.0%, outpacing the industry's growth rate of 7.0%, better claims experience and product bundling of the insurance products with the Group's retail business. The premiums from the general insurance business constituted 56.0% of the total premium income. Total assets grew at 19.0% in tandem with the business growth to stand at RM1.8 billion (FY2005: RM1.5 billion).

With the insurance business being a key priority in the Group's wealth management strategy, AmAssurance continues to increase its market share in both the life and general insurance industry. AmAssurance is now ranked fifth and eighth respectively, in the general and life insurance industry in terms of new business premiums.

Another exciting development was the acquisition in March 2006, of a 30.0% shareholding in the company by the Insurance Australia Group Limited (IAG), the largest general insurance company in Australia. We are confident that this strategic partnership will enable AmAssurance to capitalise on new business opportunities and leverage on IAG's expertise and skills.

General Insurance

The general business recorded a gross premium of RM438.2 million, registering more than 12.0% growth, for the fourth consecutive year. Motor premiums, rose by 13.0% to RM347.8 million, to account for more than 44.6% of the total business volume generated. This further raised the market share of AmAssurance in motor premiums in the industry to 8.2% as at end-December, 2005, and positioned it as the second largest motor insurance underwriter in the country.

The business registered an underwriting surplus of RM32.3 million, compared to RM9.4 million in the previous year, due to the 13.0% growth in motor insurance premiums, as well as the lower claims experience. The claims ratio declined to 63.0%, compared to 67.0% in the previous year.





Warm & Friendly Service, The Malaysian Way.™

Call 03-2178 8000 for all your Life and General Insurance needs.
amassurance.com.my

Service 1™. Our Promise.



Life Insurance Business

The life insurance business similarly sustained its growth momentum, registering an overall gross premium growth of 9.0% to RM341 million, with new business premium rising by 6.0%. Meanwhile, bancassurance has developed into a major business channel accounting for 46.0% of the gross premium income, at par with the contribution from the agency force. The life policyholders' fund (inclusive of the investment linked funds) grew by 23.0% and has surpassed RM1 billion (FY2005: RM819 million).

Meeting Customer Requirements

Although insurance is our core business, we believe that we are in effect selling a service, and hence our continued emphasis on the concept of excellent customer service. Our original tagline '**Service 1st, Our Promise**' introduced in 2004, has now been modified to '**Warm and Friendly Service, The Malaysian Way**' to reflect the Malaysian touch in the way we deliver service to our valued customers. The tagline is prominently displayed on billboards across the country and all our staff are continuously being trained and encouraged to provide the highest level of service.

Acknowledging the importance of remaining 'customer-focused', AmAssurance has achieved a key milestone with the establishment of its very first 'Contact Centre'. With this new infrastructure, customers are able to enjoy greater convenience when dealing with AmAssurance. In addition to servicing, the Contact Centre is also positioned as a revenue-generating direct marketing channel which complements our extensive network of branches and agents.

A number of successful initiatives were launched during the period to improve our services.

New Products Launched

AmVision20	• 20-year Endowment Dividend Plan
AmVarsity	• Child Education Endowment Plan, expiring at age 21
AmCash Guarantee 21	• 21-year Endowment Dividend Plan
AmGen3+	• Participating Whole Life product, expiring at age 85
AmSpecial Gift Plus	• 25-year Endowment Dividend Plan
Eduplan	• Participating Endowment Policy
AmSecure	• Participating Endowment Policy
Am3G+	• Participating Whole Life Policy

• Composite Insurance System

AmAssurance is presently installing a core composite insurance system. The system provides a single integrated platform to serve the policyholders, agents and other intermediaries. Costing over RM20 million, it is positioned to improve customer service and efficiency, reduce turnaround-time and provide opportunities to cross-sell products in the Group.

• AmAlert

In line with our mission '**To provide insurance service to customers as simply and conveniently as possible**', AmAssurance had launched AmAlert, a mobile service that allows customers to send via SMS, enquiries pertaining to their policies, products and services offered by the Company. Upon receiving such SMS, we shall respond within a guaranteed time of 20 minutes.

• AmRecovery

As part of our efforts to curb vehicle theft, AmAssurance had launched the AmRecovery vehicle security system incorporating a tracking device and recovery services programme in July 2005, together with a third party vendor. The programme aims to offer vehicle protection along with compensation for loss of the use of the vehicle resulting from theft.

• 'We Care' Customer's Bulletin

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

AmAssurance is well on track to underwrite gross premiums of more than RM1 billion in FY2007:

- By leveraging on the Group's extensive retail banking franchise;
- Through our commitment to excellence in customer service, supported by 6,565 agents, of which 3,731 are life insurance agents; and
- By leveraging on the support provided by our new shareholder, IAG, in terms of new processes and risk management capabilities.



INFORMATION TECHNOLOGY SYSTEMS

The Group continued to exploit technology to provide better service to customers and to improve and streamline its processes for higher productivity and efficiency.



The Group capitalises on Information & Communication Technology (ICT) as a business enabler to promote innovative, effective, and efficient use of technology for a competitive edge.

IT capital expenditure for FY2006 focused on improving capabilities in the area of Retail and Commercial Banking, Islamic Banking, Investment Banking and Group Treasury. Almost 60% of the capital expenditure incurred was focused on corporate lending and retail business. Continuous investment on financial management and risk management were equally important to enable seamless services to our customers and also to meet compliance with regulatory requirements.

The Group is looking at a comprehensive, integrated and advanced risk management system to reduce the Group's economic capital and regulatory capital through efficient data management and reporting. The system also provides a unique opportunity for the Group to enhance and upgrade its risk management practices, policies and technology so that credit risk, market risk and operational risk can be managed holistically.

To support new business and service delivery capabilities, emphasis was also given to the overall IT infrastructure of the Group with focus on data storage and network communication to accommodate business growth. In addition, the Group Information Services (IS) constantly monitors and ensure technology infrastructure such as PCs, printers and other IT peripherals are kept current.



In the area of disaster recovery, Group IS continues to perform two 'live' tests annually to ensure systems readiness for any eventuality and to support faster business resumption.

The Group is also constantly evaluating new capabilities and enhancement of the alternative channels such as mobile and Internet banking services, to complement the different distribution channels for customers. With the increase of online banking access through the Internet, Group IS is constantly monitoring and upgrading the overall security of our systems to protect customers' confidentiality and privacy.

Retail and Commercial Banking

The consolidation of IT systems infrastructure for retail and commercial banking has enabled operational efficiency and provided easier customer reach.

Retail Banking has initiated the deployment of centralised front-end service delivery systems to cater for the needs of the increased customer base and provide more user-friendly customer interactions.

The Business Banking segment is currently realigning resources and placing increasing focus on key business areas like Corporate and Islamic Loans, Cash Management and Trade Finance. These areas are increasingly leveraging on Internet technologies to complement the traditional business touch and improve business growth.

The new Corporate Loan system caters to Conventional and Islamic corporate facilities in multi-currency and increases accessibility to Corporate Loan products and services group-wide. The streamlined corporate lending operational policies and procedures allow the Group to aggressively grow corporate lending business and better manage the quality of assets.

The Cash Management system captures operating accounts which promotes better understanding of customers' cash flows and financial position thus creates opportunities to cross-sell other products and services.

Islamic Banking

In line with the overall Group initiatives on Islamic Banking, the focus for Islamic Banking is to capitalise on existing channels and technology infrastructure to increase business growth.

Investment Banking/ Group Treasury

The technology strategy is to align with overall Investment Banking and Group Treasury business objectives. Primary focus is to enhance IT systems for Treasury Derivatives, Funds Management and Securities trading.

The Treasury Derivatives system upgrade enables complete operational control, seamless processing for all deal structures and robust analytics for valuation and risk management.

The upgrade of the Funds Management system is to provide multi-currency capabilities and

overseas investments, in line with the recent liberalisation by BNM of offshore investments.

The Securities Trading Division is implementing a New Electronic and Client Ordering system for Direct Market Access trading to deliver efficient trading for clients and promotes cross-border trading activities.

Insurance

AmAssurance is aggressively focusing on the implementation of a new fully-integrated Composite Insurance system for both Life and General Divisions. The new system enables provision of customer experience, profitability and single customer view across both Life and General insurance.

AmAssurance also plans to aggressively grow its insurance business through cross-selling, expert advisory and product variations with easy access to the system throughout the Group for business referrals and follow ups. Turnaround time of retrieving information is shorter hence prompt and efficient service to customers.



HUMAN RESOURCES

Human capital will always be an integral component of sustainable competitive advantage in the banking and financial services industry.

To be among the top players in the industry, the Group recognises the need for a skilled, flexible and committed work force that forms the stepping stones to efficient and innovative management, as well as the importance of retaining developed talent. We believe that the availability of the right people to take on new opportunities and challenges will propel us to further success and excellence in our services and products offered.

To achieve our goals, the Group has rolled out several initiatives during the year.

Developing Leaders for the Future

The Group's efforts in developing its human capital have been centred along attracting, integrating and retaining the "right" people to support its business goals and strategies. As the need for specialised and diversified talents increases, efforts are directed at projecting and planning for future talent requirements as well as fulfilling current talent needs.

Learning and development activities that build and support the core competencies of our people have been put in place to propel our business strategies. Various technical and behavioral training programmes are conducted to enable our people to realise their highest potential and to commit to performance. In addition to proficiency training, staff innovation and creativity is emphasised to equip them with further ability to respond promptly to market demands and competition.

Managing and Rewarding Performance

The Group adopts a performance-driven culture whereby rewards and recognition are linked to individual, team and corporate performance. Remuneration programmes are designed with direct connection to business results. The Performance Management framework aligns individual performances to organisational goals. The framework allows the individuals to set expectations for performance based on organisational goals, two-way managing of performance and recognition of performance via rewards based on achievement of goals.

Training Programmes



Our passion is for people. In a business that is about service, they are the key to success because service is ultimately about building our relationships and then maintaining and nurturing them.



Reaffirming Our Commitment to Clients

In line with our theme, “Customer F.I.R.S.T.”, our employees are encouraged to embrace the brand values wholeheartedly and enthusiastically offer better customer service. Our commitment towards providing excellent service is embedded in the Group’s Shared Values, training programmes as well as internal and external customer campaigns. In our pursuit to deliver service excellence, we believe in collaborating with our clients to evaluate their growing needs and to provide them with superior business solutions. The Group will continuously focus on better human capital practices to achieve greater heights of business growth and recognition.



45th AmBank Group induction at Awana Genting Highlands held in May 2006.

Our success and goals will not be possible without a dedicated, driven and proactive management team. Their skills and ability to execute growth strategy will help the Group to face future challenges with full confidence.

ENVIRONMENTAL CONSCIOUSNESS

The AmBank Group recognises the importance of environmental preservation. The Group’s conservation and environmental protection objectives are reflected in its continuous sponsoring of the Dromedary Camels of Zoo Negara Malaysia, efforts of which have commenced since the 1980s. The Group also donates to the World Wildlife Fund for Nature as well as supports the cleanliness programmes organised by local authorities.

In addition, the Group actively promotes recycling practices and the reutilisation of resources. Recycling of disposed paper is encouraged Group-wide, whilst wastage of paper is minimised where possible with the effective use of infrastructure and alternative communication mediums available. Apart from that, the recycling of empty ink cartridges and other obsolete computer equipment is carried out to minimise the impact on the environment.

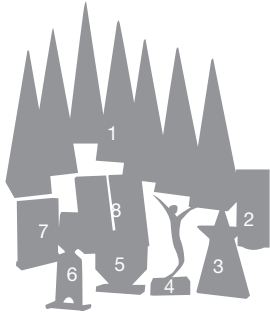


We also encourage our customers to use alternative delivery channels such as ATMs and Internet banking to reduce the usage of paper.

Furthermore, the credit risk policy of the Group is structured to ensure that lending to relevant sectors require adherence to environment regulations, such as environment impact studies.

Notables and Awards

AmlInvestment Group



RAM League Awards ⁽¹⁾

- No. 1 – Lead Manager Award 2005 (Number of Deals)
- No. 1 – Lead Manager Award 2005 (Issue Value)
- No. 1 – Lead Manager Award, Islamic 2005 (Number of Deals)
- No. 3 – Lead Manager Award, Islamic 2005 (Issue Value)
- Blueprint Award – New Islamic Benchmark Deal (PG Municipal Assets Berhad)
- Blueprint Award – New Islamic Benchmark Deal (Cagamas MBS Berhad)
- Blueprint Award – New Benchmark Bond (Jimah Energy Ventures Sdn Bhd & Special Power Vehicle Berhad)





FinanceAsia Country Awards 2005 ⁽²⁾

- Best Malaysian Bond House

Asiamoney Awards 2005 ⁽³⁾

- Best Domestic Bond House – Malaysia

The Star/Standard & Poor's Investment Fund Awards ⁽⁴⁾

- Winner, Fixed Income MYR 1-Year Category (AmDynamic Bond Fund)

ProjectFinance



Euromoney Project Finance Awards 2005 ⁽⁵⁾

- Asia Pacific Deal of the Year (Jimah Energy Ventures: Joint Lead Arranger and Primary Subscriber to fund the construction cost of 1,400 MW coal-fired power plant)

Deloitte Consulting Malaysia and International Institute of Islamic Finance (IIIF Inc)/ Islamic Banking Awards, Kuala Lumpur Islamic Finance Forum 2005 ⁽⁶⁾

- Most Innovative Islamic Financial Product (Parallel Mudharabah)

Triple A The Asset Asian Country Awards 2005 ⁽⁷⁾

- Best Deal of the Year in Malaysia (Jimah Energy Ventures RM6.1 billion Islamic financing)



Bloomberg

FinanceAsia 2005 Annual Achievement Awards ⁽⁸⁾

- Best Malaysia Deal
- Best Domestic Securitisation/ Best Islamic Finance Deal (Both for Cagamas RM2.05 billion RMBS, World's First Rated Islamic RMBS)

Project Finance International Awards 2005

- Bond Deal of the Year – Asia Pacific (Jimah Energy Ventures RM6.1 billion Islamic financing)

Bloomberg Malaysia M&A League Table – Completed Deals for 2005

- Top Adviser (By Market Share and Number of Deals)



Malaysian Rating Corporation League Tables

- No. 1 (Number of Issues)
- No. 2 (Issue Value)

The Edge Awards 2005

- Best Deal – Corporate Finance (Jimah Energy Ventures)

3rd Asiamoney Structured Products Poll

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

Corporate Social Responsibility



Encik Mustafa Mohd Nor (Kelab AmBank Group President, far left) being congratulated by YB Dato' Seri Shahrizat Abdul Jalil (Women, Family and Community Development Minister and Acting Federal Territories Minister, third from left) while Tuan Haji Salleh Yusop (Director-General, Dewan Bandaraya Kuala Lumpur, second from left) and YBhg Tan Sri Mohd Amin Osman (President of Federal Territory Amateur Athletics Association, far right) look on at the AmBank-Kuala Lumpur International Marathon 2006 cheque presentation ceremony.



Deputy Prime Minister YAB Dato' Sri Najib Tun Razak (centre) on stage with Tan Sri Dato' Azman Hashim (Chairman, AmBank Group, second from left) and other dignitaries ushering in the New Year at the AmBank Group Gemilang 2006 concert.



Prof W Y Chin, Vice-President of Olympic Council of Malaysia (left), and Encik Mahdi Murad, Executive Director, AmBank (M) Berhad, holding up logos to signify the partnership between the AmBank Group and Olympic Council of Malaysia.



AmBank Group Director, Group Public Affairs, Syed Anuar Syed Ali (right), presents a placard signifying the School Sponsorship Programme to YB Dato' Hishammuddin Tun Hussein, Minister of Education.

Children from Persatuan Kebangsaan Pekak Malaysia pose for a group shot together with the AmBank Group and National Zoo officials.



As the Main Sponsor of the launch evening of the Visit Malaysia Year 2007 (VMY 2007), the AmBank Group on 31 December 2005 staged the AmBank Group Gemilang 2006 concert which also ushered in the New Year. Officiated by YAB Dato' Sri Najib Tun Razak, the Deputy Prime Minister, the joint effort with the Ministry of Tourism, Tourism Malaysia and Kuala Lumpur City Hall provided rousing entertainment throughout the evening and a dazzling display of fireworks to a crowd which swelled onto the streets surrounding Dataran Merdeka.

Well-known Malaysian entertainers including Reshmonu, Ruffedge, Zainal Abidin and Daniel (Malaysian Idol 2005) were featured, wooing the crowd with their varied and rousing presentations. The event not only supported the Malaysian

Government's promotion of Malaysia to all Malaysians, but to all visitors, who will be able to enjoy the richness and diversity of Malaysian geography, culture, history and the warmth of the people. The evening marked the second time in three years (a pause in 2004 was taken to respect victims of the tsunami disaster) that the AmBank Group staged an event of such proportions, demonstrating its role as a caring corporate citizen and the private sector's collaboration with the Government to represent Malaysia Incorporated.

In further promoting Malaysia as a global player in sports, the AmBank Group became the Official Banking Group for the Olympic Council of Malaysia. The announcement took place in February 2006 and affirmed the Group's continued support not only for sports in Malaysia but also in



AmBank-KL International Marathon runners crossing the starting line.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left), shaking hands with Team AmBank Malaysia Rotax Junior driver Ooi Fei Hoong before the final race of the Rotax Max Challenge Grand Finals 2005.

the international sporting arena. Through this agreement, the AmBank Group provides its suite of banking facilities and financial expertise to OCM and its affiliates, which include 47 National Sports Associations and their athletes. By supporting the OCM, the Group will also be supporting the Malaysian contingent to such notable events as the Asian Games (Doha, December 2006) and further afield, to the Beijing 2008 Olympic Games.

The AmBank Group further supported the cause of international sporting events as a means of building understanding and friendships between foreign countries, when it sponsored for the second time the AmBank-Kuala Lumpur International Marathon (by an amount of RM400,000), which attracted over 8,000 local as well as international runners. The worldwide Rotax Max Challenge Grand Finals 2005 in Langkawi was also sponsored in an effort to spur young drivers to succeed in the competitive world of international kart racing. RM30,000 was contributed to Malaysia's hosting of equestrian sports in the Malaysian Open 2005 and Merdeka Masters 2005.

Among the initiatives in aiding the poor and the underprivileged were the annual 'Buka Puasa' sessions during the month of Ramadan. In 2005, members of the AmBank Group were on hand to bring cheer, Raya gifts and a treat of an array of delicacies to Rumah Amal Hashimiah (a shelter for

150 orphans and disabled children) and to Rahmat Ramadan, a charity event at Dataran Merdeka co-organised by the Ministry of Women, Family and Community Development for 5,000 underprivileged citizens from the Klang Valley. Support was also given to Tjjarah Ramadan, 30-second episodes aired on TV1 throughout the month of Ramadan. Further activities included a visit for children from the Persatuan Kebangsaan Pekak Malaysia to the National Zoo, where the Group presented RM30,000 for its 19th consecutive year of support for the Dromedary Camels.

We participated as sponsor in the New Straits Times' School Sponsorship Programme and provided free copies of the paper to schools to aid improvement of students' command of English. Further, the Skim Mudah Milik RM1 with AmBank as exclusive bank made affordable housing accessible to lower income groups in Pulau Pinang while the Tabung Perumahan Sabah provided this in Sabah.

In supporting health-related campaigns, the AmBank Group contributed RM200,000 to the "Feast with Pride Dinner" to raise awareness for breast cancer, and also RM88,000 towards the Charity Dinner organised by the Malaysian Liver Foundation. In September, staff of AmBank Group came together in a blood donation drive in support of the National Blood Bank.



Women, Family, and Community Development Minister, YB Dato' Seri Shahrizat Abdul Jalil (left) accepting a camel coin box from Syed Anuar Syed Ali, Director of Group Public Affairs, AmBank Group, while AmBank Group staff look on during the "Rahmat Ramadan" charity event.



Sponsors, including AmBank Group, pose with YBhg Tan Sri Francis Yeoh (centre) and the mock cheque presented at the "Feast with Pride Dinner".

Calendar of Events: Business Activities

April 2005 to June 2006



A handshake to mark a new beginning: Ms Pushpa Rajadurai (Executive Director, AmMerchant Bank, left) and Mr Lee Kah Keng (Group Managing Director, Minetech Resources Berhad) smile on during the exchange of underwriting documents.

May 2005

- AmBank Group held its 2nd Mortgage Sales Conference and the first combined Mortgage and Cards National Sales Conference.
- AmAssurance Berhad organised its 17th National Convention 2005.
- AmBank Group along with RealRewards launched the AmBank - RealRewards MasterCard.
- AmInvestment Group was successfully listed on the Main Board of Bursa Malaysia.



A new addition to the family of AmBank Group cards: (L-R) Mr Nyang Koon Seng, Chief Executive Officer, Advance Information Marketing (AIM); Encik Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad; Mr Perry Ong, General Manager, AmBank Card Centre; Encik Mahdi Murad, Executive Director, Retail Banking, AmBank (M) Berhad; and YBhg Dato' Shamsuddin Hayroni, Chairman, Electronic Commerce Technology Sdn Bhd, holding up a mock AmBank-RealRewards MasterCard.

- AmMerchant Bank signed an underwriting agreement with Eonmetall Group Berhad for a flotation exercise on the Second Board of Bursa Malaysia.

- AmMerchant Bank was a Joint Lead Arranger for the arrangement of RM120 million Serial Bonds for Supermax Corporation Berhad.

- AmMerchant Bank signed an underwriting agreement with Tenaga Kimia Berhad for a flotation exercise on the Second Board of Bursa Malaysia.

04

April 2005

- AmMerchant Bank was a Joint Lead Arranger for the provision of Islamic financing facilities of up to RM6.1 billion for Jimah Energy Ventures Sdn Bhd's proposed power station in Negeri Sembilan.
- AmMerchant Bank signed an underwriting agreement with Minetech Resources Berhad for a flotation exercise on the Second Board of Bursa Malaysia.
- AmMerchant Bank signed an underwriting agreement with Tanjung Offshore Berhad for a flotation exercise on the Second Board of Bursa Malaysia.



(L-R) YM Tunku Afwida Malek, CEO, MIMB; Encik Abdullah Mat Noh, Chairman, RHB Sakura; YB Datuk Seri Dr Lim Keng Yaik, Energy, Water and Communications Minister; Tunku Naquiyuddin ibni Tuanku Ja'afar, Chairman, Jimah Energy Ventures; Tan Sri Dato' Azman Hashim, Chairman, AmBank Group; YBhg Dato' Abdul Manap Abd Wahab, CEO, Bank Muamalat; and Ms Surindar Kaur A/P Gian Singh, CEO, Mayban Trustees Berhad.



(L-R): Ms Pushpa Rajadurai (Executive Director, AmMerchant Bank), Mr T C Kok (Managing Director/Chief Executive Officer, AmMerchant Bank), Encik Yusli bin Mohamed Yusoff (CEO and Executive Director, Bursa Malaysia), and Tan Sri Dato' Azman Hashim (Chairman, AmBank Group) give their thumbs up to the listing of AmInvestment Group.



Bank Negara Malaysia Governor YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz launches ABF Malaysia while Tan Sri Dato' Azman Hashim (far left), YABhg Tun Mohamed Dzaiddin bin Haji Abdullah, Chairman of Bursa Malaysia (third from left) and Encik Yusli bin Mohamed Yusoff, Chief Executive Officer of Bursa Malaysia (far right) look on.



The launch of Menara AmBank, headquarters of the newly formed AmBank (M) Berhad.

July 2005

- AmInvestment Group listed the ABF Malaysia Bond Index Fund on the Main Board of Bursa Malaysia. The Fund was the first exchange traded fund (ETF) in Malaysia, and the first bond ETF in Malaysia and also in South East Asia.
- AmMerchant Bank was the Adviser, Sponsor, Managing Underwriter and Sole Placement Agent for Key West Global Telecommunications Berhad's proposed listing on the MESDAQ Market of Bursa Malaysia.
- AmAssurance launched the AmRecovery Programme with the co-operation of Captor Retail Sdn Bhd.
- AmBank Group participated in the Islamic Banking and Takaful Road Show (IBTR) 2005 held at Danga Bay, Johor Bahru.
- AmAssurance, MCM Tech and eBaoTech signed a RM22.0 million agreement for a Life and General Insurance System.

June 2005

- AmInvestment Group was awarded seven awards at the Rating Agency Malaysia "RAM League Awards 2005" for achievements in the Malaysian Bond Market.
- AmBank's Savers' G.a.n.g launched new premium items at special prices only available to Savers' G.a.n.g account holders.
- AmMerchant Bank signed an underwriting agreement with Comex Genesys Berhad for a flotation exercise on the MESDAQ Market of Bursa Malaysia.

06

August 2005

- AmMerchant Bank acted as the Adviser and Managing Underwriter for GHL Systems Berhad's Renounceable 3-for-5 Two-Call Rights Issue.
- AmBank Group sponsored the New Straits Times' "School Sponsorship Programme" to help produce students with a higher level of proficiency in the English language.

08



(L-R): Mr Tay Beng Lock (Group Managing Director, GHL Systems), Ms Pushpa Rajadurai (Executive Director, AmMerchant Bank), YM Tunku Dato' Abdul Malek bin Tunku Kassim (Chairman, GHL Systems), and Mr Lee Yew Kin (Executive Director of Operations, AmSecurities) at the announcement of GHL Systems Berhad's Rights Issue.



(L-R): Mr Lee Yew Kin (Executive Director of Operations, AmSecurities), Mr T C Kok (Managing Director, AmMerchant Bank), Professor Emeritus Dato' Dr Khalid Abdul Kadir (Chairman, TMC Life Sciences), and Dr Colin Lee Soon Soo (Managing Director, TMC Life Sciences), exchanging documents in the ceremony to signify AmMerchant Bank's role as Adviser and Managing Underwriter for TMC Life Sciences Berhad's IPO and listing.

September 2005

- Industry magazine FinanceAsia presented AmMerchant Bank its "Best Bond House in Malaysia" award for the annual FinanceAsia Country Awards for Achievement 2005.
- AmMerchant Bank acted as the Adviser and Managing Underwriter for TMC Life Sciences Berhad's IPO and listing on the MESDAQ market of Bursa Malaysia.
- AmMerchant Bank's Labuan Offshore Branch was appointed by Rimbunan Hijau Group to act as Adviser and Coordinator for feasibility studies and fundraising related to the setting up of a crude oil refinery in the Jiangsu Province, People's Republic of China.

09



(L-R): Mr Steven Irvine (Editor, FinanceAsia), Mr T C Kok (Managing Director, AmMerchant Bank), Mr Jonathan Hirst (Managing Director, FinanceAsia), and Mr Foster Wright (Publisher, FinanceAsia) at the FinanceAsia Country Awards for Achievement 2005 awards ceremony.

09

- AmInternational (L) Ltd received the “Most Outstanding Listing Sponsor on the Labuan International Financial Exchange” award at the Labuan Offshore Industry Annual Dinner.
- AmBank Group organised the AmSecurities-AmResearch Investors Conference 2005, which was broadly structured with the objective of identifying the major trends, direction, and prospects in the various industries and sectors of the Malaysian economy.
- AmMerchant Bank acted as the Adviser, Sponsor, Managing Underwriter and Placement Agent for ConnectCounty Holdings Berhad’s listing on the MESDAQ Market of Bursa Malaysia.



(L-R): Mr Charles Sik (Head of Wealth Management Products, Citibank), Mr Cheah Chuan Lok (Chief Executive Officer, AmInvestment Services Berhad), Datin Maznah Mahbob (CEO/Executive Director, AmInvestment Management Sdn Bhd), and Mr Chris Reilly (Director of Property, Asia, Henderson Global Investors (Singapore) Ltd) launching AmGlobal.

October 2005



Tan Sri Dato’ Azman Hashim, Chairman, AmBank Group (left), shaking hands with YBhg Professor Dr Mohd Kamal Hassan, Rector, International Islamic University of Malaysia.

- AmMerchant Bank acted as the Adviser, Sponsor, Managing Underwriter, and Placement Agent for Flonic Hi-Tec’s listing on the MESDAQ Market of Bursa Malaysia.
- AmMerchant Bank acted as the Adviser, Sponsor, Managing Underwriter and Sole Placement Agent for K-One Tech’s listing on the MESDAQ Market of Bursa Malaysia.
- AmBank Group signed a Memorandum of Understanding with the International Islamic University of Malaysia, and also became the sponsor for two seminar rooms in its efforts to promote Islamic banking and contribute and assist with the development of education in local universities.

10



(L-R): Mr Ang Chuang Juay (Managing Director, ConnectCounty), Mr T C Kok, (Managing Director, AmMerchant Bank), Puan Noraini Ahmad (Chairman, ConnectCounty), and Encik Mustafa Mohd Nor (Managing Director, AmSecurities).



(L-R): Mr Lee Yew Kin (Executive Director of Operations, AmSecurities), Ms Pushpa Rajadurai (Executive Director, AmMerchant Bank), Mr Edwin Lim (Executive Chairman, K-One Tech), and Mr Martin Lim (Chief Executive Officer/Executive Director, K-One Tech).

10



(L-R): Mr Lee Yew Kin (Executive Director of Operations, AmSecurities), Ms Pushpa Rajadurai (Executive Director, AmMerchant Bank), Mr Yen Yoon Fah (Executive Chairman, Flonic), Mr Looa Hong Hooi (Managing Director, Flonic), and Mr Heng Hock Meng (Executive Director, Flonic).

- The Funds Management Division (FMD) of AmInvestment Group introduced AmMutual as the new brand for its unit trust funds, while appointing Ms Yvonne Phe as its Chief Investment Officer, Fixed Income, and Mr Andrew Wong as the Chief Investment Officer, Equities.
- AmMutual launched a unit trust fund known as AmGlobal Property Equities Fund, which was the first fund in Malaysia to offer global property securities investments.



(L-R): AmBank Group Chairman Tan Sri Dato' Azman Hashim, YTL Corporation Managing Director YBhg Tan Sri Dato' Francis Yeoh, YTL Corporation Executive Chairman YBhg Tan Sri Dato' Seri Yeoh Tiong Lay, and Chairman of ECM Libra Berhad YBhg Dato' Kalimullah Hassan during the launch of the Starhill REIT prospectus.

November 2005

- AmMerchant Bank was amongst three recipients of the 'Most Innovative Islamic Financial Products' award presented during the Islamic Banking Awards held in conjunction with the Kuala Lumpur Islamic Finance Forum 2005.
- The Asset announced AmMerchant Bank among the recipients of its "Best Deal of the Year in Malaysia 2005" award for the annual Asset Triple A Country Awards 2005.

11



Mr T C Kok, (Managing Director, AmMerchant Bank) (second from right) and Mr Seohan Soo (Director, Debt Capital Markets, AmMerchant Bank) (far right) with representatives from Cagamas MBS, Standard Chartered Bank, and ECM Libra Capital.



(L-R): Mr Ang Chor Teng (Executive Director, KBB), Madam Tai Chok Ping (Executive Director, KBB), Mr Ang Cho Teing (Managing Director, KBB), YAB Tan Sri Dr Koh Tsu Koon (Chief Minister of Pulau Pinang), and YBhg Datuk Md Kamal bin Bilal (Chairman/Independent Non-Executive Director, KBB).

- AmBank Group entered into an agreement in a proposed joint venture involving Insurance Australia Group Limited and AmBank Group's insurance arm, AmAssurance Berhad.
- FinanceAsia awarded two 2005 Annual Achievement Awards to AmMerchant Bank for being one of the lead managers of the world's first rated Islamic Residential Mortgage Backed Securitisation (RMBS), the Cagamas RM2.05 billion RMBS.

January 2006

- AmMerchant Bank, together with Standard Chartered Bank Malaysia, were the Joint Principal Advisers and Joint Lead Arrangers of Malaysia's third issuance of Residential Mortgage-Backed Securities by Cagamas MBS.
- AmInvestment Group was the Senior Co-Lead Manager for the listing of YTL Group's Starhill Real Estate Investment Trust (REIT) on the Main Board of Bursa Malaysia.
- In line with AmBank Group's commitment to continually improve its services to customers, AmBank and AmAssurance launched new customer Contact Centres with upgraded infrastructures.

1 2



UOA Asset Management Executive Director, Mr David Khor (left), and AmBank Group Chairman, Tan Sri Dato' Azman Hashim (right), showing a copy of the UOA REIT Prospectus.

- AmBank Group appointed Encik Mustafa Mohd Nor as the Economic Adviser of AmInvestment Group while Mr John Tan Giap How took over his previous post as Managing Director of AmSecurities.
- AmBank introduced the all-new Imagine Visa credit card, an innovative credit card targeting hip, young professionals.

0 1

December 2005

- AmMerchant Bank was ranked top adviser in Malaysia for the period from 1 January 2005 through 11 November 2005 on Bloomberg's Malaysia M&A League Table for 2005.
- AmMerchant Bank was the Adviser and Arranger for a RM200.0 Million Term Loan and RM150.0 Million Murabahah Commercial Paper Programme for Kumpulan Guthrie Berhad.
- AmMerchant Bank was the Adviser, Managing Underwriter, and Sole Bookrunner for the listing of UOA Asset Management Sdn Bhd's Real Estate Investment Trust (UOA REIT) on the Main Board of Bursa Malaysia.



Mr Teng Chean Choy (Director, Group Treasury, AmMerchant Bank) (left), and YBhg Dato' Abd Wahab Maskan (CEO, Kumpulan Guthrie) at the announcement of Kumpulan Guthrie's Term Loan and Murabahah Commercial Paper Programme.

February 2006

- AmMutual Funds made its mark at The Star/Standard & Poor's Investment Fund Awards Malaysia 2006 when one of its funds, the AmDynamic Bond Fund won in the Fixed Income MYR 1-Year category.
- AmMerchant Bank was the Adviser, Sponsor, Managing Underwriter and Placement Agent for VisDynamics Holdings Berhad's listing on the MESDAQ Market of Bursa Malaysia.
- AmMerchant Bank was the Adviser, Sponsor, Managing Underwriter, and Placement Agent for Airocom Technology Berhad's listing on the MESDAQ Market of Bursa Malaysia.
- AmBank (M) Berhad officially launched the AmBank Platinum MasterCard and the Al-Taslif AmBank Platinum MasterCard, which are two premier credit cards for the affluent Malaysian consumer market.



Ms Yvonne Phe Kheng Peng, Chief Investment Officer, Fixed Income, AmInvestment Management Sdn Bhd (left) and Mr Cheah Chuan Lok, CEO, AmInvestment Services Berhad, at The Star/Standard & Poor's Investment Fund Awards Malaysia 2006.



Unveiling Platinum: (L-R) Tan Sri Dato' Azman Hashim (Chairman, AmBank Group), Encik Mohamed Azmi Mahmood (Managing Director, Retail Banking, AmBank (M) Berhad), Mr Jim Cheah (MasterCard International Vice President and Senior Country Manager, Malaysia and Brunei), and Perry Ong (General Manager, Card Services and LOC Department, AmBank (M) Berhad) at the launch of AmBank's Platinum MasterCard cards.



(L-R): Encik Khairil Anuar Abdullah (Chairman, VisDynamics), Mr Choy Ngee Hoe (Chief Executive Officer, VisDynamics), Ms Pushpa Rajadurai (Executive Director, AmMerchant Bank), and Mr John Tan Giap How (Managing Director, AmSecurities).

- AmBank (M) Berhad introduced the limited-edition AmBank RealRewards MasterCard 2006 FIFA World Cup Card with vibrant designs to appeal to all football fans.
- AmBank (M) Berhad together with Credit Guarantee Corporation Malaysia Berhad launched the AmBiz Cash Plan for new-car dealers, complementing AmBank's existing range of SME products.



(L-R): Encik Khairil Anuar Abdullah (Director, Airocom), Ms Pushpa Rajadurai (Executive Director, AmMerchant Bank), YBhg Datuk Ali Abdul Kadir (Chairman, Airocom), and Mr Lee Yew Kin (Executive Director, Operations, AmSecurities).

02



Encik Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad (left) and YBhg Datuk Wan Azhar Wan Ahmad, Managing Director, Credit Guarantee Corporation Malaysia Berhad, exchanging documents.

04

April 2006

- AmMerchant Bank was the Lead Arranger and Sole Lead Manager for Asian Development Bank's RM500 million five-year bond issue under its RM3.8 billion Medium Term Note (MTN) Programme.
- AmBank (M) Berhad launched its new cash management services suite, AmBiz-CashPro, a tool guaranteed to enhance the efficiency and reduce costs of business customers in their day-to-day routine cash management tasks.
- The Funds Management Division of AmInvestment Group launched AmOasis Global Islamic Equity, the first global Islamic equity fund in Malaysia.
- AmAssurance Berhad acquired an office tower previously known as Bangunan AMDB to house its headquarters in Kuala Lumpur. The office tower has been renamed Bangunan AmAssurance.



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

- AmBank (M) Berhad and Rangkaian Segar Sdn Bhd launched Malaysia's first reload service for Touch 'n Go cards via cash deposit machines, utilising AmBank's network of Cash Deposit Machines (CDMs) across the nation.

May 2006

- AmBank Group's Islamic banking subsidiary, AmIslamic Bank Berhad, was officially launched by YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia, at Menara AmBank in Kuala Lumpur.
- AmInvestment Group was rated one of the two "Best Domestic Providers for Local Currency Products" in Malaysia for its structured interest-rate products in the recent Asiamoney Structured Products Poll.
- AmBank Group participated in the highly publicised SMIDEX 2006 exhibition held at the Kuala Lumpur Convention Centre.



(L-R): Mr Cheah Tek Kuang (Group Managing Director, AmBank Group), YBhg Dato' Ooi Sang Kuang (Deputy Governor, Bank Negara Malaysia), Mikio Kashiwagi (Treasurer, Asian Development Bank) and Juan Limandibrata (Assistant Treasurer, Asian Development Bank).

05



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

05

- AmBank Group Chairman Tan Sri Dato' Azman Hashim was appointed Chairman of The Pacific Basin Economic Council (PBEC).
- Lembaga Pembangunan Perumahan Dan Bandar (LPPB) and AmBank (M) Berhad, the Sole Financier, signed an agreement commemorating the launch of the Tabung Perumahan Sabah (TPS) scheme.



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

06

June 2006

- AmBank (M) Berhad and Rexit Software Sdn Bhd signed an agreement commemorating the partnership for the subscription of e-Hire Purchase services.
- AmMerchant Bank acted as the Adviser, Sponsor, Managing Underwriter, and Placement Agent for Scan Associates Berhad's listing on the MESDAQ Market of Bursa Malaysia.
- AmInvestment Group was awarded seven RAM League Awards by Rating Agency Malaysia for its outstanding achievements in the domestic bond markets.



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

06

Calendar of Events: Social and Sports Activities

April 2005 – June 2006

April 2005

- Rumah Kanak-Kanak Taman Bakti and Spastic Children Association of Penang received an accumulative sum of RM35,223.80 through the Al-Taslif 'Share & Care' programme.
- Kelab AmBank Group organised its annual Treasure Hunts, themed 'AmAzing Hunt', from Kuala Lumpur to Pulau Pangkor with participation of 240 members in 104 cars.
- AmBank Group contributed RM89,655 to assist Rumah Berkat at Hospital Kuala Lumpur in its day-to-day running as well as improving its facilities.



The AmBank Group Long Service Awards recipients from AmMerchant Bank give their thumbs-up.

May 2005

- AmBank Group entered its 19th year of sponsoring camels at Zoo Negara as an exclusive sponsor of the Zoo's Dromedary Camels with a RM30,000 contribution.
- A prize-giving ceremony was held to award the winners of the AmBank Personal Financing slogan writing competition for 'Peraduan Miliki Ganjaran Wang Tunai'.

July 2005

- AmBank Group organised a Family Day gathering at A'Famosa Resort in Ayer Keroh, Melaka. A total of 2,163 AmBank Group staff and their family members from the Southern Region participated in the event.
- The AmBank Group Long Service Awards Ceremony for Klang Valley and Southern Region staff was also held at A'Famosa Resort in Ayer Keroh, Melaka, with a total of 122 staff from various subsidiaries receiving their awards.

04



One for the album (L to R): YB Datuk Haji Abdul Rashid bin Abdullah (Deputy Chief Minister of Pulau Pinang), Encik Ahmad Zaini Othman, Senior General Manager, Group Islamic Banking, AmBank Group, as well as Mr Gan Yok Chuan, Regional Manager, Region 1, AmBank Group, have a few words with the children from the Spastic Children Association of Penang and Rumah Kanak-Kanak Taman Bakti Kepala Batas as they accept their mock cheques.



Tan Sri Dato' Azman Hashim shakes hands with a young participant, while YM Tunku Arishah (right) and a Native American Indian look on at the Klang Valley and Region 3 Family Day in Melaka.



Syed Anuar Syed Ali, Director, Group Public Affairs, AmBank Group (left), presents a mock cheque for sponsorship of the Malaysian Open 2005 and Merdeka Masters 2005 to Youth and Sports Minister Datuk Azalina Dato' Othman Said (centre), while Quzier Ambak bin Dato' Mahamad Fathil, Chairman of the Organising Committee, Equestrian Promotion Sdn Bhd, looks on.



The winners of AmBagus 2005: (L-R) Mohd Zaime bin Zulkipli, Mohd Syawal bin Ruslan, and Rustam bin Mohamad.

08



Mr Cheah Tek Kuang, Group Managing Director, AmBank Group (second from left), and Encik Mustafa Mohd Nor, President, Kelab AmBank Group (third from left), posing with the KAG Bowling Tournament 2005 Challenge Trophy winners Ameer Hakim (far left) and Teh Siew Lan (far right).

August 2005

- In support of the local equestrian sport industry, AmBank Group contributed a total amount of RM30,000 towards the Malaysian Open 2005 and Merdeka Masters 2005.
- A total of 96 golfers participated in the annual Kelab AmBank Group (KAG) Golf Tournament 2005 at the Sungai Long Golf & Country Club, Selangor.
- A total of 576 keen bowlers participated in the Kelab AmBank Group (KAG) Bowling Tournament 2005 held at Pyramid Bowl in Sunway Pyramid.



(L-R): YBhg Dato' James Lim Cheng Poh (Managing Director, Business Banking, AmBank (M) Berhad), Tan Sri Dato' Azman Hashim (Chairman, AmBank Group), YBhg Dato' Azlan Hashim (Deputy Chairman, AmBank Group), and Encik Mohamed Azmi Mahmood (Managing Director, Retail Banking, AmBank (M) Berhad) pose at the annual Kelab AmBank Group (KAG) Golf Tournament 2005.



AmBank Group Boleh! Runners from the Group who participated in The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2005 (L-R): Encik Rustam Ku Azmi, Encik Mohd Azsemi Ibrahim, Mr Balasubrameniam, Mr Andrew Lim, and Encik Ruslan Kassim.



Paintball participants pose alongside YB Dato' Ong Tee Keat, Managing Director of Malaysia Book of Records (holding the certificate) after the KAG Paintball Challenge 2005.



Syed Anuar Syed Ali, Director, Group Public Affairs, AmBank Group (right), presenting a mock cheque to Encik Mokhlis Maizan, President of National Banks Sports Council to sponsor the AmBank Group Inter-Financial Institutions and Insurance Companies Futsal Tournament.



Syed Anuar Syed Ali, Director, Group Public Affairs, AmBank Group (top row, second from left) and other Kelab AmBank Group members with children from Rumah Amal Hashimiah.



Women, Family, and Community Development Minister and Acting Federal Territories Minister, YB Dato' Seri Shahrizat Abdul Jalil (centre) presents an AmBank Group goodie bag to a young guest while Encik Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad (far left), looks on at the "Rahmat Ramadan" charity event.

September 2005

- For the sixth consecutive year, the AmBank Group participated in The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2005, which was organised by The Edge and co-organised by Bursa Malaysia.
- Kelab AmBank Group (KAG) brought cheer to over 80 physically challenged children, when it organised a visit for Persatuan Kebangsaan Pekak Malaysia to the National Zoo in Ampang, Selangor.
- A total of 68 teams comprising 476 Kelab AmBank Group (KAG) members took part in the two-day KAG Paintball Challenge 2005, which broke its own record for the "Biggest Number of Participants and Biggest Number of Teams" in the Malaysia Book of Records.
- For the second consecutive year, the AmBank Group sponsored RM20,000 for the AmBank Group Inter-Financial Institutions and Insurance Companies Futsal Tournament organised by the National Banks Sports Council.

10

October 2005

- Kelab AmBank Group spread Ramadan and Aidilfitri cheer to children from Rumah Amal Hashimiah during KAG's annual "Berbuka Puasa with YBhg Tan Sri Dato' Azman Hashim". The children were also treated to Raya gifts they personally selected.
- AmBank Group participated in 'Rahmat Ramadan', a charity event co-organised by the Ministry of Women, Family, and Community Development and the Ministry of Federal Territories, which saw more than 5,000 underprivileged and needy citizens being treated to a "buka puasa" at Dataran Merdeka.
- AmBank Group contributed RM5,000 to "Tabung Tijarah Ramadan", which was part of "Tijarah Ramadan", a 30-episode series aired on TV1 throughout the month of Ramadan.



Kelab AmBank Group President Encik Mustafa Mohd Nor (left) presenting the first clues to the participants of "d'Am Race 2005".

November 2005

- Kelab AmBank Group gave its members a chance to test their endurance skills at the "d'Am Race 2005". Twenty-eight teams totalling 112 participants competed in the race, which was made up of six challenges.
- AmBank Group was the main sponsor of the worldwide Rotax Max Challenge Grand Finals 2005 event held in Langkawi. The sponsorship was an effort to spur young drivers to succeed in the competitive world of international kart racing and promote the sport in Malaysia.



YB Datuk Dr Leo Michael Toyad, Minister of Tourism (seated left) and YAB Dato' Sri Najib Tun Razak, Deputy Prime Minister (seated right) launching the Visit Malaysia Year 2007 campaign, while Tan Sri Dato' Azman Hashim (standing far right), YB Dato' Seri Shahrizat Abdul Jalil, Women, Family and Community Development Minister and Acting Federal Territories Minister (standing second from right) and other dignitaries look on.

12

December 2005

- As the Main Sponsor of the Visit Malaysia Year 2007 launch campaign, AmBank Group brought to the masses the AmBank Group Gemilang 2006 concert which also ushered in the New Year.
- A total of 88 keen AmBank Group golfers participated in the second Kelab AmBank Group Golf Tournament 2005.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (centre) posing for a group shot together with Team AmBank Malaysia drivers at the Rotax Max Challenge Grand Finals 2005.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left) presenting his Challenge Trophy to Allan Laws, who won the Kelab AmBank Group Golf Tournament 2005.

11



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left) presents the Best Placard Bearer award to the winner from Region 3 at the opening ceremony of Sukarama 2006.

02



Hulu Kinta Assemblyman YBhg Datuk Mazidah Zakaria (centre row, fourth from left) with representatives from the Perak Family Health Association and members of InteYo, a youth club established under the auspices of the Perak Family Health Association.



The AmBank Group team at the AmBank-Kuala Lumpur International Marathon 2006.

February 2006

- The first inter-regional games organised by Kelab AmBank Group, Sukarama, saw the participation of six regions with a total of 677 athletes from around the country.
- AmBank Group became the Official Banking Group for the Olympic Council of Malaysia, reaffirming its continued support for sports in Malaysia and also in the international sporting arena.



Encik Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad (third from left), with all the winners of the Women's Category at the AmBank-Kuala Lumpur International Marathon 2006.



Encik Mohamed Azmi Mahmood (Managing Director, Retail Banking, AmBank (M) Berhad), starting a go-kart as part of the KAG Go-Kart Championship 2006 launch.

March 2006

- Kelab AmBank Group held its inaugural Kelab AmBank Group Go-Kart Championship 2006 which saw 276 members participating in the two-day event.
- The AmBank-Kuala Lumpur International Marathon 2006 attracted 8,000 local as well as international runners, who competed in 11 categories.
- AmBank Group sponsored RM8,000 towards an outdoor leadership camp for under-privileged youth held in Tapah, Perak.



Encik Hashim Shah, Branch Manager, AmBank Ipoh Main (second from left), presents a mock cheque to YBhg DCP Dato' Zainal Mohd Tahir, Perak Police Chief (far left), while Perak Deputy Police Chief YBhg Dato' Abdul Razak Hj Bokhari (third from left) and Encik Mohd Shamshir, Sales Support Manager, AmBank Consumer Sales, Region 2 look on. The presentation ceremony officiated a donation to the Police Officers Mess in Ipoh, Perak.



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

04

April 2006

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

May 2006

- AmBank Group organised the "AmFamily Day" at the Arena of Stars in Genting Highlands Resort, Pahang, with participation from more than 4200 AmBank Group employees and their family members from the Central Region.
- Kelab AmBank Group (KAG) held its annual Charity Project for 70 children of Persatuan Sindrom Down Malaysia (PSDM) at the marine world of Aqaria KLCC.



Some of the Long Service Award recipients with (front row) Mr Cheah Tek Kuang (left), Tan Sri Dato' Azman Hashim (centre), and Encik Mohamed Azmi Mahmood (right) at AmFamily Day.



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

- Kelab AmBank Group (KAG) recently launched the newly renovated gymnasium on the seventh floor of Bangunan AmBank Group on Jalan Raja Chulan, Kuala Lumpur.



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

June 2006

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

06



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



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C u s t o m e r F . I . R . S . T



SIMPLICITY

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

Group Financial Review

Management Discussion and Analysis of Financial Performance

In FY2006, the Group continued to make tangible progress in its 3 strategic objectives to deliver value to our shareholders:

- Improve Profitability
- Reduce Risk - Reconfigure the business mix
- Achieve sustainable risk adjusted returns on capital

Financial Ratios	FY2006	FY2005
Earnings per share – net		
– Basic	17.2 sen	10.8 sen
– Fully diluted	16.9 sen	10.7 sen
Net assets per share	RM2.36	RM2.26
Pre-tax return on average shareholders' equity	11.2%	7.0%
Pre-tax return on average total assets	1.1%	0.8%
Gross dividend rate	5.0%	4.0%
Dividend payable/paid	RM76.7 million	RM61.4 million

Within a short span of five (5) years, we have transformed into the third largest retail banking group in the country, to complement our traditional niche in investment banking, and are now making satisfactory progress in gaining market share in insurance.

In our last Letter to Shareholders, we had detailed the targets for financial year ending 31 March 2006. Our commitment is not only to build the organisation's capacity to perform and grow in the next financial year, but also to emerge as a dominant player in the extremely competitive financial services industry.

Our efforts to strengthen and diversify our earnings growth and reduce risks should generate improved risk-adjusted returns.

Our pre-tax return on equity has risen to 11.2% in FY2006, a significant improvement from the 7.0%, achieved in FY2005.

Accordingly, the following management discussion should be read in conjunction with the audited consolidated financial statements for FY2006 of AMMB Holdings Berhad and its subsidiary companies, as well as the targets we had set for ourselves a year ago.

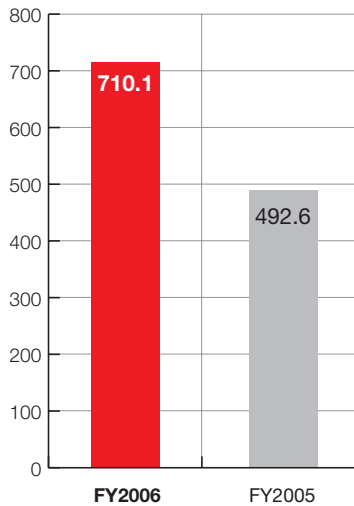
Simplified Income Statement

RM Million	FY2006	FY2005	+/-	
			RM Million	%
Net interest income	1,419.9	1,382.4	+ 37.5	+ 2.7
Income from Islamic banking business	540.5	436.0	+ 104.5	+ 24.0
Fund-based Income	1,960.4	1,818.4	+ 142.0	+ 7.8
Other operating income	904.0	759.4	+ 144.6	+ 19.0
Total income	2,864.4	2,577.8	+ 286.6	+ 11.1
Overheads	(1,175.7)	(1,022.2)	- 153.5	- 15.0
Insurance business	(274.5)	(226.7)	- 47.8	- 21.1
Operating profit	1,414.2	1,328.9	+ 85.3	+ 6.4
Allowance for losses on loans and financing	(774.7)	(770.5)	- 4.2	- 0.5
Other provisions	(21.2)	(21.5)	+ 0.3	+ 1.4
Impairment writeback/(loss)	89.6	(45.1)	+ 134.7	+ >100.0
Share in results of associated companies	2.2	0.8	+ 1.4	+ >100.0
Profit before tax	710.1	492.6	+ 217.5	+ 44.2
Taxation	(231.1)	(204.6)	- 26.5	- 12.9
Profit before minority interests	479.0	288.0	+ 191.0	+ 66.3
Minority interests	(113.5)	(84.0)	- 29.5	- 35.1
Net profit	365.5	204.0	+ 161.5	+ 79.2

Commitment 1: Improve Profitability and Earnings Per Share

Profit Before Tax

RM Million



The Group registered a strong growth in both pre-tax and net profit, amidst a background of broad based economic growth of 5.3% in 2005.

It achieved a pre-tax profit of RM710.1 million (+44.2%), whilst net profit after tax jumped by 79.2% to RM365.5 million, due to improved performance by all three major business divisions – commercial and retail banking, investment banking and insurance business.

The growth in profits was largely due to:

- Fund based income increasing by 7.8% driven by solid growth in retail and SME lending, partly offset by lower net interest margins.
- Other operating income increasing by 19.0% driven by growth in fees, insurance premiums and investment banking business activities.

- Operating expenses increasing by 16.1% largely driven by increase in marketing expenses for higher business volumes in hire purchase and insurance premiums, as well as increase in staff numbers and establishment costs due to the transformation of the finance company operations into a commercial bank.

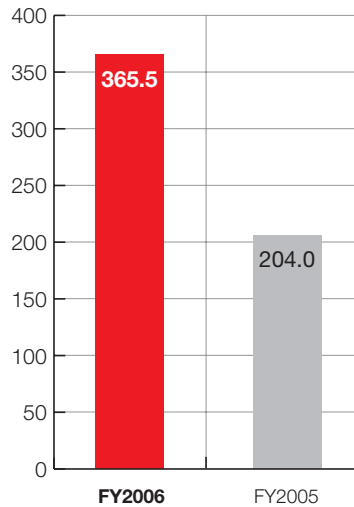
The largest contributor to the Group's profit is retail and commercial banking operations (47.5%); followed by investment banking (45.1%) and the insurance business (7.4%).

Earnings per share or EPS represents the earnings of the Group divided by weighted average number of shares in issue.

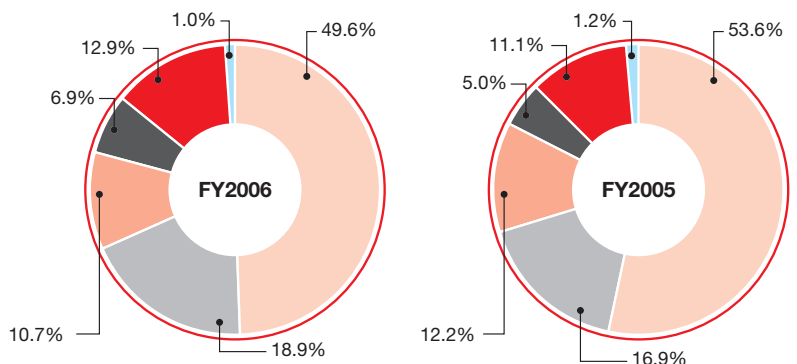
The improved profitability translated into a higher EPS of 17.2 sen, compared with 10.8 sen in FY2005, an increase of 58.4%.

Profit After Tax And Minority Interests

RM Million

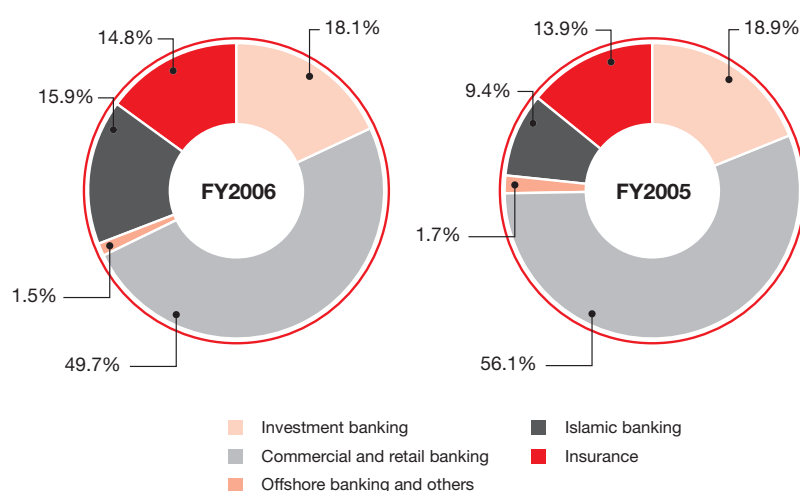


Type Of Income



- Net interest income
- Income from Islamic banking business
- Fee income
- Investment and trading income
- Premium income from general insurance
- Other income

Operating Revenue By Segments



Commitment 2: Revenue Growth

Revenue growth, the essential foundation for sustainable growth in profits, is a key measure of our performance. It reflects our success in increasing repeat business from our existing customers and winning new customers.

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

Net fund income at RM1,960.4 million increased by RM142.0 million (+7.8%) driven by the impact of both volume and margins.

Volume:

- Net loans and advances grew by RM4.8 billion (+11.9%). The growth was mainly attributed to expansion in retail lending (+RM4.9 billion or 17.9%); and lending to the SME industries (+RM1.4 billion or 40.1%), whilst loans to the large corporates contracted by RM1.7 billion or 16.2%, since these corporates continued to tap the capital markets for funding.
- Customer deposits grew by RM4.5 billion, largely driven by deposits placed by government corporations (+RM2.2 billion), individuals (+RM1.7 billion) and business enterprises (+RM958.8 million).

Margin:

- Pressure on interest margins continued in the year, with the net interest margin decreasing to 2.9%, compared with 3.1% in FY2005. Rising interest rates and competition in the industry especially for retail loans, both mortgages and hire purchase, would continue to put some pressure on interest margins.
- The Group continues to implement various strategies to mitigate the pressure on interest margins. This includes:

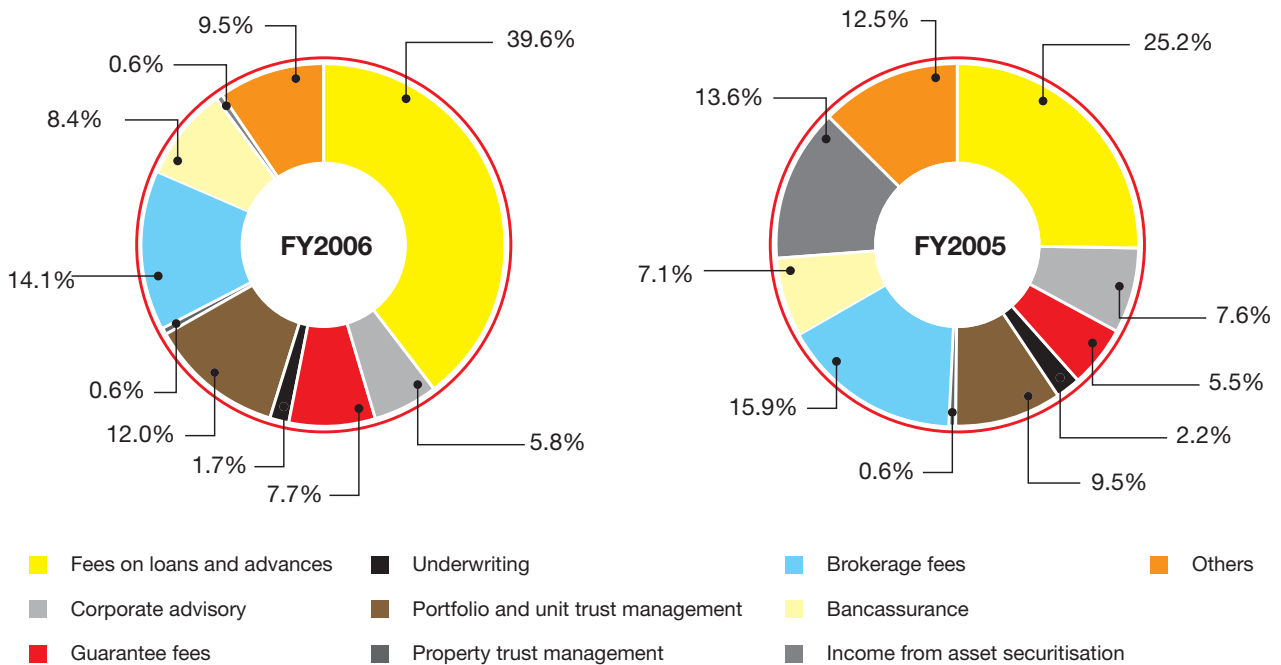
- Rehabilitation and recovery of NPLs;
- Centralisation of retail collections;
- Active management of the Group's Treasury fund-based activities, and pro-active hedging of the fixed interest rate loans portfolio;
- Mobilising "lower-cost" savings and demand deposits;
- Raising the Base Lending Rate in tandem with the rate rises in the industry; and
- The introduction of risk adjusted pricing for lending decisions.

Other operating income increased 19.0% to RM904.0 million. As articulated in the past, expansion of selected other operating income activities is an on-going strategy to diversify the Group's revenue streams. The Group has consistently achieved its target of other operating income to operating income ratio of at least 30% (FY2006 : 31.6%).

Other Operating Income

RM Million	FY2006	FY2005	+/-	
			RM Million	%
Fee income	306.9	314.0	- 7.1	- 2.3%
Investment and trading income	198.7	128.2	+ 70.5	+ 55.0%
Premium income from general insurance	369.9	286.9	+ 83.0	+ 28.9%
Capital gain arising from the receipt of shares in Bursa Malaysia Berhad	-	12.7	- 12.7	- 100.0%
Other income	28.5	17.6	+ 10.9	+ 61.9%
Total	904.0	759.4	+ 144.6	+ 19.0%

Fee And Other Operating Income



Premium income from the Group's insurance business accounted for 40.9% of other operating income, and registered an increase of RM83.0 million (+28.9%), due both to improved productivity from the agency network and the bundling of insurance with retail banking products.

Transactional fee income, including profits from foreign exchange, service charges and commissions recorded notable increases. This is the result of the on-going emphasis and resources committed to further enhance the Group's payment services infrastructure, and comprehensive trade related services and investment and funds management.

Investment banking related fees increased by RM18.7 million (+7.7%), contributed mainly by the capital market activities of syndications, corporate advisory, underwriting, origination of corporate bonds and funds management activities. This improvement was partly offset by the lower brokerage income from the securities business as both volumes

and values of equities traded on Bursa Malaysia registered a decline in FY2006.

Investment and trading income increased by RM70.5 million (+55.0%), due to substantial realised and unrealised gains from trading activities in money market and corporate bonds.

Commitment 3: Improving Efficiency – Reduction of Overheads to Total Income Ratio

Controlling costs and ensuring that we operate efficiently is one of the ways by which we can improve returns for shareholders. The cost to expenses ratio expresses the Group's expenses as a percentage of revenue and is one of the most widely used measures of efficiency in the banking industry.

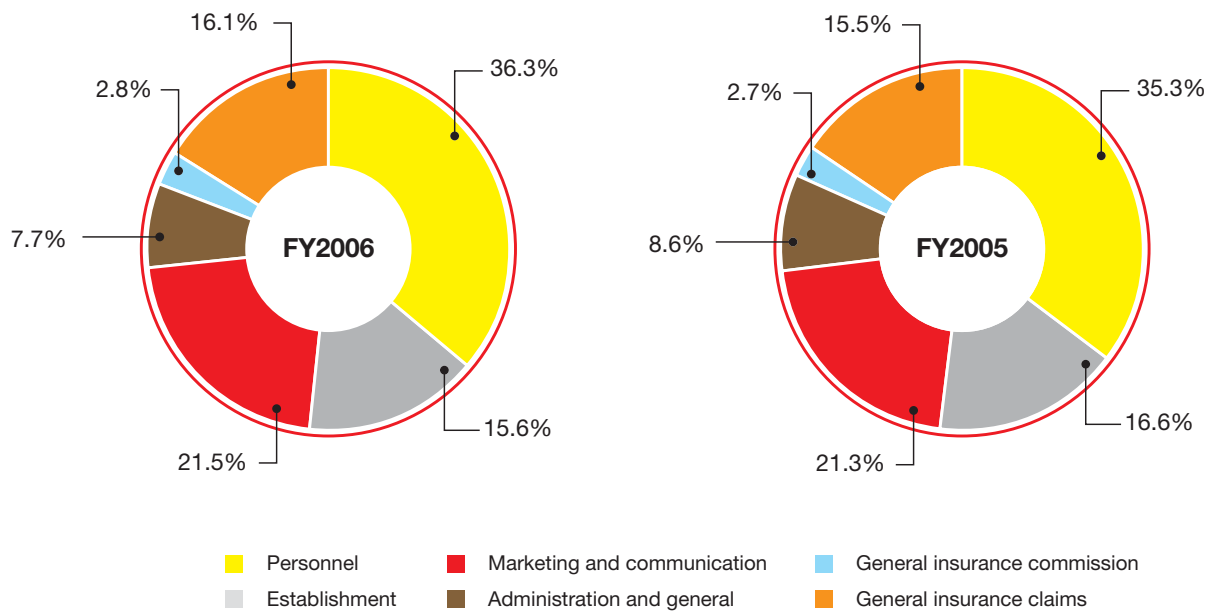
In FY2006, the cost to income ratio [excluding the results of the insurance business] remained broadly stable at 41.0%, rising by only 1.3%. As the insurance company is in an

accelerated growth phase, the non-interest expense ratio, which includes the insurance business, does not truly reflect the efficiency of the Group's banking business.

Overheads increased by RM153.5 million (+15.0%), mainly in the following activities:

- Marketing and communication expenses grew by RM46.4 million (+17.5%) due to a much higher cost of business acquisitions, marketing, advertising and promotional expenses in retail banking:
 - hire purchase loans disbursement rose by RM2.1 billion to RM9.5 billion during the year. Effectively, there is a one-time commission payable known as handling fees, of RM600 for each vehicle financed, which is payable to the car dealers', and
 - acquisition cost of credit cards, as the number of credit cards in circulation jumped 23.3% to 446,000 cards as at March 2006 (2005 : 362,000 cards)

Operating Expenses



- Personnel expenses increased by RM84.5 million as a result of annual salary increments, coupled with the realignment of the salaries for the staff of the finance company with the salary scales in the commercial bank. Further there was the recruitment of 307 additional staff, due to the expansion in retail banking activities.
- Technology related expenses, increased RM10.3 million,

accounted for by the various business initiatives undertaken by AmBank, such as the rollout and upgrading of commercial banking infrastructure at branches, the implementation of a new corporate loans system, cash management system and the general ledger system.

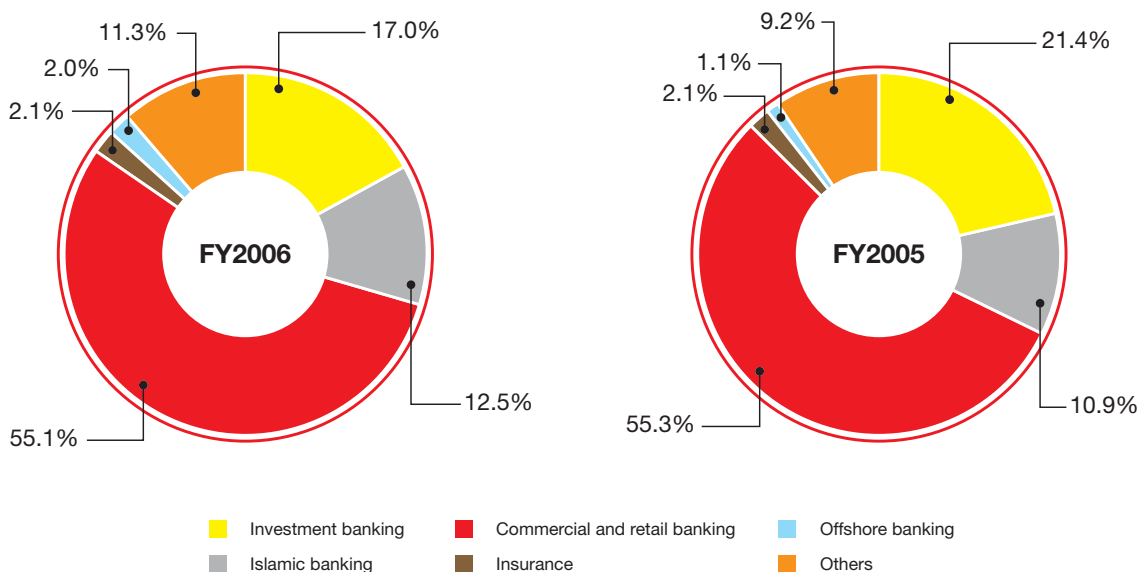
- Amortisation of goodwill (+RM12.3 million), arising from the privatisation of the 37.0% shareholding in AMFB Holdings Berhad, and acquisition of

the 30.0% minority shareholding in the Funds Management Division, previously held by Macquarie Bank Limited, Australia.

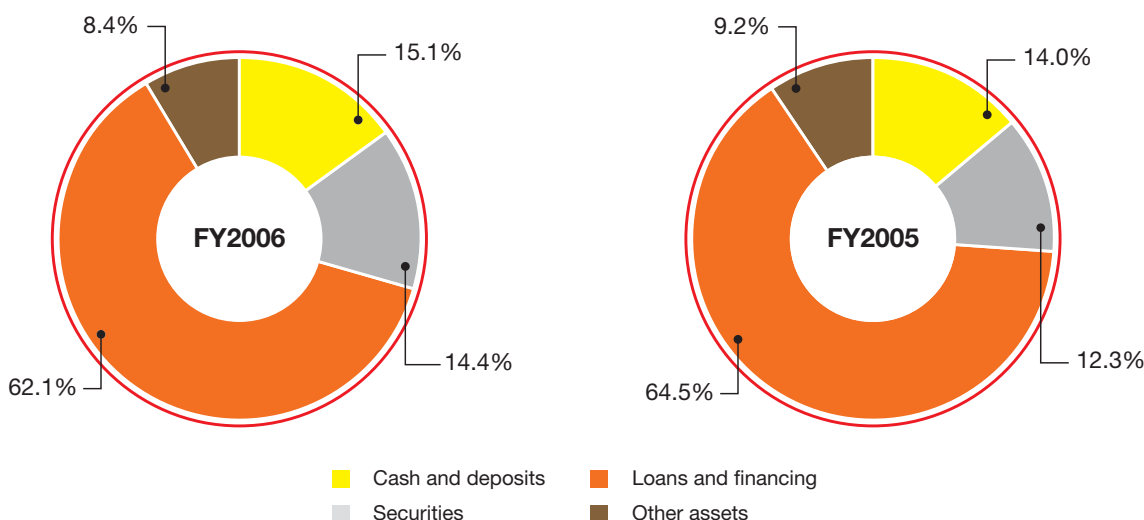
Commitment 4: Balance Sheet Growth

Total assets were up 16.3% or RM10.1 billion to RM72.3 billion, consolidating further our position as the fifth largest banking group in the country. The increase in total assets, reflected the expansion in loans and

Total Assets By Line Of Businesses



Assets Mix Analysis



advances, investment and trading securities, as well as placements with financial institutions, amidst a backdrop of strong GDP growth of 5.3%.

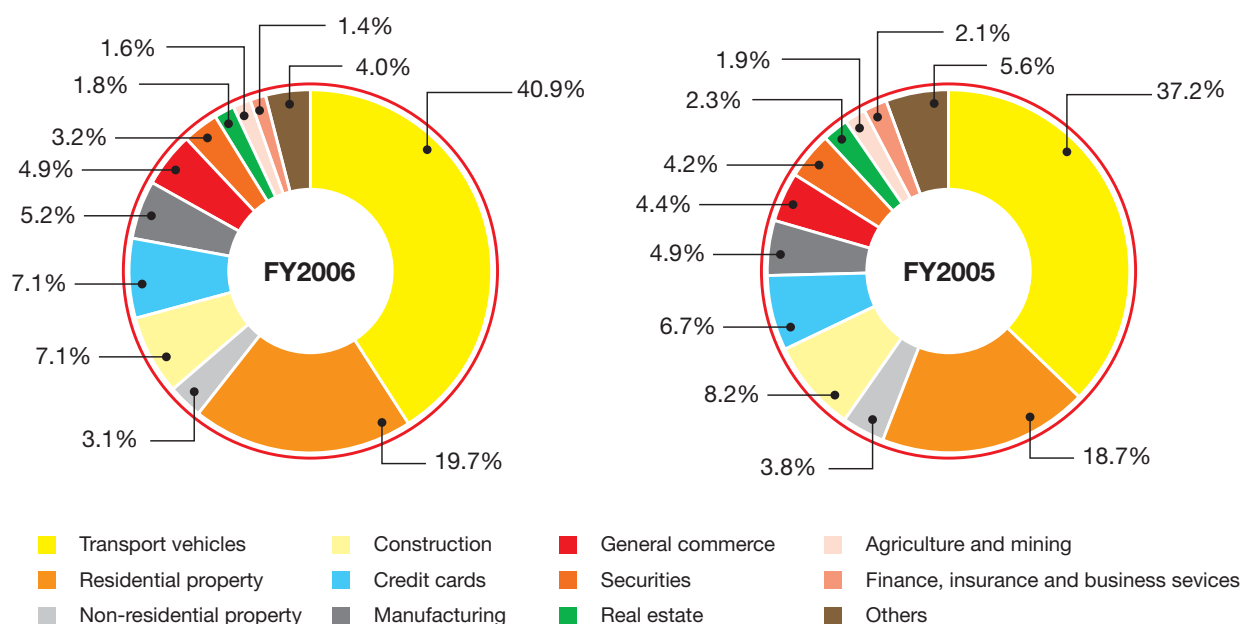
- Customer loans and advances, net of cumulative provisions, grew by RM4.8 billion, a 11.9% increase over FY2005. The expansion in loans was mainly attributed to strong loans demand, particularly by the retail and the SME sector.

- The Group monitors its portfolio for risk concentrations and limits are established where appropriate. Lending for purchase of motor vehicles (40.9%) and residential properties (19.7%), represent the largest credit concentration, but the credit risk is effectively

mitigated as the exposure is spread across a large number of retail borrowers. The Group retained its position as the largest auto financier in the country, with a dominant market share of approximately 23.0%.

RM Billion	FY2006	FY2005	FY2004
Net Loans	44.8	40.0	38.5
Net Loans growth	11.9%	4.0%	1.3%
Gross Loans growth	13.5%	6.2%	0.1%
Net Interest Margin	2.9%	3.1%	3.3%

Gross Loans – Industry Exposure



Deposits From Customers

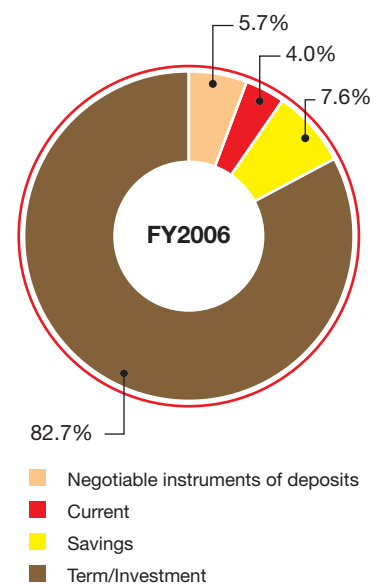
RM Billion	FY2006	%	FY2005	%
Individuals	19.9	51.1	18.2	52.9
Business enterprises	12.9	33.1	11.9	34.6
Government	5.0	12.9	2.8	8.1
Others	1.1	2.9	1.5	4.4
Total	38.9	100.0	34.4	100.0
Net interbank lendings	9.0		7.6	
Loans to deposits and borrowings ratio	71.5%		73.8%	

- Securities held for trading expanded by 36.8% in anticipation of increased activity with the de-pegging of the currency, to account for 8.4% of the total assets.
- The Group's primary source of funding is from customer deposits, either term/investment deposits, savings deposits, current deposits or negotiable instruments of deposits. Other major sources of funds include shareholders' funds, other interest bearing securities, interbank and other borrowings.
- Deposits from customers increased by RM4.5 billion to RM38.9 billion as at March 2006, to fund the expansion in lending activities.
- Term/Investment deposits remain the largest component of deposits from customers constituting 82.7% of deposits from customers as at 31 March 2006.

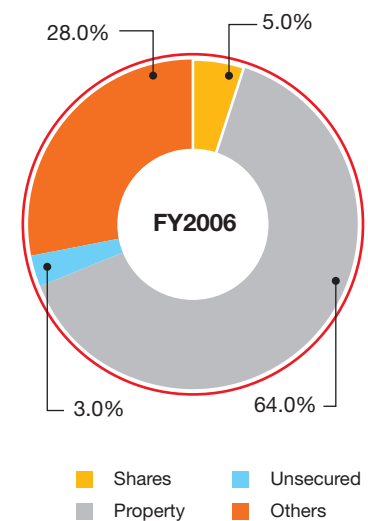
An indicator that our risk management policies and practices have taken effect is the improvement of the Group's loans asset quality:

- The Group's Net NPLs to Net Loans Ratio (three months classification basis) has been on a declining trend, down to 9.6% in FY2006, from 13.8% an year earlier.
- Total gross NPLs outstanding have declined to RM6.1 billion in FY2006 (FY2005 : RM7.6 billion). The reduction of absolute level of NPLs through restructuring, rehabilitation, rescheduling and foreclosure remains a top priority of both the Group Loan Rehabilitation and the Retail Collections Units. Further, the centralisation of retail collections and upgrading of the call centre in December, 2004, has made it possible to implement early

Deposits



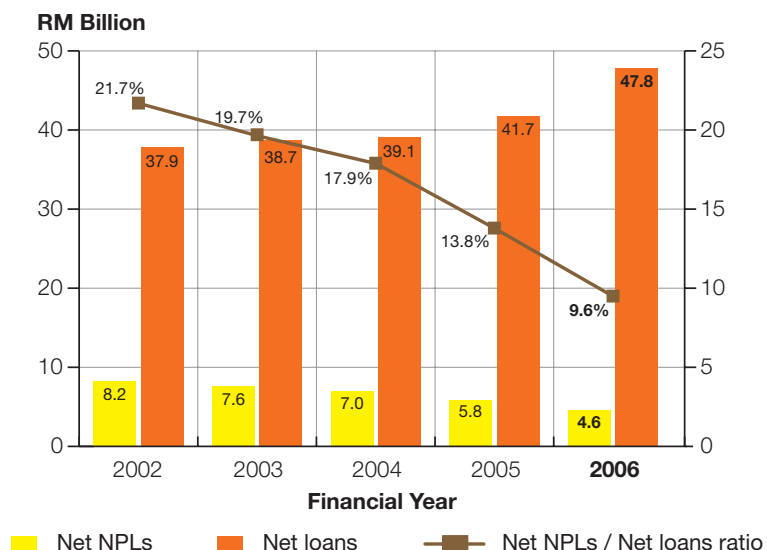
NPLs By Security Type



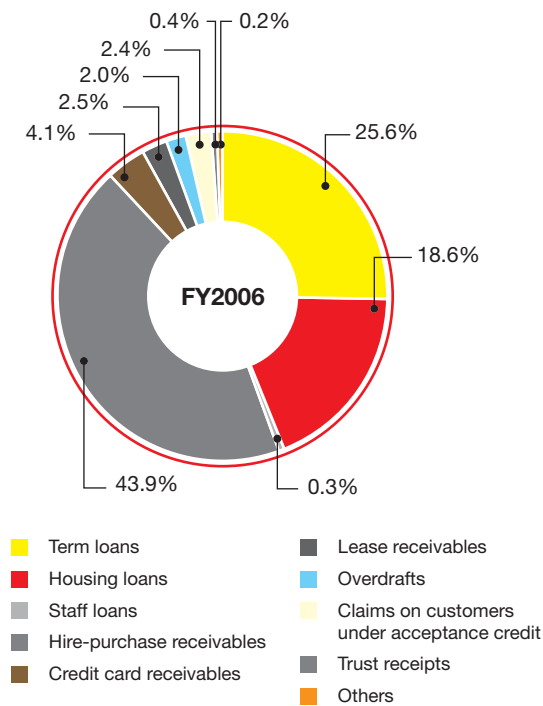
Commitment 5: Reduce Risk – Reconfigure the Business Mix

Concurrent with our commitments to revenue growth as mentioned earlier, we are also focused on the reduction and management of risks that confront the Group's businesses. This is to ensure that the Group will, over time, be able to deliver satisfactory risk-adjusted returns to its shareholders.

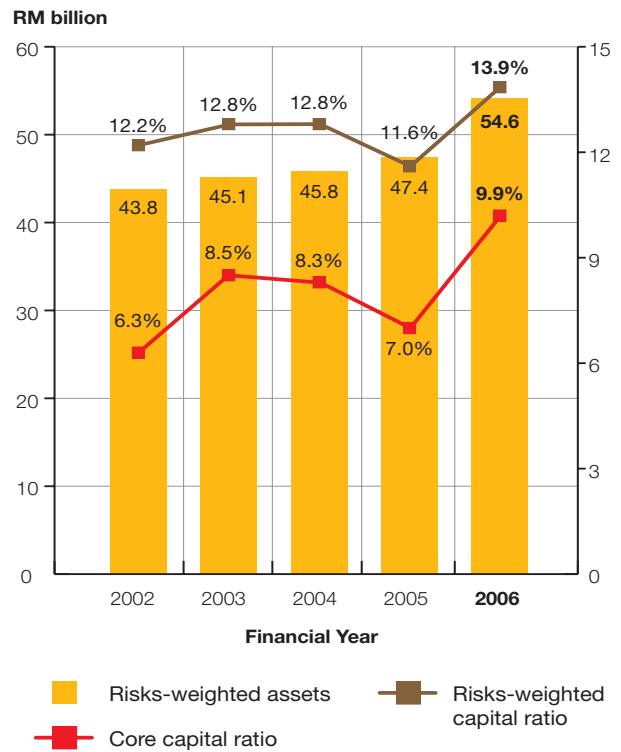
NPLs – 3 Months Classification



Loans Portfolio



Capital Ratios



collection strategies. In addition, improved liquidity in both the property and equity markets has facilitated realisation of collaterals.

- The Group's total NPL provisions (excluding general provisions) declined from RM742.0 million in FY2005 to RM682.5 million in FY2006, reflecting the improvement in asset quality.
- The Group has set aside additional specific provision of RM227.5 million in FY2006 (FY2005: RM244.7 million) for NPLs of seven (7) years and beyond, whereby no value was assigned to the underlying collaterals.

We also have used diversification principle to reduce the credit risk of our loans portfolio by rebalancing the Group's loans portfolio from predominantly being a corporate lender to a retail lender. Concurrently, the funding structure too has been changed, with nearly 51.1% of the deposits being mobilised from retail customers. This rebalancing of both the loans portfolio and the funding structure, improves the Group's earnings sustainability.

Loans By Sector

	FY2006	FY1999
Retail	68.0%	27.0%
SME	10.0%	5.0%
Corporate	22.0%	68.0%

- Reflecting the rapid growth of the Group's retail banking franchise, retail loans now make up about 68.0% of the Group's loans assets. In an environment where half the population is younger than thirty years old, and disposable incomes are rising, our retail based loans portfolio has a lot of potential for future growth, especially in the auto loans, mortgages, credit card and investment products segments, in which the Group has strong franchises in.
- The rapid development of the capital markets has accelerated the disintermediation process, whereby the larger corporate borrowers are able to source longer term funding more cheaply. Hence, FY2006 witnessed a marginal contraction of 13.8% in total loans outstanding to large corporations, down to RM10.4 billion from a year ago (FY2005 : RM12.0 billion).

- One of the early benefits from the transformation of the finance company's 171 branches into commercial banking branches, has been the rapid expansion of RM1.4 billion or 40.1% in SME lending, as these customers still continue to rely on bank financing and traditional loan products for their working capital and funding business expansion. The SME segment is also a natural market for the commercial bank's trade finance and cash management products.

The transformation of the Group's finance company branches in FY2006 into full fledged commercial banking branches has also accelerated the Group's ability to lower its funding costs.

- Demand deposits increased by RM223.9 million to RM1.7 billion as at end March 2006.
- Going forward, the Group has launched cash management services in early 2006, to capture clearing balances of large corporate customers and SMEs arising from payments and collection activities.

Commitment 6: Maintain Strong Capital Position

We regard shareholders' capital as a scarce resource to be managed carefully and efficiently. The Group's strong capital base is important in maintaining the confidence and trust of our customers and shareholders.

With the progressive rebalancing of the lending portfolio more heavily towards consumer lending, which is generally less capital intensive than corporate lending, the Group's risk weighted capital ratio as at 31 March 2006 stood at 13.94%, with Tier-1 capital ratio of 9.96%, significantly above the minimum requirement of 8.0%. This re-balancing has allowed us to reduce the amount of capital we are required to hold as a proportion of risk weighted assets.

During the year, AmBank, became the second domestic bank to tap the international capital markets to raise USD200.0 million (RM684.0 million) in Hybrid Tier One Capital.

Conclusion

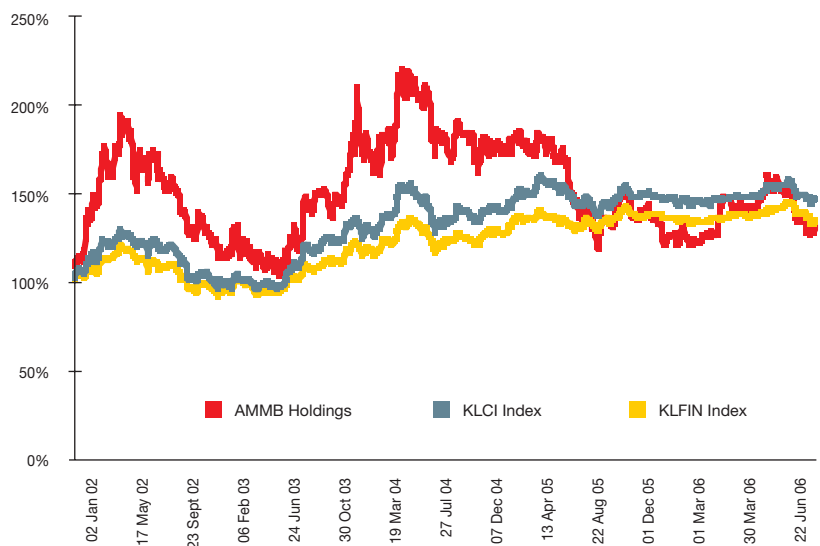
Hopefully, this year's financial results, has shown that we're delivering on our commitments and our efforts are beginning to bear fruit.

Reflecting the better financial performance in FY2006, the Group is proposing to increase the dividend paid to 5.0%, less tax (FY2005 : 4.0%, less tax) or RM76.7 million. This is equivalent to 21.0% of net

profits, and is consistent with our policy of paying up to 25.0% of net profits as dividends.

We're confident that the ongoing initiatives and measures being implemented, coupled with the reinvestment of part of the current year profits, will translate into stronger earnings and balance sheet growth going forward.

AMMB Holdings Berhad – Share Price Performance



Credit Ratings

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

	AmBank (M) Berhad		AmMerchant Bank Berhad	
	Long-term	Short-term	Long-term	Short-term
Rating Agency Malaysia Bhd ("RAM")	A2	P1	AA3	P1
Malaysian Rating Corporation Bhd ("MARC")	Not Rated		A+	MARC-1
Standard & Poor's ("S&P")	BBB-	A-3	BB+	B
Capital Intelligence	Not Rated		BB	B
Fitch Ratings Singapore Pte Ltd ("Fitch")	BBB-	F3	BB+	B
Moody's Investor Service	Baa2	P3	Not Rated	

The Company's RM150.0 million 3.0% 5-year Redeemable Unsecured Bank Guaranteed Bonds 2002/2007 with detachable Warrants was accorded a long-term ratings of AAA (bg) and AA3 (bg) for Tranche 1 of RM100.0 million and Tranche 2 of RM50.0 million respectively by RAM.

The AmMerchant Bank Berhad's RM460.0 million Redeemable Unsecured Subordinated Bonds and RM200.0 million Subordinated Tier 2 Bonds have been accorded a long-term rating of A1 by RAM respectively.

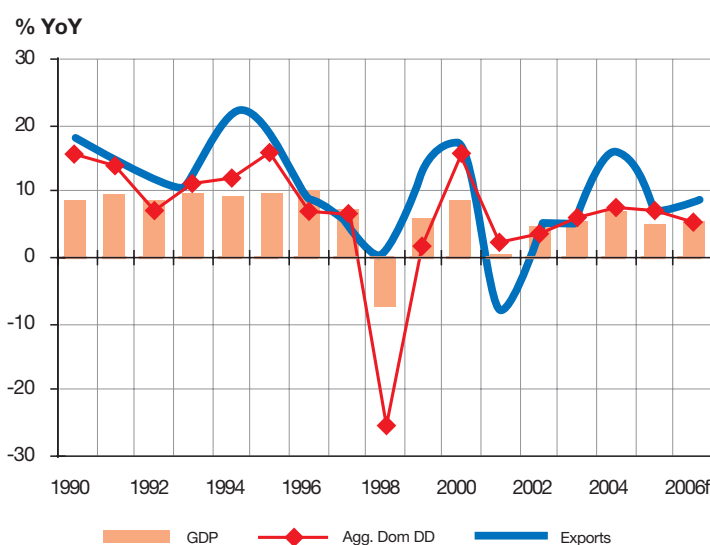
The Hybrid Securities of USD200.0 million issued by AmBank (M) Berhad has been accorded a rating of Ba2/BB/BB by Moody's/Fitch/S&P.

The AmBank (M) Berhad's RM200.0 million Redeemable Unsecured Subordinated Bonds' long-term rating of A3 was also reaffirmed by RAM.

Economic Review

Review and Outlook of the Malaysian Economy

Chart 1 : GDP, Aggregate Domestic Demand & Exports (% YoY)



Development in 2005

The Malaysian economy expanded slower in 2005 amidst high oil prices and the downturn in the global electronics cycle. Consequently, exports and domestic demand had expanded at a slower pace. Against 7.2% in 2004, real GDP grew by 5.2% in 2005. On the other hand, inflation rose to 3.0%, its highest level since 1998.

Meanwhile, the current account balance of payments in 2005 recorded a significantly larger surplus of RM75.3b or 16.0% of GNP compared with RM56.5b or 13.3% of GNP in 2004. This mirrors the enlarged surplus in the resource balance of the economy.

In 2005, the external reserves saw a smaller accumulation of RM12.9 billion (or US\$3.8 billion) to RM266.4 billion (or US\$70.5 billion) as opposed to RM82.9 billion (or US\$21.8 billion) to RM253.5 billion (or US\$66.7 billion) in 2004. This was largely due to outflow of portfolio and other short-term capital. Subsequently, private sector liquidity or M3 registered a smaller expansion of 7.3% or RM49.7 billion last year compared with 12.4% or RM68.0 billion in 2004.

Despite the enlarged private sector liquidity, interest rates were higher in 2005 following the decision by Bank Negara Malaysia (BNM) to raise the overnight policy rate (OPR) by 30 basis points to 3.0% on November 30. Meanwhile, the Ringgit ended the year higher by 0.5% to 3.7800 against the US dollar after BNM reviewed the exchange rate policy and replaced the fixed exchange rate regime with a managed float on July 21.

Demand Conditions

Aggregate domestic demand (including change in stocks) grew slower at 4.3% in 2005 compared with 10.8% in the preceding year, as the level of inventories was lower following the deceleration in production and imports, which was caused by slower exports. Consequently, the contribution by aggregate domestic demand to the overall GDP growth fell to 4.0 percentage points (pps) from 9.6 pps in the previous year.

On the other hand, excluding stocks, domestic demand registered a steady growth of 7.3%, marginally slower compared with 7.5% in the preceding year. Private consumption in particular remained strong, registering a growth of 9.2% in an environment of higher job vacancies and rising disposable income, amidst ample liquidity and low interest rate conditions. Although private investment showed moderation, the overall capital

Table 1 : Real GDP by Demand Aggregate

% change	2001	2002	2003	2004	2005	2006F
Consumption	5.4	5.8	7.7	9.5	8.3	5.8
Public	17.3	10.4	11.4	6.2	5.4	2.7
Private	2.4	4.4	6.6	10.5	9.2	6.8
Investment (ex-stock)	-2.8	0.3	2.7	3.1	4.7	7.3
Public	14.5	11.2	3.9	-8.7	0.3	5.0
Private	-19.9	-15.1	0.4	25.8	7.2	10.4
Agg. Domestic Demand	2.5	3.9	6.1	7.5	7.3	6.3
Public	15.7	10.9	7.2	-2.1	3.1	3.8
Private	-3.3	0.3	5.5	13.1	9.5	7.5
Exports	-7.5	4.5	5.7	16.3	8.6	7.8
Imports	-8.6	6.3	4.2	20.7	8.0	9.7
Real GDP	0.3	4.4	5.5	7.2	5.2	5.5

Source: Department of Statistics, F: AmInvestment Group Berhad (AIGB) forecast

formation in 2005 recorded a faster growth of 4.7% compared with 3.1% in the preceding year.

This was due to a reversal in public investment as the Government stepped-up the implementation of projects under the Eighth Malaysia Plan. Subsequently, the contribution by capital formation to the overall GDP growth had shown an increase to 1.3 pps from 0.9 pp in 2004.

Meanwhile, exports of goods and services had registered slower growth of 8.6% compared with 16.3% in 2004 as a result of the softening IT sector. Imports growth had slowed

more rapidly to 8.0% (2004 : 20.7%) thus resulting in a larger trade surplus of RM99.8 billion against RM80.7 billion in 2004. The slower growth in imports of intermediate goods reflected the subdued performance of the IT sector. Subsequently, net export contribution to the overall GDP growth had reverted to a positive 1.3 pps from a negative 2.4 pps in 2004.

While the faster deceleration in imports had negatively impacted the overall inventory position in 2005, it helped to strengthen further the external current account balance, which recorded a larger surplus of RM75.3 billion or 16.0% of GNP compared with RM56.5 billion or 13.3% in 2004. This mirrors the larger resource surplus in the economy as gross investment (including stocks) as a percentage of GNP fell to 20.8% (2004 : 24.0%) compared with the national savings of 36.8% (2004 : 37.3%). Thus, the economy had expanded below its optimal level.

Subsequently, the overall balance of payments had increased by another RM12.8 billion, which raised the external reserves to RM266.4 billion or US\$70.5 billion as at end of 2005 from RM253.5 billion (or US\$66.7 billion) at end of 2004. This was sufficient to finance about 7.7 months of retained imports and covered 6.3 times the country's short-term debts.

However, the reserves accumulation in 2005 was smaller compared with the RM82.9 billion or US\$21.8 billion increase registered in the preceding year as a result of negative financial account balance following outflow of capital. In 2005, portfolio investment recorded a net outflow of RM9.2 billion compared with an inflow of RM33.8 billion in 2004. The repayment of external loans by the Government and private sector had also increased the level of fund outflow in 2005.

Table 2 : Contribution to Growth – Demand

% Points	2001	2002	2003	2004	2005	2006F
Consumption	3.0	3.4	4.7	5.8	5.2	3.8
Public	2.0	1.4	1.6	0.9	0.8	0.4
Private	1.1	2.0	3.1	4.9	4.4	3.4
Investment (ex-stock)	-0.9	0.1	0.8	0.9	1.3	2.0
Public	2.2	2.0	0.7	-1.6	0.5	0.7
Private	-3.1	-1.9	0.0	2.5	0.8	1.3
Stocks	-2.2	2.1	-2.0	2.9	-2.9	1.2
Agg. Domestic Demand	2.2	3.5	5.4	6.7	6.5	5.7
Public	4.2	3.3	2.3	-0.7	0.9	1.1
Private	-2.0	0.2	3.1	7.4	5.7	4.6
Exports	-8.8	4.8	6.2	17.7	10.1	9.5
Imports	-9.1	6.1	4.2	20.1	8.8	10.9
Net Exports	0.3	-1.3	2.0	-2.4	1.3	-1.4
Real GDP	0.3	4.4	5.5	7.2	5.2	5.5

Source: Department of Statistics, F: AIGB forecast

Table 3 : Balance of Payments

RM Billion	2002	2003	2004	2005	2006F
Current Acc. Balance	30.5	50.6	56.5	75.3	81.8
% of GNP	9.0	13.6	13.3	16.0	15.7
Merchandise Balance	72.1	97.8	104.5	126.5	130.3
Services Balance	-6.0	-15.3	-8.8	-10.3	-10.9
Income Balance	-25.1	-22.5	-24.5	-23.9	-21.1
Net Transfer	-10.6	-9.3	-14.6	-17.0	-16.5
Real GDP (% YoY)	4.4	5.4	7.1	5.3	5.5

Source: Department of Statistics, F: AIGB forecast

Supply Conditions

With the exception of construction, all sectors of the economy registered expansion and contributed positively to the overall GDP growth in 2005. The manufacturing and services sectors remained as pillars of the economy. While the services sector had remained steady, charting a 6.5% growth compared with 7.0% in 2004, the manufacturing sector recorded a slower growth of 5.1% as opposed to 9.8% in the preceding year. Growth in the services sector during the year was bolstered by strong private consumption and increased tourist arrivals.

The developments in the manufacturing sector were influenced by the cyclical turns in the global electronics industry. While in the first half of the year it experienced slower production growth, the sector recovered in the second half as the export-oriented industries regained strength. During this period, global semiconductor sales began to pick up as demand increased.

Value added in the agriculture sector recorded a moderate increase of 2.5% in 2005. Higher palm oil production was offset by the weaker performance of other agriculture sub-sectors including rubber. Meanwhile, growth in the mining sector also moderated, largely due to lower production of crude oil following the shutdown of oil fields and plants for maintenance purposes.

Value added in the construction sector declined for the second consecutive year at 1.6% (2004: -1.5%), reflecting the fewer infrastructure projects and in line with the Government's aim to further consolidate its fiscal position. Apart from the fewer public sector jobs, the residential and non-residential segments continued to expand due to resilient demand for houses and firm interest for office and retail space.

Table 4 : Real GDP by Sector

% change	2001	2002	2003	2004	2005	2006F
Agriculture	-0.6	2.8	5.5	5.0	2.5	3.3
Mining	-1.5	4.3	5.8	3.9	0.8	0.2
Manufacturing	-5.9	4.3	8.6	9.8	5.1	6.6
Construction	2.1	2.0	1.5	-1.5	-1.6	0.2
Services	6.0	6.5	4.7	7.0	6.5	5.9
Real GDP	0.3	4.4	5.5	7.2	5.2	5.5

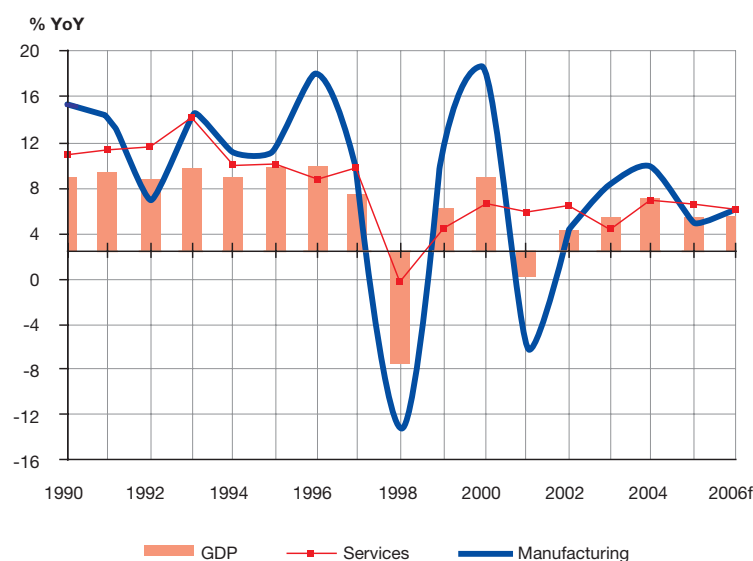
Source: Department of Statistics, F: AIGB forecast

Table 5 : Contribution to Growth by Sector

% Points	2001	2002	2003	2004	2005	2006F
Agriculture	-0.1	0.2	0.5	0.4	0.2	0.3
Mining	-0.1	0.3	0.4	0.3	0.1	0.0
Manufacturing	-1.9	1.3	2.5	3.0	1.6	2.1
Construction	0.1	0.1	0.0	0.0	0.0	0.0
Services	3.2	3.7	2.6	4.0	3.7	3.4
Other items	-0.9	-1.2	-0.7	-0.5	-0.4	-0.3
Real GDP	0.3	4.4	5.5	7.2	5.2	5.5

Source: Department of Statistics, F: AIGB forecast

Chart 2 : GDP, Manufacturing, Services (% YoY)



Prospects in 2006

Demand Conditions

The Malaysian economy is expected to strengthen in 2006 with the real GDP projected to grow at 5.5%. Growth in 2006 would continue to be driven by exports and supported by domestic demand. The global semiconductor up-cycle, which began in the second half of 2005, sustained global economic growth. Higher prices of primary commodities are expected to provide positive impact on Malaysia's export performance in 2006. Overall, export growth is expected to accelerate to 7.8% from 8.6% in 2005.

The strengthening of external demand would also have positive influence on domestic demand. In 2006, aggregate domestic demand is projected to chart a stronger growth of 7.6% from 4.3% in 2005 following higher stock accumulation, higher consumption and investment spending. Private consumption in particular is expected to chart a growth of 6.8% arising from higher disposable income following improvement in the economy and employment conditions as well as better commodity prices.

The favourable external demand and stronger economic activity in 2006 would also provide the momentum for private investment, which is projected to expand by 9.3%. The bulk of private investment in 2006 is expected in the manufacturing and services sectors.

Meanwhile, the implementation of new projects under the Ninth Malaysia Plan (9MP) would also help raise spending in the private sector.

Supply Conditions

Growth on the supply side is expected to be balanced, as all sectors are expected to contribute positively to the overall GDP growth. The manufacturing and services sectors are projected to contribute about 5.5 pps to the overall GDP growth and account for almost 90% of the economy. Value-added growth in the manufacturing sector is expected to strengthen to 6.6% in 2006 (2005: 5.1%), to be led by the electrical and electronics sector (E&E) following the recovery in the global semiconductor industry. The expansion in the sector would be reinforced by the stronger external demand for other manufactured products and the improvement in the domestic construction sector.

The services sector would continue to remain strong in 2006, to record a growth of 5.9%. Expansion in the sector will be led by the trade related activities following higher growth in the manufacturing sector and overall business activities. Meanwhile, domestic tourism activities are expected to gather further momentum amidst the intensification of efforts in preparation for Visit Malaysia Year 2007. As the Government is aiming to achieve a target of 17.5 million tourists in 2006, this would contribute to the higher growth in the wholesale and retail trade, hotels and restaurants sub-sectors. Meanwhile, demand for trade financing and other types of credit by businesses are expected to rise in 2006 with the firmer manufacturing growth and trade activities.

The agriculture sector is forecast to grow by 3.3% in 2006 in response to higher production of major primary commodities, particularly palm oil, which account for about one-third of the value-added of the sector. Implementation of some programs under the Ninth Malaysia Plan (9MP) would also help the sector to grow in 2006. In the mining sector, it is expected to grow by 0.2% in 2006 driven by improvement in crude oil and natural gas output on account of strong demand and better prices.

After two consecutive years of decline, the construction sector is expected to rebound in 2006 to register growth of 0.2% following implementation of projects under the 9MP. Growth in the sector will be supported by the residential and non-residential sub-sector resulting from the attractive financing conditions and vigorous business activities.

Inflation, Monetary and Exchange Rate Policy

The country recorded an inflation rate of 3.0% in 2005 compared with 1.4% in 2004, the highest since 1998 (5.1%). The higher inflation was associated principally with rising costs following the increase in international oil prices. In 2005, oil prices averaged US\$56.50 a barrel, surging 33.0% from US\$42.48 a barrel in 2004.

Despite the higher inflation, the Government had maintained the accommodative monetary policy stance and retained interest rates at low levels to support economic growth. As the economy recorded an uptrend in the third and final quarter and the inflation risks biased towards the upsides, BNM raised the overnight policy rate (OPR) by 30 basis points to 3.0% on 30 November. It was the first



adjustment since the introduction of the OPR on 26 April 2004 to replace 3-month intervention rate as the indicator of monetary policy.

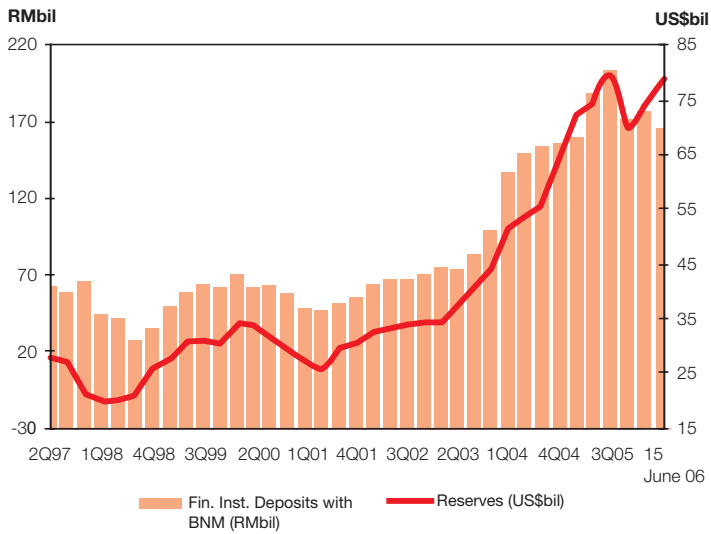
Earlier on 21 July, BNM had removed the fixed exchange rate regime and replaced it with a managed float. The currency appreciated to a high of 3.746 against the US dollar in August and ended at 3.78 at the end of 2005 as the dollar strengthened in response to higher Federal fund rate. The Ringgit was also affected by capital outflows.

The expectation of Ringgit appreciation on account of higher interest rates has re-attracted capital inflows since the beginning of this year. Consequently, Malaysia's external reserves have shown increases. In January to May of this year, the external reserves had increased by US\$8.2 billion to US\$78.67 billion compared with the decrease of US\$8.17 billion in the last five months of last year.

The Ringgit had also strengthened against the US dollar and breached the 3.60 level in May. The softening of the US dollar and further capital inflows could push-up the Ringgit to a high of 3.50 this year. The firmer Ringgit would benefit the economy, as it would contribute towards reducing cost of imports and moderating domestic inflationary pressure.

However, inflation is forecast to rise to 4.0% this year, largely on account of higher petroleum product prices. The first half of this year may see the inflation rate averaging 4.0% before decelerating to 3.9% in the second half. Thus, the domestic interest rates would have to be adjusted further. BNM had on 26 April further raised the OPR by 25 basis points to 3.50%. Although, arguably higher interest rates would not be directly effective in taming inflation as it is cost related, the higher rate is needed to raise real returns on deposits and more importantly, to stabilise capital flows.

Chart 3 : Ext. Reserves & Fin. Inst. Deposit with BNM



Admittedly, the gap between the OPR and the US Federal fund rate has widened and it is expected to widen further following additional adjustments in the US rate. The Federal fund rate is expected to rise by another 25 basis points this year from the current rate of 5.0%. Thus potentially, the domestic OPR could rise to 4.0% this year, which would help contain the gap at 125 basis points against the US Federal fund rate. The OPR would be marginally above the neutral level on the expectation that the inflation rate would decelerate to under 4.0% in the second half of this year.

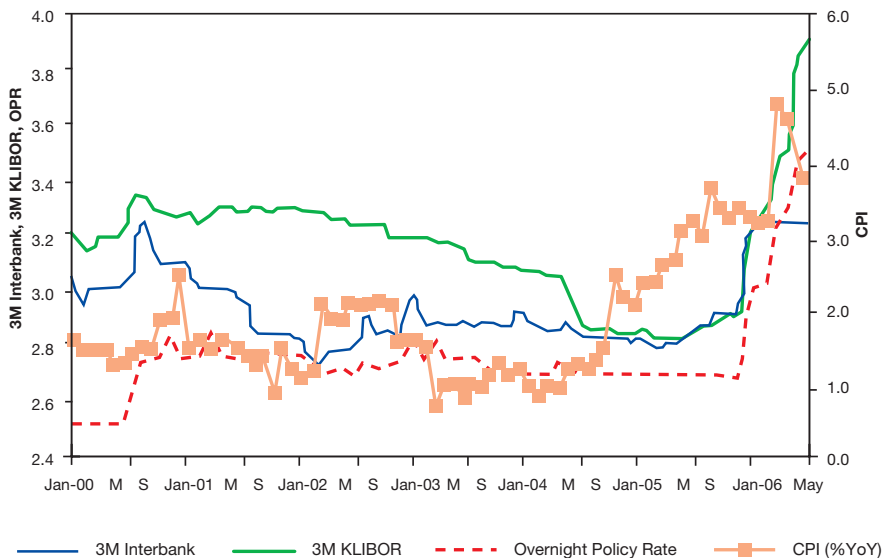
Conclusion

The Malaysian economy grew slower in 2005 compared with the preceding year primarily due to the softer external demand. The economy had expanded below its optimal level as the resource surplus enlarged following moderating investment spending.

In 2006, real GDP is expected to expand moderately faster at 5.5% on account of better external and domestic demand performance. The better export performance would help trigger an increase in production, raise capacity utilisation and investment as well as strengthen imports and push-up inventories. The higher exports would have also positive impact on domestic consumption following better employment conditions and increase in disposable income.

On the other hand, inflation is expected to rise to 4.0% this year, and therefore the domestic interest rate would have to be adjusted upward. However, the increase in interest rates would not mirror a major tightening of monetary policy as interest rates are expected to be adjusted moderately. At the same time, the Ringgit is expected to strengthen further, possibly reaching a high of 3.50 against the US dollar, which would help reduce cost of imports and moderate the domestic inflationary pressure.

Chart 4 : Interest Rates & Inflation



TRUSTWORTHINESS

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



C u s t o m e r F . I . R . S . T

Group Financial Highlights

	Year Ended 31 March				Half-Year Ended 30 September			
	RM Million		Growth Rate +/(-)%		RM Million		Growth Rate +/(-)%	
	2006	2005 [®]	2006	2005	2005	2004 [®]	2005	2004
Operating revenue	4,976.8	4,485.3	11.0	1.4	2,456.8	2,150.3	14.3	0.9
Operating profit before allowance for losses on loans and financing	1,484.8	1,263.1	17.6	4.5	719.1	523.1	37.5	(9.1)
Allowance for losses on loans and financing	774.7	770.5	0.5	(11.0)	322.0	262.4	22.7	(40.0)
Profit before tax and after share in results of associated companies	710.1	492.6	44.2	43.8	397.1	260.7	52.3	88.2
Profit after tax and minority interests	365.5	204.0	79.2	(5.1)	207.2	111.7	85.5	(27.6)
Total assets	72,260.6	62,114.2	16.3	2.9	66,901.7	60,297.1	11.0	2.3
Loans, advances and financing (net)	44,860.5	40,099.6	11.9	4.0	44,062.0	39,048.8	12.8	(0.6)
Deposits and borrowings	62,704.6	54,360.1	15.4	2.8	57,665.1	53,425.2	7.9	2.3
Commitments and contingencies	37,310.4	23,944.9	55.8	28.0	29,749.4	21,167.8	40.5	13.2
Shareholders' equity	5,029.0	4,813.3	4.5	19.5	4,851.8	4,088.6	18.7	15.7
Pre-tax return on average shareholders' equity (%) [*]	11.2	7.0	59.6	46.9	13.2 **	9.2 **	43.8	>100.0
Pre-tax return on average total assets (%)	1.1	0.8	31.4	39.7	1.2 **	0.9 **	42.5	83.3
Basic earnings per share								
– gross (sen)	25.9	16.5	57.1	48.5	30.0 **	20.0 **	49.7	>100.0
– net (sen)	17.2	10.8	58.4	(19.5)	19.5 **	12.0 **	62.1	(41.5)
Fully diluted earnings per share								
– gross (sen)	25.5	16.2	57.3	55.4	29.7 **	19.3 **	53.8	>100.0
– net (sen)	16.9	10.7	58.6	(15.7)	19.3 **	11.6 **	66.6	(41.9)
Gross dividend per share	5.0	4.0	25.0	–	–	–	–	–
Net dividend cover (No. of times)	4.8	3.3	43.4	(17.3)	–	–	–	–
Net tangible assets per share (RM)	2.12	2.01	5.2	(0.1)	2.04	2.05	(0.3)	(4.7)
Net assets per share (RM)	2.36	2.26	4.5	4.2	2.28	2.19	4.0	(5.6)
Overheads to total income (%)	41.0	39.7	3.5	7.1	41.4	44.1	(6.0)	25.7
Number of employees	9,280	8,973	3.4	2.2	9,074	8,990	0.9	7.4
Assets per employee (RM Million)	7.8	6.9	12.5	0.6	7.4	6.7	9.9	(4.7)
Pre-tax profit per employee (RM'000)	76.5	54.9	39.4	40.6	87.5 **	58.0 **	50.9	75.1

Refer to page 117 for the explanation of legend.

Five-Year Group Financial Review

	Financial Year Ended 31 March				
	2006	2005 ^o	2004	2003	2002
1 Revenue (RM Million)					
i Operating revenue	4,976.8	4,485.3	4,421.8	4,232.1	3,434.6
ii Operating profit before allowance for losses on loans and financing	1,484.8	1,263.1	1,208.2	1,251.5	945.2
iii Allowance for losses on loans and financing	774.7	770.5	865.6	887.3	467.1
iv Profit before tax and after share in results of associated companies	710.1	492.6	342.6	364.2	478.1
v Profit after tax and minority interests	365.5	204.0	215.0	245.5	218.4
2 Balance Sheet (RM Million)					
Assets					
i Total assets	72,260.6	62,114.2	60,362.4	58,611.9	55,339.3
ii Loans, advances and financing (net)	44,860.5	40,099.6	38,545.0	38,060.4	37,290.9
Liabilities and Shareholders' Equity					
i Deposits and borrowings	62,704.6	54,360.1	52,872.0	52,536.4	49,574.5
ii Paid-up share capital	2,130.5	2,130.5	1,858.8	1,502.6 #	1,375.4 #
iii Shareholders' equity	5,029.0	4,813.3	4,028.5	3,393.4	2,593.6
Commitments and Contingencies	37,310.4	23,944.9	18,708.7	15,941.2	18,506.9
3 Per Share (Sen)					
i Basic gross earnings	25.9	16.5	11.1	17.0 #	25.5 #
ii Basic net earnings	17.2	10.8	13.4	16.7 #	16.1 #
iii Fully diluted gross earnings	25.5	16.2	10.5	17.0 #	25.2 #
iv Fully diluted net earnings	16.9	10.7	12.7	16.6 #	15.9 #
v Net tangible assets	211.8	201.4	201.6	206.2 #	168.6 #
vi Net assets	236.0	225.9	216.7	225.8 #	188.6 #
vii Gross dividend	5.0	4.0	4.0	3.3 #	3.3 #
4 Financial Ratios (%)					
i Pre-tax return on average shareholders' equity ^	11.2	7.0	4.8	8.6	14.1
ii Pre-tax return on average total assets	1.1	0.8	0.6	0.6	1.0
iii Loans, advances and financing to deposits and borrowings	71.5	73.8	72.9	72.4	75.2
iv Overheads to total income	41.0	39.7	37.0 *	38.3 *	34.5 *
5 Share Price (RM)					
i High	2.91	3.92	4.22	4.16 #	3.80 #
ii Low	2.21	2.81	1.84	2.09 #	1.52 #
iii As at 31 March	2.83	2.83	4.00	2.16 #	3.50 #

** Annualised.

^ Adjusted for minority interests.

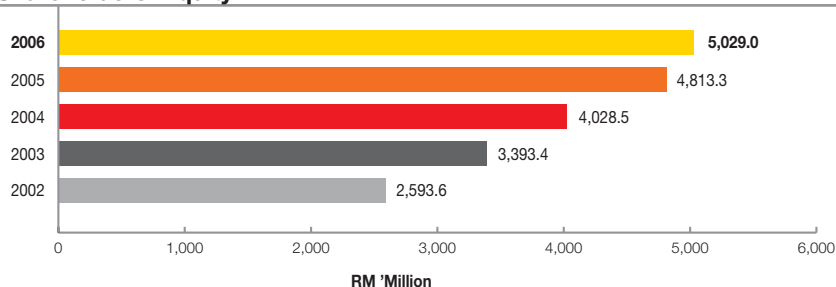
Adjusted for bonus issue.

^o Adjusted to conform with the requirements of the Revised Guidelines on Financial Reporting for Licensed Institutions issued by Bank Negara Malaysia that have been applied retrospectively for one financial year.

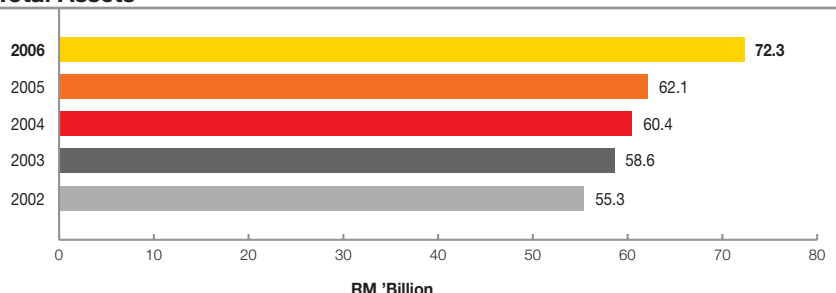
* Included total income and overheads of life policyholders' funds.

Five-Year Group Financial Review

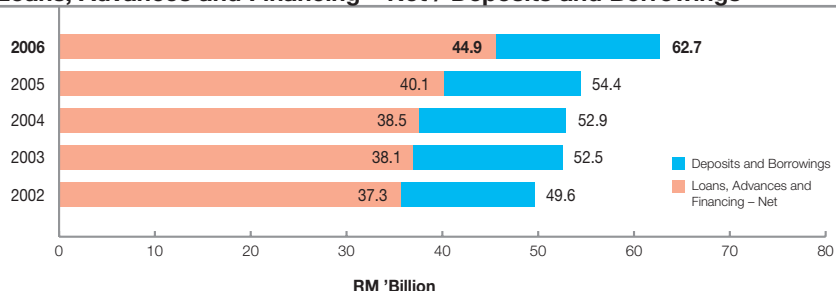
Shareholders' Equity



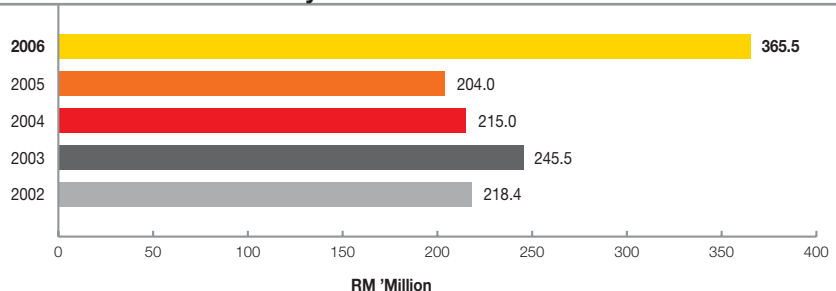
Total Assets



Loans, Advances and Financing – Net / Deposits and Borrowings



Profit After Tax and Minority Interests



Financial Calendar

2005

16 May

Announcement of audited consolidated results and first and final dividend for the financial year ended 31 March 2005.

10 August

Announcement of unaudited consolidated results for the financial first quarter ended 30 June 2005.

2 September

Issuance of notice of 14th Annual General Meeting, notice of 17th Extraordinary General Meeting, notice of entitlement and payment of first and final dividend of 4.0% less tax, and annual report for the financial year ended 31 March 2005.

26 September

14th Annual General Meeting and 17th Extraordinary General Meeting.

3 October

Date of entitlement to first and final dividend of 4.0% less tax.

17 October

Payment of first and final dividend of 4.0% less tax for the financial year ended 31 March 2005.

2006

18 November

Announcement of unaudited consolidated results for the financial half year ended 30 September 2005.

2006

10 February

Announcement of unaudited consolidated results for the financial third quarter ended 31 December 2005.

31 May

Announcement of audited consolidated results and first and final dividend for the financial year ended 31 March 2006.

18 July

Issuance of notice of 15th Annual General Meeting, notice of entitlement and payment of first and final dividend of 5.0% less tax, and annual report for the financial year ended 31 March 2006.

9 August

15th Annual General Meeting.

FINANCIAL STATEMENTS

Expressed In Ringgit Malaysia
For The Year Ended 31 March 2006

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Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of **AMMB HOLDINGS BERHAD** for the financial year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiary companies, as listed in Note 13 to the financial statements, provide a wide range of investment banking, commercial banking, retail financing and related financial services which also include the Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investments and unit trusts management.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

SIGNIFICANT EVENTS

1. On 27 February 2004 and 31 May 2004, the Company announced a Group reorganisation involving:
 - (a) the Privatisation of AMFB Holdings Berhad ("AMFB") through the acquisition by the Company of 188,927,911 ordinary shares of RM1.00 each in AMFB not already owned by the Company by way of a scheme of arrangement between AMFB and its shareholders under Section 176 of the Companies Act, 1965. The AMFB Privatisation was completed on 17 March 2005. The AMFB Privatisation is an integral part of the Company's efforts in meeting the specific initiative announced by Bank Negara Malaysia ("BNM") on the merger of the commercial banking and finance company businesses in a banking group into a single entity; and
 - (b) the listing of AmInvestment Group Berhad ("AIGB"), which is inter-conditional with the AMFB Privatisation, comprising the following:
 - (i) The incorporation of AIGB to act as the holding company of the Company's investment banking group;
 - (ii) An internal reorganisation involving the transfer of the Company's 100% equity interest in AmMerchant Bank Berhad ("AmMerchant Bank") and AmSecurities Holdings Sdn Bhd at carrying values to AIGB for a consideration satisfied by ordinary shares of RM1,109,442,000 and by cash of RM214,400,000, respectively; and
 - (iii) The issue/offer of 646,800,000 ordinary shares comprising 210,558,000 new ordinary shares and 436,242,000 existing ordinary shares by way of a Restricted Offer for Sale ("ROS") at a shareholder entitlement price of RM1.40 per share, which was applied to all the ROS shares, as follows:
 - (a) 488,400,000 ordinary shares allocated to shareholders of the Company;
 - (b) 39,600,000 ordinary shares allocated to eligible directors and employees of AIGB and/or its Malaysian-incorporated subsidiary and associated companies, eligible directors of the Company and business associates of the Company; and
 - (c) 118,800,000 ordinary shares allocated to Tan Sri Dato' Azman Hashim as an approved Bumiputera investor.

The shareholder entitlement price of RM1.40 per share for the ROS was derived on the basis to provide an attractive and rewarding opportunity for the shareholders of the Company and eligible directors and employees to participate in the equity and continuing growth of the Group.
 - (c) The listing of and quotation for the entire enlarged issued and paid-up share capital of AIGB of 1,320,000,000 ordinary shares of RM1.00 each, was listed on the Main Board of Bursa Malaysia Securities Berhad on 18 May 2006.
2. On 31 May 2005, upon obtaining the necessary approvals from the shareholder and relevant authorities, the following were completed:
 - (a) AMFB acquired the entire equity interest in AmBank Berhad ("AmBank"), comprising 761,781,750 ordinary shares from the Company for a purchase consideration of RM832.8 million based on the carrying value of the Company's investment in AmBank. The purchase consideration was satisfied by the issuance of 166,080,387 ordinary shares in AMFB at an issue price of RM5.01 based on the unaudited net tangible assets ("NTA") of AMFB as at 31 May 2005.
 - (b) AmFinance Berhad ("AmFinance") acquired the entire equity interest in AmBank comprising 761,718,750 ordinary shares from AMFB for a purchase consideration of RM412.7 million based on the unaudited NTA of AmBank after adjusting for certain non-transferable assets. The purchase consideration was satisfied by the issuance of 81,961,642 ordinary shares in AmFinance at an issue price of RM5.035 based on the unaudited NTA of AmFinance Group as at 31 May 2005.

Directors' Report (cont'd)

Following the completion of the acquisition of AmBank by AmFinance the commercial banking business of AmBank amounting to RM412.7 million have been vested into AmFinance on 19 June 2005 pursuant to an Order of the High Court of Malaya dated 18 May 2005 under Originating Summons No. D7-24-162-2005 and made pursuant to Section 50 of the Banking and Financial Act, 1989. Subsequently, AmFinance changed its name to AmBank (M) Berhad ("AmBank (M)") to reflect the merger of the commercial banking and finance company operations under a single entity.

3. On 29 September 2005, AmMerchant Bank completed the acquisition of the 30.0% equity interest held by Macquarie Bank Limited ("Macquarie Bank") in AmInvestment Management Sdn Bhd ("AIM") and AmInvestment Services Berhad ("AIS") respectively for a total cash purchase consideration of RM44.79 million.

With the completion of the acquisition, AIM and AIS become wholly-owned subsidiaries of AmMerchant Bank. Accordingly the Joint Venture arrangement between AmMerchant Bank and Macquarie Bank relating to the funds management business was voluntarily terminated on 29 September 2005.

4. On 27 October 2005, AmMerchant Bank issued RM200,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("Subordinated Tier 2 Bonds") for the purpose of redemption of RM200.0 million nominal amount of Unsecured Subordinated Certificates of Deposits. The Unsecured Subordinated Certificates of Deposits was redeemed on 1 March 2006. The Subordinated Tier 2 Bonds are issued for a period of ten (10) years maturing on 31 October 2015 and bear interest at rates varying from 4.75% to 7.25% per annum, payable on a semi-annual basis.

During the financial year, AmMerchant Bank had also purchased and cancelled RM65,000,000 of the Subordinated Tier 2 Bonds.

5. Upon obtaining the necessary approvals from the shareholder and the relevant authorities, the following were proposed and issued:
 - (a) Issuance of United States Dollar ("USD") 200.0 million Innovative Hybrid Tier 1 Capital comprising of 2,000 preference shares of USD100,000 each ("Hybrid Securities") by AMBB Capital (L) Ltd ("AMBB Capital"), a wholly-owned subsidiary company of AmBank (M), to non-resident investors; and
 - (b) Proposed issuance of substitute preference shares (of equal economic value as the Hybrid Securities) ("Substitute Preference Shares") by AmBank (M) in the event of certain substitution events pursuant to the terms of the Hybrid Securities.

The Hybrid Securities was issued by AMBB Capital on 27 January 2006 and has the benefit of AmBank (M) guarantee on a subordinated basis. The gross proceeds of USD200.0 million from the issued of Hybrid Securities was on-lent to AmBank (M) in the form of a subordinated term loan on 27 January 2006.

At an initial size of USD150.0 million, the book was twice oversubscribed. Consequently, the issue size was increased to USD200.0 million after the completion of the book building process. The Hybrid Securities was priced at par on a semi-annual coupon of 6.77%. The coupon will at a floating rate per annum equal to 3-month US dollar LIBOR plus 2.90 per cent if the Hybrid Securities is not redeemed after year ten (10) from the date of issue.

Pursuant to the terms and conditions of the Hybrid Securities, upon the occurrence of certain substitution events as required by the guidelines on Innovative Tier 1 Capital Instruments issued by BNM on 24 December 2004 ("BNM Tier 1 Guidelines"), AmBank (M) will be required to issue Substitute Preference Shares to substitute the Hybrid Securities issued by AMBB Capital. However, if there is no occurrence of such substitution events, then there will be no requirement to issue the Substitute Preference Shares.

The Proposed Substitute Preference Shares issue and the Hybrid Securities issue are inter-conditional.

The Hybrid Securities is listed on both the Labuan International Financial Exchange and the Singapore Exchange and is offered to international institutional investors outside Malaysia.

The Hybrid Securities is rated Ba2/BB/BB by Moody's/Fitch/Standard & Poor's, respectively.

The Hybrid Securities issue allows AmBank (M) to raise non-dilutive Tier 1 capital at a competitive cost for AmBank (M)'s general capital management. The funds raised from the Hybrid Securities issue will further improve AmBank (M)'s Tier 1 capital ratio from 6.02% to 7.08% and the overall capital adequacy ratio from 10.46% to 12.05%. The Hybrid Securities issue will also provide the flexibility to fund the growth of AmBank (M)'s business operations.

Directors' Report (cont'd)

6. On 7 February 2006, AIGB has acquired 100% of the equity of AmPrivate Equity Sdn Bhd ("AmPrivate Equity"), comprising two (2) ordinary shares of RM1.00 each.

The acquisition of AmPrivate Equity is in conjunction with the launch of a RM100.0 million closed-end private equity fund (the "Fund") with a charter life of ten (10) years under AmPrivate Equity.

AmPrivate Equity will undertake medium and long-term investments principally in Malaysia with the objective of achieving capital appreciation in its investments. It will focus on key sectors such as manufacturing industries, business services, environmental and energy services and information and communications technology companies.

Malaysian Ventures Management Incorporated Sdn Bhd, a registered venture capital management corporation and an indirect subsidiary of the Company, is the manager of the Fund.

The RM100.0 million fund size of AmPrivate Equity will be constituted by way of the issue of 15,000 ordinary shares at an issue price of RM1.00 each and 1,250,000 Redeemable Preference Shares ("RPS") at an issue price of RM79.988 each.

Presently, the committed investors in the Fund are:

- (a) AIGB, with a cash subscription commitment for 80.0% of the Fund amounting to RM80.0 million, comprising 12,000 ordinary shares and 1,000,000 RPS; and
- (b) a major Malaysian pension fund, with a cash subscription commitment for 20.0% of the Fund amounting to RM20.0 million, comprising 3,000 ordinary shares and 250,000 RPS.

The RM100.0 million capital fund will be disbursed to AmPrivate Equity over its charter life as and when investments are actually made by AmPrivate Equity.

7. On 10 February 2006, AmMerchant Bank has entered into a conditional sale and purchase agreement with the nine (9) minority shareholders of Frasers International Pte Ltd ("FIPL") in respect of the proposed acquisition of 7,576,766 ordinary shares of S\$1.00 each in FIPL not already owned by AmMerchant Bank, representing 51.0% of the issued and paid-up share capital of FIPL for an aggregate cash purchase consideration of up to S\$22,000,000 ("Proposed FIPL Acquisition"). On completion of the Proposed FIPL Acquisition, FIPL will become a wholly-owned subsidiary of AmMerchant Bank.

The Proposed FIPL Acquisition is conditional upon the approval, inter alia, of BNM, Monetary Authority of Singapore, Singapore Exchange Securities Trading Limited, Singapore Exchange Derivatives Trading Limited and any other relevant authorities.

8. On 6 March 2006, AmAssurance Berhad ("AmAssurance") had completed the acquisition of 13 parcels of office lots in Bangunan AMDB from Syarikat Kompleks Damai Sdn Bhd ("SKDS") for a total cash consideration of RM54,109,000 and tenancy agreement between SKDS and AmAssurance on 9 Parcels of the office lots disposed with a guaranteed net rental yield by AMDB Berhad and SKDS with AmAssurance.
9. On 10 March 2006, AmBank (M) and ABH Holdings Sdn Bhd completed the disposal of 30.0% equity interest in AmAssurance, comprising 30,000,000 ordinary shares of RM1.00 each to IAG International Pty Ltd ("IAG International"), a wholly-owned subsidiary of Insurance Australia Group Limited ("IAG"), at a price of RM6.44 per share for an aggregate cash consideration of RM193.2 million, involving the sale of:

- (a) a 10.0% equity interest in AmAssurance by AmBank (M) to IAG International ("the AmBank (M) Sale"); and
- (b) the entire 20.0% equity interest in AmAssurance held by ABH Holdings Sdn Bhd, a company controlled by Dato' Azlan Hashim, the Deputy Chairman of the Company and AmAssurance, to IAG International ("the ABH Holdings Sale").

The Proposed AmBank (M) Sale and the Proposed ABH Holdings Sale are not inter-conditional.

In addition to the AmBank (M) Sale and the ABH Holdings Sale, the Company has also completed the acquisition of the remaining 4.06% equity interest held by AmBank (M) in AmAssurance, comprising 4,062,000 ordinary shares of RM1.00 each ("AHB Buy-Up") at the same price of RM6.44 per share and settled in cash.

The AHB Buy-Up is intended to consolidate AmBank Group's shareholding in AmAssurance under the Company.

SUBSEQUENT EVENTS

1. On 1 May 2006, Amlslamic Bank Berhad ("Amlslamic Bank") (formerly known as AMBB Capital Berhad and AmBank Berhad) received its licence to transact Islamic banking business with immediate effect.

Pursuant to the vesting order of the High Court of Malaya dated 18 April 2006 under Origination Summons No. 04-22A-151-2006 and made pursuant to Section 50 of the Banking and Financial Institutions Act 1989, the Islamic banking business of AmBank (M) has been vested in Amlslamic Bank with effect from 1 May 2006. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of issue of 250.0 million new ordinary shares of RM1.00 each on 28 April 2006 by Amlslamic Bank to AmBank (M) at RM3.14 per share.

Directors' Report (cont'd)

2. On 11 May 2006, the Company announced the following proposals:

- (a) proposed disposal by AmBank (M) of the entire interest in Menara AmBank for a total consideration of RM230,000,000 to be satisfied by AmFIRST Real Estate Investment Trust ("REIT") through the issuance of 230,000,000 AmFIRST REIT units at an issue price of RM1.00 per unit credited as fully paid-up. AmBank (M) will subsequently transfer the entire REIT units to the Company for a cash consideration of RM230.0 million.
- (b) a renounceable restricted offer for sale of up to 96,246,917 AmFIRST REIT units at an offer price of RM1.00 per unit to the existing shareholders of the Company on the basis of one (1) AmFIRST REIT unit for 25 existing ordinary shares of RM1.00 each held in the Company of which RM0.85 per unit will be paid in cash by the shareholders of the Company and the remaining RM0.15 per unit is assumed by the Company; and
- (c) a proposed offer for sale of 133,753,083 AmFIRST REIT units at an offer price of RM1.00 per unit to be placed out to institutional and selected investors.

collectively referred to as the "Proposals".

The Proposals are in conjunction with the restructuring and rebranding of AmFirst Property Trust ("AmFPT") as announced by AmProperty Trust Management Berhad ("AmPTMB"), the manager of AmFPT on 11 May 2006, which involves the proposed dissolution of AmFPT and the establishment of a new REIT namely AmFIRST REIT.

AIGB as the sponsor for AmFIRST REIT and Am ARA REIT Managers Sdn Bhd ("Am ARA") as the proposed management company of AmFIRST REIT pursuant to the proposed establishment of AmFIRST REIT, will seek a listing and quotation for the entire fund size of AmFIRST REIT comprising 490,000,000 units on the Main Board of Bursa Malaysia Securities Berhad ("Proposed Listing").

AIGB had on 5 May 2006 acquired seven (7) ordinary shares of RM1.00 each, representing 70% equity interest, in Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings"), the holding company of Am ARA, for a cash consideration of RM7.00, in connection with the joint venture ("JV") between AIGB and ARA Asset Management (Malaysia) Limited ("ARA") in the business of REIT management. Am ARA Holdings and Am ARA both were incorporated on 20 April 2006.

Pursuant to the JV agreement entered into between AIGB and ARA on 16 February 2006, the balance of three (3) ordinary shares of RM1.00 each, representing 30.0% equity interest in Am ARA Holdings, are held by ARA.

Am ARA currently has a paid-up capital of RM2.00, comprising two (2) ordinary shares of RM1.00 each, and subject to the approval of Securities Commission ("SC"), Am ARA will act as the manager of AmFIRST REIT.

The Proposed Listing and the proposals to be undertaken by the Company and AmFPT are subject to the approvals of SC, BNM, shareholders and other relevant authorities.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before share in results of associated companies and taxation	707,907	213,835
Share in results of associated companies	2,202	-
Profit before taxation	710,109	213,835
Taxation	(231,069)	(12,164)
Profit before minority interests	479,040	201,671
Minority shareholders' interests in results of subsidiary companies	(113,535)	-
Net profit attributable to the shareholders of the Company	365,505	201,671
Unappropriated profit at beginning of year (as restated)	929,146	441,475
Profit available for appropriation	1,294,651	643,146
Arising from Group Reorganisation	(65,224)	-
Transfer to statutory reserve	(86,979)	-
Transfer from revaluation reserve	-	378,830
Dividends paid	(61,359)	(61,359)
Unappropriated profit at end of year	1,081,089	960,617

Directors' Report (cont'd)

BUSINESS PLAN AND STRATEGY

The merger of the Group's finance company business into the commercial banking business in June 2005, and the resultant conversion of the Group's finance company branches into full-fledged commercial banking branches have provided the Group with a solid platform to grow its loans exposure to the small and medium-sized enterprises and develop the Group's trade financing and cash management businesses.

The merger has also boosted the Group's reach and scale to extend its leadership market positions in the retail banking sector. The Group is confident that it will be able to achieve meaningful market share growth in the auto financing, mortgages and credit card businesses going forward.

As part of the merger, the Group has initiated training programmes to increase the sales efficiency of its staff to maximize cross-selling opportunities for the Group's various products and services using the expanded commercial bank branches as a springboard. The Group's retail banking business will be transformed into a sales and customer service focused entity. The Group believes that this transformation process will result in improved sales efficiency and productivity in the near future.

The Group will also leverage on its wide branch network and strong customer franchise to expand its demand deposit base to rebalance its funding base to be able to better manage its funding costs.

The Group's investment banking business will continue to focus on corporate advisory, equity capital market, debt capital market and treasury services. With its strong market presence and greater promotion of Islamic banking, the investment banking will continue playing a leading role in Islamic capital market activities by adding new Islamic financial solutions and products to its customers.

Going forward, following the completion of the joint venture between IAG Limited and AmAssurance, the Group is confident that its insurance business will be a more significant contributor to its profits. IAG Limited, a listed company on the Australian Stock Exchange, is the largest general insurance company in Australia with market capitalization of over A\$8.0 billion and an AA rating from Standard & Poor's. With its 30.0% shareholding in AmAssurance, IAG Limited is able to contribute positively to the financial and overall performance of AmAssurance given its substantial level of skills and capabilities in the global insurance industry.

Effective 1 May 2006, the Islamic banking business of AmBank (M) has been transferred to and vested in AmIslamic Bank, a wholly-owned subsidiary of AmBank (M), to formalize the corporate separation of the conventional banking business from the Islamic banking business. With the new Islamic operational structures in place and ongoing effective communication with its customers, the Group is aiming for the maximum optimization of its services to further propel its Islamic banking services.

OUTLOOK FOR NEXT FINANCIAL YEAR

Malaysia's economic growth is projected to rise faster but to remain moderate at 6.0% in 2006. Accordingly, the banking business is expected to further expand in 2006 and the asset quality of the banking system is also expected to remain strong. However, a moderating economy coupled with ample liquidity and liberal operating environment in the banking system will further suppress the profitability of the banking industry's traditional lending business.

Inflation has increased on account of rising cost and potentially the pressure could build up further following higher petroleum product prices. While interest rate would not be directly effective to tame cost-pushed inflation, interest rate adjustment is necessary to positively influence the exchange rate, capital flow and liquidity trend. However, the rate and pace of increase and exchange rate adjustment would not be excessive to disadvantage growth.

Going forward, the Group will continue to pursue its strategy of expanding its business operations. The Group is confident that it has built an infrastructure, customer base and brand-awareness that enables it to take advantage of growth opportunities.

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 in significant events above and Note 54 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.

Directors' Report (cont'd)

DIVIDENDS

During the financial year, the Company paid a first and final dividend of 4.0%, less 28.0% tax, in respect of the previous financial year totaling RM61,359,370 which amount had been dealt with in the directors' report for that financial year and paid on 17 October 2005 to shareholders whose names appeared in the Record of Depositors on 3 October 2005.

In respect of the current financial year, the directors now recommend the payment of a first and final dividend of 5.0%, less 28.0% tax, amounting to RM76,699,213 to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in the shareholders' funds as an appropriation of unappropriated profit in the next financial year ending 31 March 2007.

RESERVES, PROVISIONS AND ALLOWANCES

The following material transfers to/(from) reserves, provisions and allowances were made during the financial year:

	Note to the Financial Statements	Group RM'000	Company RM'000
(a) Share Premium			
Arising from expenses relating to ROS of investment banking group and AMFB privatisation	30	6,806	6,013
(b) Statutory Reserve			
Transfer from unappropriated profit	30	86,979	-
(c) Revaluation Reserve			
Transfer to unappropriated profit		-	378,830
(d) Available-For-Sale Reserve			
Arising from net unrealised loss on revaluation of securities available-for-sale	30	17,017	-
(e) Exchange Fluctuation Reserve			
Arising from translation of subsidiary and associated companies expressed in foreign currency	30	650	-
(f) Allowances/(Reversal of allowances):			
Interest suspended	32	115,958	-
Allowance for losses on loans and financing			
Specific allowance - net	36	951,914	-
General allowance	36	92,171	-
Transfer to profit equalisation reserve	22	4,494	-
Impairment (writeback)/loss on:			
Securities		(90,224)	-
Assets acquired in exchange of debts		660	-
Allowance for doubtful sundry receivables - net		16,470	-
Provision for commitments and contingencies		262	-

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the Group and the Company inadequate to any substantial extent.

Directors' Report (cont'd)

CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Company's financial statements misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares and debentures during the financial year.

Subsequent to the financial year, the issued and fully paid-up share capital of the Company was increased from 2,130,533,695 ordinary share of RM1.00 each to 2,130,538,695 ordinary shares of RM1.00 each by the issue of 5,000 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM5,950 has been credited to share premium account.

SHARES OPTIONS

There are no options granted by the Company to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the company under options.

WARRANTS

The Company has not issued any new warrants during the financial year.

- (i) The Warrants 1997/2007 were constituted under the Deed Poll dated 19 March 1997.

The salient features of the Warrants 1997/2007 are as follows:

- (a) Each Warrant 1997/2007 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- (b) The exercise price is RM6.51 per share and may be paid fully in cash, or partly in cash and partly by tender of Bonds 1997/2002 in any combination, or wholly by tender of Bonds 1997/2002 for every Warrant 1997/2007 held after one year from the date of allocation. The exercise price of the Warrants 1997/2007 is subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll. The Bonds 1997/2002 matured in 2002 and have been fully discharged.
- (c) The Warrants 1997/2007 are for an initial period of five calendar years. This period was extended for a further period of five years to mature on 13 May 2007.

Directors' Report (cont'd)

The movements in the Company's unissued number of shares under Warrants 1997/2007 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2006
	Balance at 1.4.2005	Issued	Exercised	
Number of unissued shares under Warrants 1997/2007	143,534,078	-	-	143,534,078

(ii) The Warrants 2003/2008 were constituted under the Deed Poll dated 29 November 2002 and 29 January 2003.

The salient features of the Warrants 2003/2008 are as follows:

- Each Warrant 2003/2008 entitle's its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- The exercise price is RM2.19 per share and is payable fully in cash for every Warrant 2003/2008 held from the date of allocation. The exercise price of the Warrants 2003/2008 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 2003/2008 are for a period of five calendar years to mature on 20 March 2008.

The movements in the Company's unissued number of shares under Warrants 2003/2008 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2006
	Balance at 1.4.2005	Issued	Exercised	
Number of unissued shares under Warrants 2003/2008	132,105,145	-	-	132,105,145

DIRECTORS

The directors who served on the Board since the date of the last report are:

Tan Sri Dato' Azman Hashim

Dato' Azlan Hashim

Tun Mohammed Hanif Omar (Independent Director)

Tan Sri Datuk Dr Aris Osman @ Othman (Independent Director)

Tan Sri Datuk Clifford Francis Herbert (Independent Director)

Tan Sri Dato' Mohd Ibrahim Mohd Zain (Independent Director)

Dato' Izham Mahmud (Independent Director)

Cheah Tek Kuang

Soo Kim Wai

Shalina Azman

Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba (Independent Director; Resigned on 15.12.2005)

Tan Sri Dato' Dr Lim Kok Wing (Independent Director; Resigned on 13.03.2006)

In accordance with Article 89 of the Company's Articles of Association, Tan Sri Datuk Dr Aris Osman @ Othman, Tan Sri Dato' Mohd Ibrahim Mohd Zain, Dato' Izham Mahmud and Shalina Azman retire, and being eligible, offer themselves for re-election.

Directors' Report (cont'd)

DIRECTORS' INTERESTS

Under the Company's Articles of Association, the directors are not required to hold shares in the Company.

The interests in shares and debentures in the Company and in subsidiary companies, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

DIRECT INTERESTS

In the Company

Shares	No. of Ordinary Shares of RM1.00 each			
	Balance at 1.4.2005	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	675,490	-	675,490	-
Dato' Azlan Hashim	95,952	-	5,952	90,000
Dato' Izham Mahmud	4,670	-	-	4,670
Cheah Tek Kuang	23,800	-	-	23,800

Warrants 2003/2008	No. of Warrants of RM1.00 each			
	Balance at 1.4.2005	Bought	Sold/ Exercised	Balance at 31.3.2006
Cheah Tek Kuang	46,189	-	-	46,189

In the subsidiary company, AmInvestment Group Berhad

Renounceable Rights	No. of Renounceable Rights of RM1.00 each			
	Balance at 1.4.2005	Exercise	Lapse	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	118,954,848	118,954,848	-	-
Dato' Azlan Hashim	221,995	221,995	-	-
Tun Mohammed Hanif Omar	200,000	200,000	-	-
Tan Sri Datuk Dr Aris Osman @ Othman	50,000	50,000	-	-
Tan Sri Datuk Clifford Francis Herbert	50,000	50,000	-	-
Tan Sri Dato' Mohd Ibrahim Mohd Zain	50,000	50,000	-	-
Dato' Izham Mahmud	101,070	101,070	-	-
Cheah Tek Kuang	2,620,075	2,620,075	-	-
Soo Kim Wai	100,000	100,000	-	-
Shalina Azman	100,000	100,000	-	-

Directors' Report (cont'd)

DIRECT INTERESTS

In the subsidiary company, AmInvestment Group Berhad

Shares	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2006
	Balance at 1.4.2005	Bought	Sold	
Tan Sri Dato' Azman Hashim	-	118,954,848	24,400,000	94,554,848
Dato' Azlan Hashim	-	223,331	-	223,331
Tun Mohammed Hanif Omar	-	200,000	-	200,000
Tan Sri Datuk Dr Aris Osman @ Othman	-	50,000	-	50,000
Tan Sri Datuk Clifford Francis Herbert	-	50,000	-	50,000
Tan Sri Dato' Mohd Ibrahim Mohd Zain	-	50,000	-	50,000
Dato' Izham Mahmud				
- Held directly	-	101,070	-	101,070
- Held through nominees	-	6,000	-	6,000
Cheah Tek Kuang	-	2,620,100	1,500,000	1,120,100
Soo Kim Wai	-	100,000	-	100,000
Shalina Azman	-	100,000	-	100,000

In the subsidiary company, AmMerchant Bank Berhad

Redeemable Unsecured Subordinated Bonds	Nominal Value of RM1.00 each			Balance at 31.3.2006
	Balance at 1.4.2005	Bought	Sold	
Dato' Izham Mahmud	250,000	-	250,000	-

Directors' Report (cont'd)

DEEMED INTERESTS**In the Company**

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			
		Balance at 1.4.2005	Bought	Sold	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad	658,252,421	13,000,000	-	671,252,421
	AMDB Equipment Trading Sdn Bhd	439,047	-	-	439,047
	Azman Hashim Holdings Sdn Bhd	913,905	-	913,905	-
	Regal Genius Sdn Bhd	29,490,000	-	-	29,490,000

Warrants 2003/2008	Name of Company	No. of Warrants of RM1.00 each			
		Balance at 1.4.2005	Bought	Sold/ Exercised	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad	5,954,097	-	-	5,954,097
	AMDB Equipment Trading Sdn Bhd	22,682	-	-	22,682
	Regal Genius Sdn Bhd	2,989,936	-	-	2,989,936
	Corporateview Sdn Bhd	31,658,738	-	-	31,658,738

**In the subsidiary company,
AmInvestment Group Berhad**

Renounceable Rights	Name of Company	No. of Renounceable Rights of RM1.00 each			
		Balance at 1.4.2005	Exercise	Lapse	Balance at 31.3.2006
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad	150,896,688	150,896,688	-	-
	AMDB Equipment Trading Sdn Bhd	100,646	100,646	-	-
	Azman Hashim Holdings Sdn Bhd	209,502	209,502	-	-
	Regal Genius Sdn Bhd	6,760,238	6,760,238	-	-

Directors' Report (cont'd)

DEEMED INTERESTS

In the subsidiary company,
AmInvestment Group Berhad

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2006
		Balance at 1.4.2005	Bought	Sold	
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad	-	150,896,688	-	150,896,688
	AMDB Equipment Trading Sdn Bhd	-	100,646	-	100,646
	Azman Hashim Holdings Sdn Bhd	-	209,502	-	209,502
	Regal Genius Sdn Bhd	-	6,760,238	-	6,760,238

In the subsidiary company,
AmAssurance Berhad

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2006
		Balance at 1.4.2005	Bought	Sold	
Dato' Azlan Hashim	ABH Holdings Sdn Bhd	34,062,000	-	34,062,000	-

By virtue of their shareholdings as mentioned above, the above directors are deemed to have an interest in the shares of the Company and its related companies.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 38 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, except for the related party transactions as shown in Note 37 to the financial statements.

Save for the benefits under the ROS by the Company to the shareholders and AIGB to eligible employees pursuant to the listing of AIGB on the Main Board of the Bursa Malaysia Securities Berhad, neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Report (cont'd)

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") 2006						
	Board of Directors	Nomination Committee	Remuneration Committee	Audit & Examination Committee	Risk Management Committee#	Risk Management Committee##
Tan Sri Dato' Azman Hashim	13	1 (Effective 15.12.2005)	N/A	N/A	N/A	N/A
Dato' Azlan Hashim	13	3	3	4	N/A	N/A
Tun Mohammed Hanif Omar	12	N/A	N/A	N/A	N/A	5 (Resigned as Chairman/Member, effective 1.12.2005)
Tan Sri Datuk Dr Aris Osman @ Othman	10	1 (Chairman/Member, effective 15.12.2005)	N/A	4 (Chairman/Member, effective 15.12.2005)	11	N/A
Tan Sri Datuk Clifford Francis Herbert	13	1 (Effective 15.12.2005)	N/A	N/A	11 (Chairman/Member, effective 31.03.2005)	1 (Committee Chairman, effective 1.12.2005)
Tan Sri Dato' Mohd Ibrahim Mohd Zain	12	N/A	N/A	N/A	N/A	N/A
Dato' Izham Mahmud	13	3	3 (Chairman/Member, effective 15.12.2005)	4	N/A	N/A
Cheah Tek Kuang	13	N/A	N/A	N/A	N/A	5 (Resigned as Committee Member, effective 1.12.2005)
Soo Kim Wai	13	N/A	2 (Effective 27.09.2005)	N/A	N/A	N/A
Shalina Azman	11	N/A	N/A	N/A	N/A	N/A
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba (Resigned on 15.12.2005)	9	2	1	3	8	N/A
Tan Sri Dato' Dr Lim Kok Wing (Resigned on 13.03.2006)	4	N/A	N/A	N/A	N/A	N/A
Tan Kheng Soon**	N/A	N/A	N/A	N/A	N/A	1 (Effective 1.12.2005)
Number of meetings held in FY2006	13	3	3	4	11	6

Note: # The Risk Management Committee of Directors established at AmMerchant Bank.

The Risk Management Committee of Directors established at AmBank (M).

** Member of AmBank (M) Board of Directors.

All attendances reflect the number of meetings attended during Directors' duration of service.

N/A represents not a member.

Directors' Report (cont'd)

CORPORATE GOVERNANCE

(i) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group, since the Company is a holding company. Its major business activities are conducted through its various subsidiary companies.

The Board supervises the management of the Group's businesses and affairs with the goal of enhancing shareholders' value. The Board meets monthly to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organization structure, business developments (subject to matters reserved for shareholders' meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises ten (10) directors with wide skills and experience, of which five (5) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its 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 Chief Executive Officers of the operating subsidiaries.

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. Nomination Committee
2. Remuneration Committee
3. Audit And Examination Committee

The Risk Management Committee has been established at AmMerchant Bank and AmBank (M).

The roles and responsibilities of each committee is set out under the respective terms of reference, which have been approved by the Board. The minutes of the committee meetings are tabled at the subsequent Board meetings for comment and notation.

Directors' Report (cont'd)

The Nomination Committee

It is responsible for regularly reviewing the board structure, size and composition, as well as identifying and selecting new directors to be appointed to the Board and the Committees of the Board. On an annual basis, it reviews the mix of skills and experience and other qualities and competencies that Non-Executive Directors should bring to the Board.

During the financial year, three (3) meetings were held to consider nominations and to review the membership of the Board and Board Committees. In addition, the Nomination Committee also reviewed the performance of the Committees' and Board's effectiveness as a whole and the contribution of each Director to the effectiveness of the Board.

The Remuneration Committee

All members of this Committee are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board the framework or broad policy for the remuneration of the Directors, Chief Executive Officers and other Senior Management.

Remuneration is determined at levels which enable the Group to attract and retain the Directors, Chief Executive Officers and Senior Management with the relevant expertise in managing the Group effectively.

The Audit And Examination Committee

The Board has appointed the Audit and Examination Committee (the "AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Group's assets and shareholders' investments.

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board acting through the AEC. The AEC met during the year to review the scope of both the internal audit functions and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The consolidated financial statements of the Group and the financial statements of its subsidiaries were reviewed by the AEC prior to their submission to the directors of the Group for adoption.

In addition, the AEC has reviewed the requirements for approval and disclosure of related party transactions, reviewed the procedures set up by the Group to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions.

Risk Management Committee

Risk management is an integral part of the Group's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Boards of AmMerchant Bank and AmBank (M) approve the risk management strategy and set the broad risk tolerance level; and approve the engagement of new products or activities after considering the risk bearing capacity and readiness of both AmMerchant Bank and AmBank (M).

The Risk Management Committee of Directors have been established at AmMerchant Bank and AmBank (M) to oversee the overall management of credit, market, liquidity, operational, legal, capital and strategic risks impacting the Group, and to ensure that the risk management process is in place and functioning.

The Committee is independent from management and comprises only non-executive directors. The Committee ensures that the Board's risk tolerance level is effectively enforced; and reviews high-level risk exposures, and capital allocation decisions to ensure that they are within the overall interests of AmMerchant Bank and AmBank (M). It also assesses AmMerchant Bank's and AmBank (M)'s ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Group. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodology, and formulation of risk strategies.

Internal Audit And Internal Control Activities

The Internal Audit Department reports to the AEC and to the Group Chief Internal Auditor. It assists the Board in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Internal Audit's annual audit plan each year, which covers the audit of all major business units and operations within the Group. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The results of the AEC meeting are formally tabled to the Board of Directors for noting and action where necessary. The Group Chief Internal Auditor and the external auditors also attend the AEC meeting by invitation.

Directors' Report (cont'd)

The scope of internal audit covers reviews of adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations as well as management directives, lending practices and information technology, including the various application systems in production, data centres and network security.

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

The Internal Audit also participates actively in major systems developments 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 agenda items and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Group, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

RATINGS BY EXTERNAL AGENCIES

The Company's RM150.0 million 3.0% 5-year Redeemable Unsecured Bank-guaranteed Bonds 2002/2007 with detachable Warrants was accorded a long-term ratings of AAA (bg) and AA3 (bg) for Tranche 1 of RM100.0 million and Tranche 2 of RM50.0 million respectively by Rating Agency Malaysia Berhad ("RAM").

The merchant bank's long-term and short-term rating of AA3/P1 from RAM and A+/MARC-1 from Malaysian Rating Corporation Berhad was complemented by international ratings of BB+/B from Standard & Poor's, BB/B from Capital Intelligence and BB+/B from Fitch Ratings Singapore Pte Ltd ("Fitch") (formerly known as Fitch IBCA, Duff & Phelps). The RM460.0 million Redeemable Unsecured Subordinated Bonds and RM200.0 million Subordinated Tier 2 Bonds have been accorded a long-term rating of A1 by RAM respectively.

The AmBank (M)'s long-term and short-term rating of A2/P1 was reaffirmed by RAM. AmBank (M)'s rating was complemented by international ratings of Baa2/P3 by Moody's Investors Service, BBB-/A-3 by Standard & Poor's and BBB-/F3 by Fitch.

The AmBank (M)'s RM200.0 million Redeemable Unsecured Subordinated Bonds' long-term rating of A3 was also reaffirmed by RAM.

The Hybrid Securities are rated Ba2 by Moody's Investor Service, BB by Standard & Poor's and BB by Fitch.

SHARIAH COMMITTEE

The Shariah Committee was established under BNM "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise and provide guidance to the Board of Directors on all matters pertaining to Shariah principles including product development, marketing and implementation activities. The Shariah advisors also assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.



TAN SRI DATO' AZMAN HASHIM



CHEAH TEK KUANG

Kuala Lumpur, Malaysia
Date: 31 May 2006

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, **TAN SRI DATO' AZMAN HASHIM** and **CHEAH TEK KUANG**, being two of the directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with applicable Approved Accounting Standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.



TAN SRI DATO' AZMAN HASHIM



CHEAH TEK KUANG

Kuala Lumpur, Malaysia
Date: 31 May 2006

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

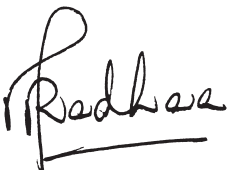
I, **ARUNASALAM MUTHUSAMY**, being the officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **ARUNASALAM MUTHUSAMY** at Kuala Lumpur in the Wilayah Persekutuan on 31 May 2006.



ARUNASALAM MUTHUSAMY

Before me,



COMMISSIONER FOR OATHS



Lodged on behalf by:

Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur.

Telephone Number: 03-20782633/44/55

Report of the Auditors to Members

We have audited the accompanying financial statements. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

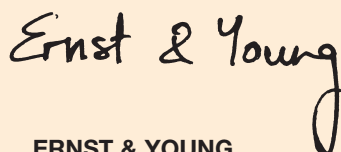
In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 March 2006 and of the results and the cash flows of the Group and of the Company for the year ended 31 March 2006; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

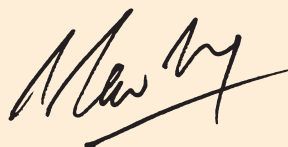
We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, as indicated in Note 13 of the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.



ERNST & YOUNG
AF : 0039
Chartered Accountants



LIM SAW KENG
No.2215/10/07(J)
Partner

Kuala Lumpur, Malaysia
Date: 31 May 2006

Balance Sheets

As At 31 March 2006

	Note	2006		2005	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
ASSETS					
Cash and short-term funds	4	9,455,262	19,959	7,778,102	90,682
Securities purchased under resale agreements	5	719,590	78,050	147,520	31,950
Deposits and placements with banks and other financial institutions	6	752,693	37,101	781,552	26,629
Securities held-for-trading	7	6,098,040	170,197	3,836,207	150,233
Securities available-for-sale	8	1,603,605	-	1,487,478	-
Securities held-to-maturity	9	2,713,041	-	2,289,850	-
Loans, advances and financing	10	44,860,468	-	40,099,556	-
Other assets	11	1,208,504	33,992	1,171,794	249,246
Statutory deposits with Bank Negara Malaysia	12	1,776,693	-	1,545,877	-
Investments in subsidiary companies	13	-	4,051,165	-	4,461,248
Investments in associated companies	14	40,295	-	38,715	-
Property and equipment	15	496,979	460	480,366	577
Life fund assets	51	1,162,488	-	949,425	-
Deferred tax assets	40	857,003	-	984,745	-
Goodwill on consolidation	16	515,976	-	523,046	-
TOTAL ASSETS		72,260,637	4,390,924	62,114,233	5,010,565
LIABILITIES AND EQUITY					
Deposits from customers	17	38,918,164	-	34,447,340	-
Deposits and placements of banks and other financial institutions	18	14,640,801	-	12,186,531	-
Obligations on securities sold under repurchase agreements	19	3,572,257	-	1,450,886	-
Bills and acceptances payable	20	912,723	-	518,938	-
Recourse obligation on loans sold to Cagamas Berhad	21	1,868,649	-	2,786,448	-
Other liabilities	22	2,281,779	3,468	1,992,279	5,565
Term loans	23	482,232	206,000	1,252,500	961,000
Subordinated certificates of deposits	24	-	-	198,768	-
Subordinated term loan	25	680,000	-	680,000	-
Redeemable unsecured bonds	26	919,638	144,638	801,481	141,481
Hybrid capital	27	684,047	-	-	-
Life fund liabilities	51	152,315	-	121,267	-
Life policyholders' fund	51	1,010,173	-	828,158	-
Total liabilities		66,122,778	354,106	57,264,596	1,108,046
Share capital	29	2,130,534	2,130,534	2,130,534	2,130,534
Reserves	30	2,898,505	1,906,284	2,682,756	1,771,985
Shareholders' equity		5,029,039	4,036,818	4,813,290	3,902,519
Minority interests	31	1,108,820	-	36,347	-
Total equity		6,137,859	4,036,818	4,849,637	3,902,519
TOTAL LIABILITIES AND EQUITY		72,260,637	4,390,924	62,114,233	5,010,565
COMMITMENTS AND CONTINGENCIES	46	37,310,423	-	23,944,919	-
NET ASSETS PER SHARE (RM)	49	2.36	1.89	2.26	1.83

The accompanying notes form an integral part of the financial statements.

Income Statements

For The Year Ended 31 March 2006

	Note	2006		2005	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
Operating revenue	50	4,976,810	244,644	4,485,304	384,717
Interest income	32	3,161,607	9,980	2,950,199	11,152
Interest expense	33	(1,741,728)	(27,556)	(1,567,725)	(27,130)
Net interest income/(expense)		1,419,879	(17,576)	1,382,474	(15,978)
Income from Islamic banking business	55(xxiv)	540,542	-	435,965	-
Other operating income	34	904,014	234,664	759,381	373,565
Net Income		2,864,435	217,088	2,577,820	357,587
Other operating expenses	35	(1,450,177)	(3,253)	(1,248,928)	(3,609)
Operating profit		1,414,258	213,835	1,328,892	353,978
Allowance for losses on loans and financing	36	(774,689)	-	(770,469)	-
Transfer to profit equalisation reserve	22	(4,494)	-	(57,949)	-
Impairment loss on properties		-	-	(29,834)	-
Impairment writeback/(loss) on:					
Securities		90,224	-	(15,294)	-
Assets acquired in exchange of debts		(660)	-	-	-
Allowance for doubtful sundry receivables - net		(16,470)	-	(4,025)	-
(Provision for)/Writeback of provision for commitments and contingencies		(262)	-	40,437	-
Profit before share in results of associated companies and taxation		707,907	213,835	491,758	353,978
Share in results of associated companies		2,202	-	809	-
Profit before taxation		710,109	213,835	492,567	353,978
Taxation	39	(231,069)	(12,164)	(204,632)	(103,485)
Profit before minority interests		479,040	201,671	287,935	250,493
Minority shareholders' interests in results of subsidiary companies	31	(113,535)	-	(83,948)	-
Net profit attributable to the shareholders of the Company		365,505	201,671	203,987	250,493
Earnings per share (sen)	42				
Basic		17.16	9.47	10.83	13.30
Fully diluted		16.92	9.33	10.67	13.10
First and final dividend per ordinary share (sen)					
Gross		5.0	5.0	4.0	4.0
Net		3.6	3.6	2.9	2.9

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For The Year Ended 31 March 2006

Group	Share capital RM'000	Non-distributable				Distributable		Total RM'000
		Capital reserve RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profit RM'000	
At 1 April 2004								
As previously stated	1,858,806	125,284	263,058	1,164,073	-	19,604	597,636	4,028,461
Prior year adjustments	-	-	-	-	18,736	-	290	19,026
At 1 April 2004 (restated)	1,858,806	125,284	263,058	1,164,073	18,736	19,604	597,926	4,047,487
Arising from AMFB Privatisation	-	(125,284)	-	-	-	-	(69,868)	(195,152)
Issue of shares pursuant to:								
- exercise of share options	12,886	-	17,567	-	-	-	-	30,453
- exercise of Warrants 2003/2008	69,914	-	83,197	-	-	-	-	153,111
- AMFB Privatisation	188,928	-	434,534	-	-	-	-	623,462
Transfer to unappropriated profit	-	-	-	(250,635)	-	-	250,635	-
Net unrealised gain on revaluation of securities available-for-sale	-	-	-	-	7,994	-	-	7,994
Translation adjustments	-	-	-	-	-	(4,518)	-	(4,518)
Profit for the year	-	-	-	-	-	-	203,987	203,987
Dividends paid	-	-	-	-	-	-	(53,534)	(53,534)
At 31 March 2005	2,130,534	-	798,356	913,438	26,730	15,086	929,146	4,813,290

Group	Note	Non-distributable				Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profit RM'000	
At 1 April 2005								
As previously stated		2,130,534	798,356	913,438	-	15,086	926,810	4,784,224
Prior year adjustments	54	-	-	-	26,730	-	2,336	29,066
At 1 April 2005 (restated)		2,130,534	798,356	913,438	26,730	15,086	929,146	4,813,290
Arising from Group Reorganisation ^		-	-	-	-	-	(65,224)	(65,224)
Transfer from unappropriated profit		-	-	86,979	-	-	(86,979)	-
Expenses relating to Group Reorganisation		-	(6,806)	-	-	-	-	(6,806)
Net unrealised loss on revaluation of securities available-for-sale		-	-	-	(17,017)	-	-	(17,017)
Translation adjustments		-	-	-	-	650	-	650
Profit for the year		-	-	-	-	-	365,505	365,505
Dividends paid	41	-	-	-	-	-	(61,359)	(61,359)
At 31 March 2006		2,130,534	791,550	1,000,417	9,713	15,736	1,081,089	5,029,039

^ This relates to the dilution in net attributable assets of the Group arising from the 49.0% Restricted Offer for Sale of the investment banking group under the Group Reorganisation as disclosed in Note 13 (1).

Statements of Changes in Equity (cont'd)

For The Year Ended 31 March 2006

Company	Note	Non-distributable		Distributable	Total	
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000		Unappropriated profit RM'000
As at 1 April 2004		1,858,806	263,058	532,154	244,516	2,898,534
Issue of shares pursuant to:						
- exercise of share options		12,886	17,567	-	-	30,453
- exercise of Warrants 2003/2008		69,914	83,197	-	-	153,111
- AMFB privatisation		188,928	434,534	-	-	623,462
Profit for the year		-	-	-	250,493	250,493
Dividends paid		-	-	-	(53,534)	(53,534)
As at 31 March 2005		2,130,534	798,356	532,154	441,475	3,902,519
As at 1 April 2005		2,130,534	798,356	532,154	441,475	3,902,519
Expenses relating to Group Reorganisation		-	(6,013)	-	-	(6,013)
Transfer to unappropriated profit*		-	-	(378,830)	378,830	-
Profit for the year		-	-	-	201,671	201,671
Dividends paid	41	-	-	-	(61,359)	(61,359)
As at 31 March 2006		2,130,534	792,343	153,324	960,617	4,036,818

* This relates to the realisation of revaluation of subsidiary companies under the Group Reorganisation.

Cash Flow Statements

For The Financial Year Ended 31 March 2006

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	710,109	213,835	492,567	353,978
Add/(Less) adjustments for:				
Allowance for losses on loans and financing	774,689	-	770,469	-
Interest in suspense – net	115,958	-	73,226	-
Depreciation of property and equipment	67,079	117	66,742	10
Amortisation of goodwill and premium on consolidation	27,977	-	15,719	-
Allowance for doubtful sundry receivables – net	16,470	-	4,025	-
Net loss/(gain) from sale of securities held-for-trading	13,051	-	(59,357)	-
Transfer to profit equalisation reserve	4,494	-	57,949	-
Property and equipment written off	1,604	-	3,916	-
Sundry receivables written off	981	-	283	-
Impairment loss on assets acquired in exchange of debts	660	-	-	-
Provision/(Write back of provision) for commitments and contingencies	262	-	(40,437)	-
Provision for foreclosed properties	22	-	2,396	-
Impairment (writeback)/loss on securities	(90,224)	-	15,294	-
Gross dividend income from investments	(73,858)	(59,968)	(56,915)	(372,881)
Unrealised (gain)/loss on revaluation of securities held for trading	(53,884)	-	21,711	-
Gain on disposal of 10.0% equity interest in insurance subsidiary company	(29,962)	-	-	-
Net gain on redemption of securities held-to-maturity	(19,561)	-	(12,329)	-
Unrealised foreign exchange gain	(11,267)	-	-	-
Unrealised gain on revaluation of derivatives	(6,165)	-	(6,611)	-
Amortisation of premium less accretion of discounts on money market securities – net	(5,554)	-	17,708	-
Net gain from sale of securities available-for-sale	(28,296)	-	(14,668)	-
Share in results of associated companies	(2,202)	-	(809)	-
Gain on disposal of property and equipment – net	(1,807)	-	(3,816)	-
Income from asset securitisation	(1,695)	-	(42,838)	-
Gain on listing of investment banking subsidiary company	-	(174,497)	-	-
Impairment loss on properties	-	-	29,834	-
Capital gain arising from Bursa Malaysia Berhad shares	-	-	(12,727)	-
Gain on disposal of leased assets – net	-	-	(3)	-
Operating profit/(loss) before working capital changes	1,408,881	(20,513)	1,321,329	(18,893)

Cash Flow Statements (cont'd)

For The Financial Year Ended 31 March 2006

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (Cont'd)				
Operating profit/(loss) before working capital changes brought forward	1,408,881	(20,513)	1,321,329	(18,893)
(Increase)/Decrease in operating assets:				
Securities purchased under resale agreement	(572,070)	(46,100)	(82,702)	(31,663)
Deposits and placements with banks and other financial institutions	28,859	(10,472)	(473,883)	72,710
Securities held-for-trading	(2,214,835)	154,533	(28,604)	-
Loans, advances and financing	(5,651,560)	-	(2,398,203)	-
Other assets	(18,609)	232,045	77,762	115,941
Statutory deposits with Bank Negara Malaysia	(230,816)	-	(6,050)	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	4,470,824	-	1,430,047	-
Deposits and placements of banks and other financial institutions	2,454,270	-	743,765	-
Obligations on securities sold under repurchase agreements	2,121,371	-	(245,432)	-
Bills and acceptances payable	393,785	-	247,199	-
Term loans	(770,268)	(755,000)	607,500	737,000
Recourse obligation on loans sold to Cagamas Berhad	(917,799)	-	(1,280,411)	-
Other liabilities	305,376	(11,104)	(587,452)	(98,709)
Cash generated from/(used in) operations	807,409	(456,611)	(675,135)	776,386
Taxation paid	(105,177)	-	(104,877)	-
Net cash generated from/(used in) operating activities	702,232	(456,611)	(780,012)	776,386

Cash Flow Statements (cont'd)

For The Financial Year Ended 31 March 2006

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of 10.0% equity interest in insurance subsidiary company	64,400	-	-	-
Dividends received from other investments	53,178	-	40,978	-
Proceeds from disposal of property and equipment	2,017	-	23,912	-
(Purchase)/Proceeds from disposal of securities – net	(412,699)	-	2,543,118	(140,530)
Purchase of property and equipment	(93,647)	-	(67,004)	(587)
Acquisition of remaining 30.0% equity interest in unit trust and asset management subsidiary companies	(44,790)	-	-	-
Acquisition of shares in venture capital management subsidiary company	(105)	-	-	-
Proceeds from disposal of shares in commercial banking subsidiary company	-	436,242	-	-
Dividends received from subsidiary companies	-	43,177	-	268,474
Acquisition of additional shares in insurance subsidiary company	-	(26,159)	(44,588)	(82,518)
Dividends received from associated companies	-	-	1,040	-
Capital repayment by an associated company	-	-	780	-
Proceeds from disposal of leased assets	-	-	3	-
Cash portion for the acquisition of remaining 35.72% equity interest in AMFB	-	-	(736,819)	(736,819)
Acquisition of additional shares in stockbroking subsidiary company	-	-	(9,396)	-
Subscription for commercial banking subsidiary rights issues	-	-	-	(85,000)
Subscription for credit and leasing subsidiary rights issues	-	-	-	(73,500)
Net cash (used in)/generated from investing activities	(431,646)	453,260	1,752,024	(850,480)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares by subsidiary companies to minority shareholders	905,780	-	575	-
Proceeds from issue of hybrid capital	684,047	-	-	-
Proceeds from redeemable unsecured bonds	118,157	-	-	-
Redemption of subordinated certificates of deposits	(200,000)	-	-	-
Dividends paid by the Company to its shareholders	(61,359)	(61,359)	(53,534)	(53,534)
Dividends paid to minority interests by subsidiary companies	(20,068)	-	(16,908)	-
Share issuance expenses	(8,632)	(6,013)	-	-
Proceeds from exercise of warrants 2003/2008 in the Company	-	-	153,111	153,111
Proceeds from exercise of employees' share options in the Company	-	-	30,453	30,453
Net cash generated from/(used in) financing activities	1,417,925	(67,372)	113,697	130,030
Net increase/(decrease) in cash and cash equivalents	1,688,511	(70,723)	1,085,709	55,936
Cash and cash equivalents at beginning of year	7,740,607	90,682	6,654,898	34,746
Cash and cash equivalents at end of year (Note 1)	9,429,118	19,959	7,740,607	90,682

Cash Flow Statements (cont'd)

For The Financial Year Ended 31 March 2006

Note 1 : Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdraft. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and short-term funds	9,455,262	19,959	7,778,102	90,682
Bank overdrafts (Note 22)	(26,081)	-	(37,192)	-
	9,429,181	19,959	7,740,910	90,682
Effect of exchange rates changes	(63)	-	(303)	-
Cash and cash equivalents	9,429,118	19,959	7,740,607	90,682

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

For The Year Ended 31 March 2006

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiary companies are shown in Note 13.

There have been no significant changes in the nature of the Group's activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa"). The registered office and the principal place of business of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The financial statements of the Group and of the Company have been approved and authorised for issue by the Board of Directors on 26 April 2006.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under historical cost convention unless otherwise indicated and in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Insurance Act, 1996, Bank Negara Malaysia ("BNM") Guidelines and the applicable approved accounting standards of the Malaysian Accounting Standards Board. The financial statements incorporate those activities relating to Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits, granting of financing, capital market and treasury activities under the Shariah Principles.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those adopted in the previous audited annual financial statements except for the adoption of the Revised Guidelines on Financial Reporting for Licensed Institutions ("Revised BNM/GP8") issued on 5 October 2004, which became effective for the current financial year. The adoption of the Revised BNM/GP8 resulted in the adoption of the following new accounting policies:

- (i) the recognition and measurement of the holdings of the investment and dealing securities portfolio of the Group as securities held-for-trading, securities held-to-maturity and securities available-for-sale;
- (ii) the recognition and measurement of derivative financial instruments and the adoption of hedge accounting; and
- (iii) where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously.

Comparative figures have been adjusted or extended to conform with the requirements of the Revised BNM/GP8 that have been applied retrospectively for one year. The effects of these changes are disclosed in Note 54 to the financial statements.

The specific and general allowances for loans, advances and financing are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirement and is consistent with the adoption made in the previous financial statements.

Basis Of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention with certain modifications to include the directors' valuation of investments in subsidiary companies in the financial statements of the Company.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Basis Of Consolidation

The Group's financial statements include the financial statements of the Company and all its subsidiary companies listed under Note 13 made up to the end of the financial year except for P.T. AmCapital Indonesia, the financial statements of which were made up to 31 December 2005 with adjustments, where appropriate, made for any significant transactions that occurred between 1 January 2006 to 31 March 2006.

The Company adopts both the merger method (or "pooling of interests" method) and the acquisition method in preparing the consolidated financial statements.

The merger method was adopted in respect of the transfer of subsidiaries pursuant to a scheme of arrangement under the group restructuring exercise completed in 1992. The acquisition method is adopted for all other acquisitions.

Under the merger method, the assets, liabilities and reserves, revenues and expenses of the combining companies are combined into one entity at their existing amounts.

Under the acquisition method, the results of the subsidiary companies acquired or disposed of during the financial year are included in the Group financial statements from the effective date of acquisition or to the effective date of disposal, as applicable. The excess of the cost of investments in the subsidiary companies over the attributable share in the fair value of the net assets of the subsidiary companies at the date of acquisition is taken up as goodwill on consolidation.

All significant intercompany transactions, balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless the cost cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets together with exchange differences which were not previously recognised in the consolidated income statement.

Investments In Subsidiary Companies

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost or directors' valuation, and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is treated as a revaluation decrease. The directors' valuation is arrived at after taking into account the underlying net tangible assets value of the subsidiary companies and the surplus on revaluation is credited to the revaluation reserve account. The valuation of the investments in subsidiary companies will be carried out at a regular interval of at least once in every five (5) years. The directors revalued the Company's investments in its subsidiary companies during the financial year ended 31 March 2002.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is charged or credited to the income statement.

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary companies attributable to shares and debentures owned, directly or indirectly other than by the Company or subsidiary companies.

Investments In Associated Companies

An associated company is a company in which the Group has a long-term equity interest of between 20.0% and 50.0% and where the Group has representation on the Board and is in a position to exercise significant influence in its management.

Investments in associated companies are stated at cost and are written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments in the Company's financial statements. The impairment loss is charged to the income statement. In the consolidated financial statements, the results of associated companies are accounted for under the equity method whereby the Group's share of post-acquisition profits less losses of associated companies is included in the consolidated income statement. The Group's interest in associated companies is stated at cost plus adjustments to reflect changes in the Group's share of the net assets of the associated companies in the consolidated balance sheet.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is charged or credited to the income statement.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Goodwill/Premium On Consolidation

Goodwill on consolidation represents the excess of the purchase consideration over the share of the fair values of the identifiable net assets of a subsidiary company at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. Goodwill is generally amortised evenly over an estimated useful life of twenty (20) to fifty (50) years. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Premium on consolidation on the acquisition of associated companies is included within the carrying amount of the associated companies and represents the excess of the purchase consideration over the Group's interest in the fair values of the identifiable net assets of associated companies at the date of acquisition. The premium on consolidation on the acquisition of associated companies is amortised over an estimated useful life of twenty five (25) years.

When an indication of impairment exists, the carrying amount of goodwill is assessed and written down to its recoverable amount.

Repurchase Agreements

Securities purchased under resale agreements are securities which the Group and the Company had purchased with commitments to resell at future dates. The commitments to resell the securities are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Company had sold from its portfolio, with commitments to repurchase at future dates for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts at amortised cost or fair value depending on their classification while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as a liabilities on the balance sheet.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return the borrowed securities is recorded as securities sold not yet re-purchased as reflected under other liabilities. Unrealised gains and losses from revaluation are recognised in the income statement.

Securities

The holdings of the securities portfolio of the Group are recognised based on the following categories and valuation methods.

(i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short term price movements or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values or the derecognition of securities held-for-trading are recognised in the income statement.

(ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

The securities held-to-maturity are measured at accreted/amortised cost based on effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from the derecognition of securities held-to-maturity are recognised in the income statement.

(iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised costs (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed off or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Allowance For Doubtful Debts And Financing

Based on management's evaluation of the portfolio of loans, advances and financing, specific allowances for doubtful debts and financing are made when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on set percentages of the net increase in receivables is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowance, if necessary.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgment of management, there is no prospect of recovery.

The policy on allowances for non-performing loans of the Group is in conformity with the minimum requirements of BNM's "Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" ("BNM/GP3").

Trade And Other Receivables

Trade and other receivables are stated at book value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

The stock and share-broking subsidiary company, AmSecurities's policies for the identification of bad and doubtful accounts, the making of specific allowance and the classification of the suspension of interest in respect of such accounts and the making of general allowance are in accordance with Schedule 7 of the Rules of Bursa and are as follows:

- (i) Specific allowance is made against bad and doubtful receivables at rates of 50% and 100%, respectively, subject to deduction of interest-in-suspense and the value of collateral held. In addition, a general allowance is maintained based on 1% of total trade receivables after deducting the amount of interest-in-suspense and the specific allowance.
- (ii) Interest income accrued on these accounts are suspended when they are considered non-performing in accordance.

Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment loss, if any, of such properties.

Amounts Recoverable Under Asset-Backed Securitisation ('ABS') Transactions

This relates to the balance of purchase consideration recoverable under ABS transactions by the Special Purpose Vehicle ('SPV'), which amount will be recovered upon maturity of the underlying bonds. Under the ABS, portfolios of receivables are sold to a SPV which are funded through the issuance of bonds secured by the receivables.

When an indication of impairment exists, the carrying amount of amount recoverable under ABS transaction is assessed and written down to its recoverable amount.

The difference between the purchase consideration and the carrying value is recognised to the income statement.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Property And Equipment And Depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Freehold land is not depreciated. Leasehold land is amortised over the shorter of the lease period or fifty (50) years. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates for the various classes of property and equipment are as follows:

Freehold building	2%
Leasehold buildings	2% or over the term of short-term lease
Long-term leasehold land	2%
Short-term leasehold land	Over the term of leases
Motor vehicles	20%
Leasehold improvements	10% - 33 1/3%
Computer hardware and software	20% - 33 1/3%
Office and residential equipment, furniture and fittings	10% - 33 1/3%

Long-term leases are leases with a term of fifty (50) years and above. Short-term leases are leases with a term of less than fifty (50) years.

Gain or loss arising from disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is charged or credited to the income statement.

Assets Purchased Under Lease

Assets purchased under finance leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the Group's incremental borrowing rate is used.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

As at 31 March 2006, the Group and the Company do not have any assets purchased under lease.

Impairment Of Assets

The carrying values of the Group's assets, other than financial assets (other than investment in subsidiary and associated companies, securities available-for-sale and securities held-to-maturity) and deferred tax assets are reviewed for impairment when there is an indication that the asset might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows, if applicable. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit.

An impairment loss is charged to the income statements immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Bills And Acceptances Payable

Bills and acceptances payable represent the merchant banking and commercial banking subsidiary companies' own bills and acceptances rediscounted and outstanding in the market.

Liabilities

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for services received.

In respect of the stock and share-broking subsidiary company, trade payables represent contra gains owing to non-margin clients and outstanding sale contracts of the company which were entered into on behalf of clients where settlement has yet to be made. The credit term for trade settlement of the company is three (3) market days according to rules of the Bursa. Clients and trust monies relate to monies owing to clients maintained in aggregated accounts of the company.

Deposits from customers and deposits and placement of banks and other financial institutions are stated at placement values.

General Insurance Fund

The general insurance fund represents reserves for unexpired risks calculated using the 1/24th method on gross premiums less reinsurance. In determining the unexpired risks at the balance sheet date, the method that most accurately reflects the actual unexpired risks used is as follows:

- (i) 25% method for marine cargo, aviation cargo and transit business;
- (ii) 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of three (3) or more	10%
Workmen's compensation and employer's liability	
- Foreign workers	10%
- Others	25%
Other classes	10% - 25%

- (iii) 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission; and

- (iv) Non-annual policies are time apportioned over the period of the risks.

Life Insurance Fund

The life assurance fund is based on the results of annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the Group's appointed actuary. Any deficit arising from the actuarial valuation is recoverable from the shareholders' fund. The latest valuations were made up to 31 March 2006 and the results have been reflected accordingly.

Provision For Claims

For general insurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at balance sheet date using the case-based method. Provision is also made for the cost of claims together with related expenses incurred but not reported until after the balance sheet date based on an actuarial estimation by qualified independent actuary, using a mathematical method of estimation.

For life assurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified and/or when a claimable event occurs but not settled at balance sheet date, using the case-basis method.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Profit Equalisation Reserve (“PER”)

PER is a mechanism to reduce the fluctuation in the profit rates payable to depositors under the Islamic banking business. It is provided based on the Framework of the Rate of Return issued by BNM. The account of PER is appropriated from and written back to the total Islamic banking gross income. PER is reflected under “other liabilities” of the Group.

Other Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of a past event and a reliable estimate can be made of the amount.

Redeemable Unsecured Subordinated Bonds

These are long term debts with remaining maturity of more than one year. The issue proceeds are recognised at cost and used to grant an unsecured term loan to its related licensed commercial bank for its capital refinancing. The interest incurred is recognised on a straight-line accrual basis.

Interest Bearing Irredeemable Convertible Unsecured Loan Stocks (“ICULS”)

The ICULS are regarded as equity instruments and the full issuance proceeds reflected as equity. The interest is accrued on a straight-line basis and recognised in equity.

Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity instrument are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would have otherwise been avoided.

Provisions For Commitments And Contingencies

Based on management’s evaluation of the guarantees given on behalf of customers, specific provisions for commitments and contingencies are made in the event of a call or potential liability and there is a shortfall in the security value supporting these guarantees.

Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Derivative Financial Instruments And Hedge Accounting

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

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.

Operating Revenue

Operating revenue of the Group comprises of all types of revenue derived from investment banking, commercial banking, retail financing, insurance and related financial services but after elimination of all related companies transactions.

Operating revenue of the Company comprises of interest income and other operating income.

Interest And Financing Income And Expense Recognition

Interest income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Interest and financing income on securities are recognised on an effective yield basis.

The Group follows the financing method of accounting for income from leasing activities. Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the end of the lease) of the leased property is taken as income over the term of the lease in decreasing amounts proportionate to the declining balance of the unrecovered sum using the 'sum-of-digits' method.

Interest and financing income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements. Interest and financing income from hire-purchase financing and block discounting of the Group is recognised using the 'sum-of-digits' method.

Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans is recognised as income on a cash basis.

An account is classified as non-performing where repayment is in arrears for more than three months and after maturity dates for trade bills, bankers' acceptances and trust receipts.

The Group's policy on recognition of interest income on loans and advances is in conformity with BNM's "Guideline on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts" ("BNM/GP3") and Revised BNM/GP8.

Interest expense and attributable income on deposits and borrowings (pertaining to activities relating to Islamic banking business) of the Group are accrued on a straight-line basis while block discounting finance charges are accrued using the "sum-of-digits" method.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Fee And Other Income Recognition

Loan arrangement, management and participation fees, acceptance and factoring commissions and underwriting commissions, are recognised as income upon execution of contracts.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

Asset, property and unit trusts management, agency and commitment fees are recognised as income based on time apportionment.

Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold. On disposal of investments, the difference between the net disposal proceeds and their carrying amounts are taken to the income statement.

Guarantee fees are recognised as income upon issuance and, where the guarantee periods are longer than one (1) year, over the duration of the guarantee period.

Equipment and property rental are recognised on an accrual basis.

Dividends from securities are recognised when received. Dividends from subsidiary and associated companies are recognised when the shareholder's right to receive payment is established.

Premium income from general insurance is recognised in a financial period in respect of risks assumed during the particular financial year. Inward treaty reinsurance premium are recognised on the basis of periodic advices received from ceding insurers.

Premium income from life insurance is recognised as soon as the amount of the premium can be reliably measured. First premium income is recognised from inception date and subsequent premium income is recognised when it is due. Premium outstanding at balance sheet date is recognised as income for the year, provided it is still within the grace period allowed for payment.

Rental income is recognised on an accrual basis when it falls due.

Employee Benefits

(i) Short-term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred. Once the contribution has been paid, the Group has no further payment obligations.

Income Taxes

Tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case the income tax is also recognised in equity.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based on the taxable profits.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Temporary differences are not recognised for goodwill or negative goodwill or from the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Foreign Exchange

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange prevailing at transaction dates or, if covered by foreign exchange contracts, at contracted rates. Where settlement has not taken place at balance sheet date, translation into Ringgit Malaysia is at the approximate exchange rates prevailing at that date or at contracted rates. All foreign exchange gains or losses are taken up in the income statement.

For the purpose of consolidation, assets and liabilities of subsidiary and associated companies expressed in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date while income statement is translated into Ringgit Malaysia at the average exchange rate for the year. Gains or losses arising on translation into Ringgit Malaysia are taken up in the exchange fluctuation reserve.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used for translation are as follows:

	31.03.2006	31.03.2005
Singapore Dollar (SGD)	2.28	2.30
United States Dollar (USD)	3.68	3.80
Indonesia Rupiah (IDR)	0.0004	0.0004
Hong Kong Dollar (HKD)	0.47	0.49

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

Cash And Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdrafts.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

4. CASH AND SHORT-TERM FUNDS

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and bank balances	240,370	427	348,264	866
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	19,532	-	86,368
Others	1,157,138	-	3,607,323	-
Licensed merchant banks:				
Subsidiary	-	-	-	3,117
Others	30,000	-	-	-
Licensed finance companies:				
Subsidiary	-	-	-	331
Others	-	-	6,084	-
Bank Negara Malaysia	7,940,600	-	3,624,100	-
Other financial institutions	87,154	-	192,331	-
	9,455,262	19,959	7,778,102	90,682

Included in the above are interbank lendings of RM9,184,981,000 (RM6,965,020,000 in 2005) for the Group.

As at 31 March 2006, the net interbank borrowing and lending position of the Group is as follows:

	Group	
	2006 RM'000	2005 RM'000
Interbank lendings:		
Cash and short-term funds	9,184,981	6,965,020
Deposits and placements of banks and other financial institutions (Note 6)	747,593	771,300
	9,932,574	7,736,320
Interbank borrowings (Note 18)	(895,590)	(157,700)
Net interbank lendings	9,036,984	7,578,620

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

5. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Licensed banks:				
Subsidiary	-	78,050	-	31,950
Others	719,590	-	147,520	-
	719,590	78,050	147,520	31,950

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Licensed banks:				
Subsidiary	-	7,943	-	8,164
Others	615,487	-	47,405	-
Licensed merchant banks:				
Subsidiary	-	29,158	-	18,465
Others	-	-	45,000	-
Other licensed finance companies	-	-	1,841	-
Bank Negara Malaysia	26,713	-	448,600	-
Other financial institutions	110,493	-	238,706	-
	752,693	37,101	781,552	26,629

The deposits and placements with banks and other financial institutions mature within one year.

Deposits with financial institutions amounting to RM203,000 (RM198,000 in 2005) for the Group are pledged to certain banks for banking facilities granted to the subsidiary companies.

Included in the above are interbank lendings of RM747,593,000 (RM771,300,000 in 2005) for the Group.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

7. SECURITIES HELD-FOR-TRADING

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
At Fair Value				
Money Market Securities:				
Treasury Bills	34,282	-	-	-
Islamic Treasury Bills	48,541	-	-	-
Malaysian Government Securities	1,349,901	-	568,082	-
Malaysian Government Investment Certificates	147,063	-	158,860	-
Cagamas bonds	273,869	-	264,837	-
Khazanah bonds	912	-	262,489	-
Cagamas Mudharabah bearer bonds	264,207	-	-	-
Bank Negara Malaysia bills	5,143	-	-	-
Islamic Bank Negara Malaysia bills	2,491	-	56,323	-
Negotiable instruments of deposits	574,417	150,197	323,465	150,233
Sukuk Bank Negara Malaysia	95,798	-	-	-
Negotiable Islamic Debt Certificates	296,124	-	657,360	-
	3,092,748	150,197	2,291,416	150,233
Securities Quoted:				
In Malaysia:				
Shares	242,939	-	229,444	-
Corporate bonds	20,927	-	22,272	-
Trust units	193,409	-	13,123	-
Loan stocks	-	-	1,613	-
Outside Malaysia:				
Shares	110	-	67	-
	457,385	-	266,519	-
Unquoted Securities Of Companies				
Incorporated:				
In Malaysia:				
Shares	2,200	-	4,321	-
Trust units	159,602	-	39,792	-
Outside Malaysia:				
Trust units	1,996	-	-	-
	163,798	-	44,113	-
Unquoted Guaranteed Private Debt				
Securities Of Companies Incorporated				
In Malaysia:				
Corporate bonds	67,701	-	68,564	-
Islamic corporate notes	10,379	-	36,872	-
	78,080	-	105,436	-

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:				
Shares	178,763	-	-	-
Corporate notes	38,420	-	442,638	-
Corporate bonds	665,062	20,000	72,911	-
Islamic corporate notes	117,809	-	-	-
Islamic corporate bonds	1,305,975	-	613,174	-
	2,306,029	20,000	1,128,723	-
Total	6,098,040	170,197	3,836,207	150,233

Certain money market securities held have been sold under repurchase agreements for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as liabilities as shown in Note 19.

8. SECURITIES AVAILABLE-FOR-SALE

	Group	
	2006 RM'000	2005 RM'000
At Fair Value		
Money Market Securities:		
Malaysian Government Securities	50,394	340,707
Cagamas bonds	24,714	24,716
Khazanah bonds	10,138	9,776
Negotiable instruments of deposits	69,340	31,896
	154,586	407,095
Securities Quoted:		
In Malaysia:		
Corporate bonds	18,576	18,052
Outside Malaysia:		
Shares	8,907	3,937
	27,483	21,989
Unquoted Securities In Malaysia:		
Trust units	3,773	3,894
Quoted Debt Equity Converted Securities In Malaysia:		
Shares	248,502	102,360
Shares - with options	19,822	93,898
Loan stocks - collateralised	1,064	-
Corporate bonds	648	2,550
	270,036	198,808

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
Unquoted Debt Equity Converted Securities Of Companies Incorporated:		
In Malaysia:		
Shares	-	359
Outside Malaysia:		
Shares	-	300
	-	659
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	337,567	199,819
Islamic corporate bonds	217,183	-
Islamic corporate notes	18,729	-
	573,479	199,819
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	574,248	655,214
Total	1,603,605	1,487,478

Quoted equity securities in Malaysia which the Group has received as a result of loan conversion includes investments with a carrying value of RM162,615,000 (RM20,304,000 in 2005) where the Group has equity interest between 20% - 50% but its results were not equity accounted as the Group does not have significant influence in the companies and it is held exclusively with a view to their disposal. The financial effect to the Group is immaterial should the equity method be applied.

9. SECURITIES HELD-TO-MATURITY

	Group	
	2006 RM'000	2005 RM'000
At Amortised Cost		
Money Market Securities:		
Treasury bills	-	28,804
Securities Quoted:		
In Malaysia:		
Shares	99	499
Corporate bonds	55,247	57,000
Outside Malaysia:		
Shares	-	419
Corporate bonds	-	19,000
	55,346	76,918

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
Unquoted Securities Of Companies Incorporated:		
In Malaysia:		
Shares	103,036	103,036
Corporate bonds	959	959
Outside Malaysia:		
Shares	8,706	11,970
	112,701	115,965
Quoted Debt Equity Converted Securities:		
In Malaysia:		
Shares	8,201	11,334
Loan stocks - collateralised	971	80,471
Loan stocks - with options	956,783	589,582
Outside Malaysia:		
Shares - with options	15	15
	965,970	681,402
Unquoted Debt Equity Converted Securities Of Companies Incorporated In Malaysia:		
Shares	122,870	107,528
Loan stocks	804,744	818,216
Corporate bonds	621,435	741,116
	1,549,049	1,666,860
Unquoted Private Debt Securities Of Companies Incorporated:		
In Malaysia:		
Corporate bonds	-	40,584
Shares	21,220	-
Corporate bonds and notes denominated in USD	68,674	86,813
Islamic corporate bonds	196,703	-
Outside Malaysia:		
Corporate bonds and notes denominated in USD	110,493	114,000
	397,090	241,397
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	82,729	-
	3,162,885	2,811,346
Accumulated impairment losses	(449,844)	(521,496)
Total	2,713,041	2,289,850

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
Market/Indicative value		
Money Market Securities:		
Treasury bills	-	28,785
Securities Quoted:		
In Malaysia:		
Shares	32	63
Corporate bonds	56,077	57,599
Outside Malaysia:		
Shares	-	419
Corporate bonds	-	4,560
Quoted Debt Equity Converted Securities In Malaysia:		
Shares	4,176	6,030
Loan stocks - collateralised	971	45,076
Loan stocks - with options	701,342	464,882
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	-	40,584
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	82,692	-

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

10. LOANS, ADVANCES AND FINANCING

	2006 RM'000	Group 2005 RM'000
Loans and financing:		
Term loans and revolving credit	13,468,701	13,877,951
Housing loans	9,791,514	7,983,127
Staff loans	181,641	174,896
Hire-purchase receivables	23,110,318	19,489,344
Credit card receivables	2,138,331	1,933,644
Lease receivables	1,316,480	1,351,066
Overdrafts	1,031,079	833,066
Claims on customers under acceptance credits	1,250,752	812,888
Trust receipts	200,702	211,647
Block discount receivables	64,575	58,856
Factoring receivables	32,887	37,800
Bills receivable	6,878	10,635
	52,593,858	46,774,920
Less: Unearned interest and income	5,478,909	4,230,492
Total	47,114,949	42,544,428
Less:		
Allowance for bad and doubtful debts and financing:		
General	721,817	629,784
Specific	1,532,664	1,815,088
	2,254,481	2,444,872
Net loans, advances and financing	44,860,468	40,099,556

Claims on customers under acceptance credits represent the merchant banking and commercial banking subsidiary companies' own acceptances created and discounted. Own acceptances discounted and held in hand by the Group as at 31 March 2006 amounted to RM909,620,000 (RM255,130,000 in 2005).

The maturity structure of loans, advances and financing is as follows:

	2006 RM'000	Group 2005 RM'000
Maturing within one year	12,327,220	15,555,448
One year to three years	12,419,042	9,328,375
Three to five years	8,410,936	6,248,090
Over five years	13,957,751	11,412,515
	47,114,949	42,544,428

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Loans, advances and financing analysed by their economic purposes are as follows:

	Group		2005	Loans Growth
	2006	%		
	RM'000		RM'000	%
Purchase of transport vehicles	20,164,829	40.9	16,170,099	37.2
Purchase of landed property:				
(a) Residential	9,692,628	19.7	8,142,728	18.7
(b) Non-residential	1,531,182	3.1	1,635,181	3.8
Construction	3,506,627	7.1	3,549,119	8.2
Consumption credit	3,495,372	7.1	2,933,551	6.7
Manufacturing	2,545,765	5.2	2,110,381	4.9
General commerce	2,422,893	4.9	1,899,178	4.4
Purchase of securities	1,567,432	3.2	1,813,347	4.2
Real estate	882,865	1.8	1,011,965	2.3
Transport, storage and communication	793,430	1.6	681,563	1.6
Agriculture	740,287	1.5	791,801	1.8
Finance, insurance and business services	700,043	1.4	914,270	2.1
Community, social and personal services	414,389	0.8	364,843	0.8
Investment holdings	375,863	0.8	782,084	1.8
Electricity, gas and water	239,475	0.5	525,179	1.2
Mining and quarrying	39,018	0.1	38,977	0.1
Others	208,678	0.3	108,820	0.2
Gross loans, advances and financing	49,320,776	100.0	43,473,086	100.0
Less: Islamic financing sold to Cagamas Berhad	2,205,827		928,658	
	47,114,949		42,544,428	10.7%

Loans, advances and financing analysed by type of customers are as follows:

	Group	
	2006	2005
	RM'000	RM'000
Domestic:		
Other non-bank financial institutions:		
Stockbroking companies	-	47,220
Others	453,199	269,194
Business enterprises:		
Small medium enterprises	4,738,220	3,382,052
Others	9,294,073	11,093,104
Government and statutory bodies	105,809	60,248
Individuals	32,009,995	27,139,489
Other domestic entities	346,711	363,665
Foreign entities	166,942	189,456
	47,114,949	42,544,428

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Loans, advances and financing analysed by interest rate sensitivity are as follows:

	Group	
	2006 RM'000	2005 RM'000
Variable rate:		
BLR-plus	12,873,455	12,183,016
Cost-plus	4,435,782	4,461,582
Other variable rates	736,388	1,850,187
	18,045,625	18,494,785
Fixed rate:		
Housing loans	3,069,126	1,504,500
Hire purchase receivables	19,976,247	17,200,994
Other fixed rates	6,023,951	5,344,149
	29,069,324	24,049,643
	47,114,949	42,544,428

Movements in non-performing loans and financing are as follows:-

	Group	
	2006 RM'000	2005 RM'000
Gross		
Balance at beginning of year	7,597,662	8,797,360
Non-performing during the year	2,381,238	1,046,204
Reclassification to performing loans and financing	(2,016,743)	(939,782)
Amount written off	(1,235,771)	(479,527)
Recoveries	(580,814)	(708,873)
Debt equity conversion	(7,088)	(117,720)
Exchange fluctuation adjustments	(1,789)	-
Balance at end of year	6,136,695	7,597,662
Less: Specific allowance	(1,532,664)	(1,815,088)
Non-performing loans and financing - net	4,604,031	5,782,574
Ratios of non-performing loans and financing to total loans, advances and financing - net	9.6%	13.8%

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Non-performing loans analysed by their economic purposes are as follows:

	2006		Group		2005	
	RM'000	%	RM'000	%	RM'000	%
Purchase of landed property:						
(a) Residential	1,385,295	22.6	1,415,234	18.6		
(b) Non-residential	614,476	10.0	702,784	9.3		
Construction	1,273,222	20.7	1,332,735	17.5		
Purchase of transport vehicles	860,889	14.0	916,373	12.1		
Purchase of securities	416,520	6.8	740,716	9.7		
Manufacturing	414,098	6.7	529,269	7.0		
Real estate	237,008	3.9	570,084	7.5		
Consumption credit	215,615	3.5	192,181	2.5		
General commerce	184,490	3.0	369,479	4.9		
Finance, insurance and business services	155,681	2.5	253,331	3.3		
Electricity, gas and water	109,959	1.8	177,523	2.3		
Agriculture	75,551	1.2	52,665	0.7		
Community, social and personal services	65,978	1.1	95,877	1.3		
Investment holdings	48,504	0.8	87,623	1.2		
Transport, storage and communication	41,200	0.7	125,452	1.7		
Mining and quarrying	11,497	0.2	14,987	0.2		
Others	26,712	0.5	21,349	0.2		
	6,136,695	100.0	7,597,662	100.0		

Movements in allowances for bad and doubtful debts and financing are as follows:

	Group	
	2006 RM'000	2005 RM'000
General allowance		
Balance at beginning of year	629,784	601,279
Allowance during the year	92,171	28,505
Exchange fluctuation adjustments	(138)	-
Balance at end of year	721,817	629,784
% of total loans, advances and financing less specific allowances	1.51%	1.51%
Specific allowance		
Balance at beginning of year	1,815,088	1,780,316
Allowance during the year	1,422,770	1,406,327
Amount written back in respect of recoveries and reversals	(470,856)	(373,448)
Net charge to income statements	951,914	1,032,879
Reclassification from sundry receivables	17,372	40,641
Amount written off	(1,246,663)	(1,058,371)
Debt equity conversion	(3,251)	(4,660)
Adjustment (to)/from deferred asset account	(1,594)	24,283
Exchange fluctuation adjustments	(202)	-
Balance at end of year	1,532,664	1,815,088

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

11. OTHER ASSETS

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade receivables, net of allowance for doubtful debts for the Group of RM67,910,000 (RM130,153,000 in 2005)	291,126	-	261,958	-
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM9,990,000 (RM11,633,000 in 2005)	383,799	33,165	339,055	33,256
Interest receivables on treasury assets, net of allowance for doubtful debts for the Group of RM6,083,000 (RM11,465,000 in 2005)	122,523	787	74,576	1,387
Fee receivables, net of allowance for doubtful debts for the Group of RM4,669,000 (RM4,403,000 in 2005)	28,886	-	39,660	-
Amount due from subsidiary companies	-	40	-	214,603
Amount due from associated companies	-	-	148	-
Amount due from agents, brokers and reinsurers, net of allowance for the Group of RM10,406,000 (RM12,341,000 in 2005)	37,118	-	50,352	-
Amount due from originators	89,694	-	132,798	-
Amount recoverable under asset-backed securitisation transactions, net of impairment loss of RM10,500,000 (Nil in 2005)	87,066	-	97,566	-
Foreclosed properties net of allowance for impairment in value of RM92,986,000 (RM91,519,000 in 2005)	103,714	-	98,541	-
Deferred asset	64,578	-	77,140	-
	1,208,504	33,992	1,171,794	249,246

Trade receivables mainly relate to the stock and share-broking activities of subsidiary companies and represent amount outstanding in purchase contracts and share margin financing net of allowances.

Included in the allowance for doubtful debts for trade receivables above is general allowance amounting to RM770,000 (RM1,207,000 in 2005), specific allowance amounting to RM54,596,000 (RM116,541,000 in 2005) and interest-in-suspense amounting to RM66,411,000 (RM64,898,000 in 2005) pertaining to bad and doubtful accounts of the stock and share-broking subsidiary companies.

Amount due from subsidiary companies is interest-free and represents guarantee fees receivable and included in financial year 2005 is an amount of RM214,000,000 arising from the transfer of the Company's 100% equity interest in AMSH to AIGB pursuant to the Group's Internal Reorganisation.

Amount due from associated companies is interest-free and represents expenses paid on behalf.

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.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
Deferred assets are as follows:		
Arising from takeover of Abrar Finance Berhad	3,394	15,956
Arising from takeover of Kewangan Usahasama Makmur Berhad	61,184	61,184
	64,578	77,140

In 1998, the subsidiary company, AMFB, participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya, whereby certain assets and liabilities of Abrar Finance Berhad ("AFB"), a licensed finance company incorporated in Malaysia, were transferred with effect from 18 December 1998 to AMFB with financial assistance from BNM.

The net asset deficiency representing the excess of liabilities over the assets transferred from AFB arising from the scheme, is shown as deferred asset, and is reduced progressively by net income derived from the utilisation of the deposit placed by BNM, as mentioned in Note 18, and net recoveries of defaulted loans of AFB computed based on a formula determined by BNM.

Subsequent to the vesting order of assets and liabilities from AMFB to AmBank (M), the deferred assets arising from the takeover of AFB were vested over to AmBank (M).

In 1988, AmBank (M) took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co-operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434 million, subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operative. The tax benefit is a fixed monetary sum and is not dependant on any changes in tax rates.

The net tax benefit is shown as a deferred asset and the utilisation of the deferred tax benefit is based on the receipt of notices of assessments and subsequent remission of the tax liabilities by the relevant authority net of the amount payable to the tax authorities for purposes of Section 108 tax credit.

12. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA (CENTRAL BANK OF MALAYSIA)

The non-interest bearing statutory deposits pertaining to the merchant banking and commercial banking subsidiary companies are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

13. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2006 RM'000	2005 RM'000
Quoted in Malaysia:		
Shares at cost	673,200	-
Unquoted:		
Shares		
- at cost	2,828,219	3,670,102
- at directors' valuation	549,746	791,146
Total unquoted investments	3,377,965	4,461,248
Total	4,051,165	4,461,248
Market value		
Shares quoted in Malaysia	1,137,708	-

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The ICULS 2007 issued by the merchant banking subsidiary company bears interest at an annual rate of 6.0% and are convertible at anytime after the date of issue to maturity date. The ICULS 2007 were extended for a further period of five years, after obtaining BNM approval.

The subsidiary companies, all incorporated in Malaysia, except for P.T. AmCapital Indonesia, which is incorporated in Indonesia and AmSecurities (H.K.) Limited and AmTrade Services Limited which are incorporated Hong Kong, are as follows:

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2006 RM'000	2005 RM'000	2006 %	2005 %	
Direct Subsidiary Companies					
Quoted					
AmInvestment Group Berhad ("AIGB")	Investment holding	1,320,000	1,109,442	51.00	100.00
Unquoted					
AMFB Holdings Berhad ("AMFB")	Investment holding	694,998	528,917	100.00	100.00
AmAssurance Berhad ("AmAssurance")	Life assurance and general insurance	100,000	100,000	70.00	80.00
AmManagement Services Sdn Bhd	Dormant	-**	-**	100.00	100.00
Indirect Subsidiary Companies					
Unquoted					
AmMerchant Bank Berhad ("AmMerchant Bank")	Merchant banking	210,000	200,000	51.00	100.00
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	10,000	10,000	51.00	100.00
AmIslamic Bank Berhad ("AmIslamic Bank") (formerly known as AMBB Capital Berhad and AmBank Berhad)	Islamic banking	153,038	761,719	100.00	100.00
AmBank (M) Berhad ("AmBank (M)") (formerly known as AmFinance Berhad)	Commercial banking	610,364	528,402	100.00	100.00
Arab-Malaysian Credit Berhad ("AMCB")	Hire-purchase financing and leasing	288,500	288,500	100.00	100.00
AmSecurities Sdn Bhd ("AmSecurities")	Stock and share-broking	100,000	100,000	51.00	100.00
AmInvestment Services Berhad ("AIS")	Management of unit trusts	5,539	5,539	51.00	70.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management	2,000	2,000	51.00	70.00
AMMB Consultant Sdn Bhd	Investment consultant	500	500	51.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	51.00	100.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	51.00	100.00
AmProperty Trust Management Berhad ("AmPTMB")	Management of property trusts	500	500	51.00	100.00

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2006 RM'000	2005 RM'000	2006 %	2005 %	
Indirect Subsidiary Companies					
Unquoted					
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding	-*****	-	40.80	-
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100.00	100.00
AMCB Mezzanine Sdn Bhd	Dormant	400	400	100.00	100.00
AmTrustee Berhad ("AmTrustee")	Trustee services	500	500	60.40	80.00
Arab-Malaysian Services Berhad	Dormant	6,000	6,000	70.00	80.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	51.00	100.00
South Johor Securities Nominees (Tempatan) Sdn Bhd	General insurance corporate agent	-**	-**	51.00	100.00
South Johor Securities Nominees (Asing) Sdn Bhd	Dormant	-**	-**	51.00	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	51.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	51.00	100.00
AmFutures Sdn Bhd ("AmFutures")	Futures and options trading	10,000	10,000	51.00	100.00
AmResearch Sdn Bhd	Publishing and selling research materials and reports	500	500	51.00	100.00
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-**	-**	51.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	-**	-**	51.00	100.00
AMMB Properties Sdn Bhd	Dormant	-**	-**	51.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Management of private equity fund	500	500	40.80	59.00
Annlings Sdn Bhd	Dormant	250	250	100.00	100.00
Everflow Credit & Leasing Corp Sdn Bhd	Dormant	684	684	100.00	100.00
MBf Information Services Sdn Bhd	Property holding	27,500	27,500	100.00	100.00
MBf Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
MBf Trustees Berhad	Trustee services	250	250	60.00	60.00
AmProperty Holdings Sdn Bhd ("AmPH")	Property investment	500	500	100.00	100.00
MBf Equity Partners Sdn Bhd	Dormant	10,000	10,000	100.00	100.00
MBf Nominees (Asing) Sdn Bhd	Dormant	-**	-**	100.00	100.00
Lekir Development Sdn Bhd	Dormant	450	450	100.00	100.00
Li & Ho Sdn Bhd	Dormant	850	850	100.00	100.00
Teras Oak Pembangunan Sdn Bhd	Dormant	1,200	1,200	100.00	100.00

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2006 RM'000	2005 RM'000	2006 %	2005 %	
Indirect Subsidiary Companies					
Unquoted					
AmCredit & Leasing Sdn Bhd	Dormant	500	500	100.00	100.00
Crystal Land Sdn Bhd	Dormant	400	400	80.00	80.00
Bougainvillaea Development Sdn Bhd	Property holding	1,000	1,000	100.00	100.00
Malco Properties Sdn Bhd	Dormant	157	157	51.00	51.00
Komuda Credit & Leasing Sdn Bhd	Dormant	500	500	100.00	100.00
Natprop Sdn Bhd	Dormant	500	500	100.00	100.00
		US\$'000	US\$'000		
AMMB Labuan (L) Ltd	Dormant	200	200	51.00	100.00
AmInternational (L) Ltd	Offshore banking	10,000	10,000	51.00	100.00
AMBB Capital (L) Ltd ("AMBB Capital")	Special purpose vehicle	-***	-	100.00	-
		RP'000	RP'000		
P.T. AmCapital Indonesia* ("PTAMCI")	Stock-broking, underwriting and investment management	26,000,000	26,000,000	42.36	83.07
		HK\$000	HK\$000		
AmSecurities (H.K.) Limited^ ("AmSecurities (H.K.)")	Dormant	33,000	33,000	51.00	100.00
AmTrade Services Limited ("AmTrade Services")^	Trade finance services	-****	-	100.00	-

* Subsidiary company not audited by Ernst & Young.

** Subsidiary companies with an issued and paid-up ordinary capital of RM2.00.

*** Subsidiary company with an issued and paid-up ordinary capital of USD2.00.

**** Subsidiary company with an issued and paid-up ordinary capital of HK\$2.00.

***** Subsidiary company with an issued and paid-up ordinary capital of RM195.00.

^ Subsidiary companies audited by a firm affiliated with Ernst & Young.

1. On 27 February 2004 and 31 May 2004, the Company announced a Group reorganisation involving:

(a) the Privatisation of AMFB through the acquisition by the Company of 188,927,911 ordinary shares of RM1.00 each in AMFB not already owned by the Company by way of a scheme of arrangement between AMFB and its shareholders under Section 176 of the Companies Act, 1965. The AMFB Privatisation was completed on 17 March 2005. The AMFB Privatisation is an integral part of the Company's efforts in meeting the specific initiative announced by BNM on the merger of the commercial banking and finance company businesses in a banking group into a single entity; and

(b) the listing of AIGB, which is inter-conditional with the AMFB Privatisation, comprising the following:

(i) The incorporation of AIGB to act as the holding company of the Company's investment banking group;

(ii) An internal reorganisation involving the transfer of the Company's 100% equity interest in AmMerchant Bank and AMSH at carrying value to AIGB for a consideration satisfied by ordinary shares of RM1,109,442,000 and by cash of RM214,400,000, respectively; and

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(iii) The issue/offer of 646,800,000 ordinary shares comprising 210,558,000 new ordinary shares and 436,242,000 existing ordinary shares by way of a Restricted Offer for Sale ("ROS") at a shareholder entitlement price of RM1.40 per share, which was applied to all the ROS shares, as follows;

- (a) 488,400,000 ordinary shares allocated to shareholders of the Company;
- (b) 39,600,000 ordinary shares allocated to eligible directors and employees of AIGB and/or its Malaysian-incorporated subsidiary and associated companies, eligible directors of the Company and business associates of the Company; and
- (c) 118,800,000 ordinary shares allocated to Tan Sri Dato' Azman Hashim as an approved Bumiputera investor.

The shareholder entitlement price of RM1.40 per share for the ROS was derived on the basis to provide an attractive and rewarding opportunity for the shareholders of the Company and eligible directors and employees to participate in the equity and continuing growth of the Group.

- (c) The listing of and quotation for the entire enlarged issued and paid-up share capital of AIGB of 1,320,000,000 ordinary shares of RM1.00 each, was listed on the Main Board of Bursa Malaysia Securities Berhad on 18 May 2006.
2. AmMerchant Bank increased its issued and fully paid-up share capital from RM200,000,000 to RM210,000,000 through issuance of non-renounceable rights issue of 10,000,000 new ordinary shares of RM1.00 each at an issue price of RM5.00 per share in cash for the purpose of further increasing its working capital.
3. On 31 May 2005, upon obtaining the necessary approvals from the shareholder and relevant authorities, the following were completed:
 - (a) AMFB acquired the entire equity interest in AmBank Berhad ("AmBank"), comprising 761,781,750 ordinary shares from the Company for a purchase consideration of RM832.8 million based on the carrying value of the Company's investment in AmBank. The purchase consideration was satisfied by the issuance of 166,080,387 ordinary shares in AMFB at an issue price of RM5.01 based on the unaudited net tangible assets ("NTA") of AMFB as at 31 May 2005.
 - (b) AmFinance Berhad ("AmFinance") acquired the entire equity interest in AmBank comprising 761,718,750 ordinary shares from AMFB for a purchase consideration of RM412.7 million based on the NTA of AmBank after adjusting for certain non-transferable assets. The purchase consideration was satisfied by the issuance of 81,961,642 ordinary shares in AmFinance at an issue price of RM5.035 based on the unaudited NTA of AmFinance Group as at 31 May 2005.

Following the completion of the acquisition of AmBank by AmFinance, the commercial banking business of AmBank amounting to RM412.7 million have been vested into AmFinance on 19 June 2005 pursuant to an Order of the High Court of Malaya dated 18 May 2005 under Originating Summons No. D7-24-162-2005 and made pursuant to Section 50 of the Banking and Financial Institutions Act, 1989. Subsequently, AmFinance changed its name to AmBank (M) Berhad to reflect the merger of the commercial banking and finance company operations under a single entity.

4. On 29 September 2005, AmMerchant Bank, completed the acquisition of the 30.0% equity interest held by Macquarie Bank Limited ("Macquarie Bank") in AIM and AIS respectively for a total cash purchase consideration of RM44.79 million.

With the completion of the acquisition, AIM and AIS become wholly-owned subsidiaries of AmMerchant Bank. Accordingly, the Joint Venture arrangement between AmMerchant Bank and Macquarie Bank relating to the funds management business was voluntarily terminated on 29 September 2005.

5. On 21 December 2005, AmBank (M) had incorporated a wholly owned subsidiary company AmTrade Services in Hong Kong.

AmTrade Services has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each and an issued and paid-up share capital of HK\$2.00 comprising two (2) ordinary shares of HK\$1.00 each fully paid.

The principal activity of AmTrade Services is provision of trade finance services.

6. On 28 December 2005, AIGB completed the following:
 - (a) acquisition of 295,000 ordinary shares of RM1.00 each representing 59.0% of the issued and paid-up share capital of MVMI from AmMerchant Bank for a cash consideration of RM303,829; and
 - (b) acquisition of 102,500 ordinary shares of RM1.00 each representing 21.0% of the issued and paid-up share capital of MVMI from SEAVI Venture Management Pte Ltd for a cash consideration of RM105,000.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

7. On 6 January 2006, AmBank (M) had acquired three (3) ordinary shares of USD1.00 each, representing the entire issued and paid-up share capital of AMBB Capital, a company incorporated in Labuan for a cash consideration of USD3.00, thereby making AMBB Capital a wholly owned subsidiary of AmBank (M).

AMBB Capital was incorporated on 23 September 2005 and has an authorised share capital of USD250,000 divided into 250,000 ordinary shares of USD1.00 each of which three (3) ordinary shares of USD1.00 each have been issued and are fully paid-up. AMBB Capital was incorporated for the purpose of issuing the Hybrid Securities as shown in note 53 (1).

8. On 7 February 2006, AIGB had acquired 100% of the equity of AmPrivate Equity, comprising two (2) ordinary shares of RM1.00 each.

The acquisition of AmPrivate Equity is in conjunction with the launch of a RM100.0 million closed-end private equity fund (the "Fund") with a charter life of ten (10) years under AmPrivate Equity.

AmPrivate Equity will undertake medium and long term investments principally in Malaysia with the objective of achieving capital appreciation in its investments. It will focus on key sectors such as manufacturing industries, business services, environmental and energy services and information and communications technology companies.

MVMI, a registered venture capital management corporation and a subsidiary of the Company, is the manager of the Fund.

AmPrivate Equity was incorporated in Malaysia on 6 September 2005 as a private limited company. It is registered with the Securities Commission as a venture capital corporation.

The authorised capital of AmPrivate Equity is RM150,000, divided into 100,000 ordinary shares of RM1.00 each and 5,000,000 redeemable preference shares of RM0.01 each ("RPS").

The RM100.0 million fund size of AmPrivate Equity will be constituted by way of the issue of 15,000 ordinary shares at an issue price of RM1.00 each and 1,250,000 RPS at an issue price of RM79.988 each.

Presently, the committed investors in the Fund are:

- (a) AIGB, with a cash subscription commitment for 80.0% of the Fund amounting to RM80.0 million, comprising 12,000 ordinary shares and 1,000,000 RPS; and
- (b) a major Malaysian pension fund, with a cash subscription commitment for 20.0% of the Fund amounting to RM20.0 million, comprising 3,000 ordinary shares and 250,000 RPS.

The RM100.0 million capital fund will be disbursed to AmPrivate Equity over its charter life as and when investments are actually made by AmPrivate Equity.

During the financial year, the Company subscribed for its entitlement of 156 new ordinary shares of RM1.00 each and 13,000 new RPS in AmPrivate Equity pursuant to first notice of subscription of:

- (a) 195 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share; and
- (b) 16,250 new RPS at an issue price of RM79.988 per share.

The cash raised from the issue of shares are for the purpose of meeting AmPrivate Equity's working capital requirement.

9. On 10 March 2006, AmBank (M) and ABH Holdings Sdn Bhd completed the disposal of 30.0% equity interest in AmAssurance, comprising 30,000,000 ordinary shares of RM1.00 each to IAG International Pty Ltd ("IAG International"), a wholly-owned subsidiary of Insurance Australia Group Limited, at a price of RM6.44 per share for an aggregate cash consideration of RM193.2 million, involving the sale of:

- (a) a 10.0% equity interest in AmAssurance by AmBank (M) to IAG International ("the AmBank (M) Sale"); and
- (b) the entire 20.0% equity interest in AmAssurance held by ABH Holdings Sdn Bhd, a company controlled by Dato' Azlan Hashim, the Deputy Chairman of the Company and AmAssurance, to IAG International ("the ABH Holdings Sale").

The Proposed AmBank (M) Sale and the Proposed ABH Holdings Sale are not inter-conditional with each other but are expected to be completed simultaneously.

In addition to the AmBank (M) Sale and the ABH Holdings Sale, the Company has also completed the acquisition of the remaining 4.06% equity interest held by AmBank (M) in AmAssurance, comprising 4,062,000 ordinary shares of RM1.00 each ("Proposed AHB Buy-Up") at the same price of RM6.44 per share and settled in cash.

The AHB Buy-Up is intended to consolidate AmBank Group's shareholding in AmAssurance under the Company.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

10. On 29 March 2006, AMFB acquired the entire issued and paid-up share capital in AMCB, comprising 288,500,000 ordinary shares from the Company for a purchase consideration of RM180,400,328 satisfied by the issuance of 36,518,285 ordinary shares in AMFB to the Company at an issue price of approximately RM4.94.

Subsequent to the financial year:

1. AmPrivate Equity made a second notice of subscription of 75 new ordinary shares of RM1.00 each at the issue price of RM1.00 per share and 6,250 new RPS at the issue price of RM79.988 per share. The Company subscribed and was allotted its entitlement of 60 new ordinary shares of RM1.00 each and 5,000 new RPS for a cash consideration of RM400,000.
2. On 1 May 2006, AmIslamic Bank received its licence to transact Islamic banking business with immediate effect.

Pursuant to the vesting order of the High Court of Malaya dated 18 April 2006 under Origination Summons No. 04-22A-151-2006 and made pursuant to Section 50 of the Banking and Financial Institutions Act 1989, the Islamic banking business of AmBank (M) has been vested in AmIslamic Bank with effect from 1 May 2006. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of issue of 250.0 million new ordinary shares of RM1.00 each on 28 April 2006 by AmIslamic Bank to AmBank (M) at RM3.14 per share.

14. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2006 RM'000	2005 RM'000
Unquoted shares, at cost	21,848	21,848
Exchange fluctuation adjustments	6,166	6,166
Share in net post acquisition profit of associated companies	14,769	12,567
	42,783	40,581
Less: Accumulated amortisation of premium	2,488	1,866
	40,295	38,715

As at 31 March 2006, the carrying values of the investments in associated companies are represented by:

	Group	
	2006 RM'000	2005 RM'000
Group's share of aggregate net tangible assets	31,673	29,471
Group's share of aggregate intangible assets	1,787	1,787
Premium on acquisition, net of accumulated amortisation of RM2,488,000 (RM1,866,000 in 2005)	6,835	7,457
	40,295	38,715

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The associated companies, all unquoted and held through AmMerchant Bank, are as follows:

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2006 RM'000	2005 RM'000	2006 %	2005 %	
Incorporated in Malaysia					
Malaysian Ventures Sendirian Bhd*	Ceased operations	17	17	13.98	27.41
Malaysian Ventures (Two) Sdn Bhd*	Ceased operations	19	19	17.68	34.67
Incorporated in Singapore					
Fraser International Pte. Ltd. ("FIPL")#	Investment holding	14,856	14,856	24.99	49.00
Wholly-owned subsidiaries of FIPL					
Fraser Securities Pte. Ltd. ("FSPL")#	Stock and share broking	32,528	32,528	24.99	49.00
Fraser Financial Planners Pte. Ltd.#	Dormant	1,000	1,000	24.99	49.00
Fraser Financial Services Pte. Ltd.(formerly known as # Fraser Financial Advisory Pte Ltd)	Dormant	200	200	24.99	49.00
Wholly-owned subsidiaries of FSPL					
Fraser-AMMB Research Pte. Ltd.#	Dormant	500	500	24.99	49.00
Fraser Nominees (Private) Limited#	Nominee Services	1	1	24.99	49.00

* Associated company under members' voluntary liquidation.

Associated companies not audited by Ernst & Young.

On 10 February 2006, AmMerchant Bank had entered into a conditional sale and purchase agreement with the nine (9) minority shareholders of FIPL in respect of the proposed acquisition of 7,576,766 ordinary shares of S\$1.00 each in FIPL not already owned by AmMerchant Bank, representing 51.0% of the issued and paid-up share capital of FIPL for an aggregate cash purchase consideration of up to S\$22,000,000 ("Proposed FIPL Acquisition"). On completion of the Proposed FIPL Acquisition, FIPL will become a wholly-owned subsidiary of AmMerchant Bank.

The purchase consideration for the Proposed FIPL Acquisition was arrived at on a willing buyer and a willing seller basis after taking into consideration the consolidated net tangible assets as at 31 March 2005 and current year consolidated profit of FIPL and will be satisfied wholly in cash by AmMerchant Bank from its internally generated funds.

The Proposed FIPL Acquisition is conditional upon the approval, inter alia, of BNM, Monetary Authority of Singapore, Singapore Exchange Securities Trading Limited, Singapore Exchange Derivatives Trading Limited and any other relevant authorities.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

15. PROPERTY AND EQUIPMENT

Group	Freehold land and buildings RM'000	Leasehold land and buildings RM'000	Motor vehicles RM'000	Leasehold improve- ments RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
At beginning of year	309,833	51,984	14,648	173,749	575,600	147,489	1,273,303
Additions	-	-	2,345	19,705	57,437	14,160	93,647
Disposals	(120)	-	(1,747)	(50)	(6,986)	(1,181)	(10,084)
Written off	(140)	-	-	-	(15,040)	(397)	(15,577)
Reclassification/ Transfer	-	(8,783)	-	-	(25)	-	(8,808)
Exchange adjustments	-	(15)	(5)	-	(16)	(44)	(80)
At end of year	309,573	43,186	15,241	193,404	610,970	160,027	1,332,401
ACCUMULATED DEPRECIATION							
At beginning of year	69,038	5,535	10,539	122,385	475,101	110,339	792,937
Additions	5,346	826	1,636	12,285	34,121	12,865	67,079
Disposals	-	-	(1,766)	(50)	(6,981)	(1,077)	(9,874)
Written off	(12)	-	-	-	(13,565)	(396)	(13,973)
Reclassification/ Transfer	-	(703)	-	-	-	12	(691)
Exchange adjustments	-	(3)	(6)	-	(6)	(41)	(56)
At end of year	74,372	5,655	10,403	134,620	488,670	121,702	835,422
NET BOOK VALUE							
As at 31 March 2006	235,201	37,531	4,838	58,784	122,300	38,325	496,979
As at 31 March 2005	240,795	46,449	4,109	51,364	100,499	37,150	480,366
Depreciation charge for the year ended 31 March 2005	5,470	1,104	1,627	10,771	34,655	13,115	66,742
BALANCES AS AT 31 MARCH 2004							
Cost	323,311	57,510	16,311	160,713	561,490	141,413	1,260,748
Accumulated depreciation	35,564	5,631	12,637	113,558	452,370	105,088	724,848

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(a) Details of leasehold land and buildings are as follows:

Group	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Total RM'000
Cost	42,238	948	43,186
Accumulated depreciation	(5,241)	(414)	(5,655)
Net book value	<u>36,997</u>	<u>534</u>	<u>37,531</u>

The long-term leasehold properties for the Group are for lease periods of 66-999 years and with unexpired lease periods of 53-874 years.

The short-term leasehold properties for the Group are for lease periods of 20-49 years and with unexpired lease periods of 1-33 years.

(b) Details of fully depreciated property and equipment which are still in use are as follows:

2006	Freehold land and building RM'000	Motor vehicles RM'000	Leasehold improve-ments RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Group						
Cost	<u>75</u>	<u>6,433</u>	<u>104,269</u>	<u>440,221</u>	<u>88,245</u>	<u>639,243</u>

Company	Motor vehicles RM'000	Total RM'000
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COST

At beginning and end of year	<u>673</u>	<u>673</u>
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ACCUMULATED DEPRECIATION

At beginning of year	<u>96</u>	<u>96</u>
Additions	<u>117</u>	<u>117</u>
At end of year	<u>213</u>	<u>213</u>

NET BOOK VALUE

As at 31 March 2006	<u>460</u>	<u>460</u>
As at 31 March 2005	<u>577</u>	<u>577</u>
Depreciation charge for the year ended 31 March 2005	<u>10</u>	<u>10</u>

As at 31 March 2006, a motor vehicle costing RM86,000 in the Company is fully depreciated and still in use.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

16. GOODWILL ON CONSOLIDATION

The movements in goodwill on consolidation are as follows:

	Group	
	2006 RM'000	2005 RM'000
Cost		
At beginning of year	597,342	340,914
Arising from acquisition of additional 30.0% equity interest in unit trust and asset management subsidiary companies	37,377	-
Arising from acquisition of additional 21.0% equity interest in management of venture capital subsidiary company	105	-
Arising on disposal of 20.0% equity interest in insurance subsidiary company	(17,197)	-
Arising on acquisition of additional 14.062% equity interest in insurance subsidiary company	-	25,794
Arising on acquisition of remaining 35.72% equity interest in AMFB	-	230,634
At end of year	617,627	597,342
Accumulated amortisation		
At beginning of year	74,296	59,199
Amortisation for the year	27,355	15,097
At end of year	101,651	74,296
Net book value	515,976	523,046

17. DEPOSITS FROM CUSTOMERS

Term/Investment deposits	32,192,382	29,556,983
Savings deposits	2,940,219	2,878,783
Current deposits	1,558,199	1,334,289
Negotiable instruments of deposits	2,227,364	677,285
	38,918,164	34,447,340

The maturity structure of deposits from customers is as follows:

Due within six months	31,140,577	27,324,848
Six months to one year	6,220,145	5,472,835
One year to three years	802,608	933,679
Three to five years	754,834	715,978
	38,918,164	34,447,340

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The deposits are sourced from the following types of customers:

	Group	
	2006 RM'000	2005 RM'000
Business enterprises	12,876,710	11,917,916
Individuals	19,895,623	18,241,104
Government	5,006,893	2,748,974
Others	1,138,938	1,539,346
	38,918,164	34,447,340

18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2006 RM'000	2005 RM'000
Deposits from:		
Licensed banks	4,192,542	2,828,564
Licensed merchant banks	555,522	90,265
Licensed finance companies	-	209,976
Bank Negara Malaysia	1,160,280	889,558
Other financial institutions	8,732,457	8,168,168
	14,640,801	12,186,531

Included under deposits and placements of banks and other financial institutions of the Group are the following:

	Group	
	2006 RM'000	2005 RM'000
Negotiable instruments of deposits	7,379,984	6,255,938
Interbank borrowings	895,590	157,700

Included in deposits from BNM of the Group are long-term deposits placed amounting to RM315,000,000 (RM315,000,000 in 2005) bearing interest at 1.0% (1.0% in 2005) per annum and interest free loans amounting to RM493,000,000 (RM493,000,000 in 2005) with the commercial banking subsidiary company in connection with the transfer of assets and liabilities of AFB and KUMB as mentioned in Note 11. Long-term deposits of RM180,000,000 (RM180,000,000 in 2005) is repayable on 18 December 2008 or when the deferred assets relating to AFB as mentioned in Note 11 are fully recovered, whichever is earlier. The remaining deposits from BNM are repayable when the deferred assets relating to KUMB as mentioned in Note 11 are fully recovered.

19. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements pertain to subsidiary companies and represent the obligations to repurchase these securities sold as mentioned in Note 7.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

20. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the merchant banking and commercial banking subsidiary companies' own bills and acceptances rediscounted and outstanding in the market.

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

These represents proceeds received from housing loans, hire purchase and leasing receivables (excluding Islamic financing) sold directly or indirectly to Cagamas Berhad with recourse to AmMerchant Bank, AmBank (M) and AmIslamic Bank. Under this arrangement, the subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria. For loans sold indirectly, AmMerchant Bank acts as the intermediary financial institution with recourse against the originators.

22. OTHER LIABILITIES

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade payables	353,380	-	258,241	-
Securities sold not yet re-purchased	91,437	-	-	-
Other payables and accruals	1,129,562	762	1,063,168	647
Interest payable on deposits and borrowings	326,109	2,434	276,362	4,675
Lease deposits and advance rentals	50,881	-	56,154	-
General insurance funds	181,987	-	173,212	-
Provision for commitments and contingencies	325	-	13,063	-
Bank overdrafts	26,081	-	37,192	-
Amount due to subsidiary companies	-	272	-	243
Profit equalization reserve	116,755	-	112,261	-
Deferred tax liabilities (Note 40)	2,846	-	2,062	-
Tax payable	2,416	-	564	-
	2,281,779	3,468	1,992,279	5,565

Trade payables mainly relate to the stock and share broking subsidiary companies and represent amount payable in outstanding sales contracts.

Included in other payables and accruals of the Group are the following:

	Group	
	2006 RM'000	2005 RM'000
Amount due to reinsurers, reinsurers and agents	31,421	36,169
Treaty premium reserve withheld	13	66
Outstanding insurance claims	227,904	231,060

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The movements in provision for commitments and contingencies are as follows:

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year	13,063	92,500
Provision/(Writeback of provision) during the year	262	(40,437)
Payment during the year	(13,000)	(39,000)
Balance at end of year	325	13,063

Included in the general provision for commitments and contingencies is an amount of RMNil million (RM13.0 million in 2005) in connection with three legal suits relating to the Highland Tower tragedy, whereby the plaintiffs had contended that AMFB caused or contributed to the collapse of Block 1 and forced evacuation of Blocks 2 and 3 of the Highland Towers.

On 31 May 2004, AmBank (M) entered into a Settlement Agreement with the plaintiffs in respect of the legal suits whereby AmBank (M) agreed to pay the plaintiffs a settlement sum of RM52.0 million in full and final settlement inclusive of costs and the plaintiffs shall, among others, release and assign to AmBank (M) all their rights of action in the suits against Highland Properties Sdn Bhd (the developer of Highland Towers) as well as all their rights and title to their individual apartment units and their rights to common property, unencumbered and free from claims of end financiers.

AmBank (M) had made full provision in prior year of which RM39.0 million had been paid during the previous financial year and the balance of RM13.0 million was paid during the financial year.

The bank overdrafts pertaining to subsidiary companies are unsecured and bear interest at rates ranging from 6.3% to 8.5% (7.0% to 8.5% in 2005) per annum.

Amount due to subsidiary companies is interest-free and represents expenses paid on behalf.

The movements in profit equalisation reserve relating to the Islamic banking business is as follows:

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year	112,261	54,312
Provision during the year	9,459	62,540
Amount written back	(4,965)	(4,591)
Transfer from income statements	4,494	57,949
Balance at end of year	116,755	112,261

23. TERM LOANS

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Unsecured:				
Local financial institutions	482,232	206,000	1,252,500	961,000

The term loans obtained from local financial institutions bear interests at rates ranging from 4.9% to 5.9% and, 0.175% per annum above LIBOR (3.53% to 7.95% and 0.2% per annum above LIBOR in 2005).

In the financial year 2005, the Company obtained RM740,000,000 short-term loans from local financial institutions to finance the cash portion of the consideration price of AMFB Privatisation, pending the receipt of proceeds arising from the Listing of the Group's Investment Banking Group, AIGB. AIGB was listed on 18 May 2005 and the loan were repaid on 26 May 2005.

Loans amounting to RM276,000,000 (RM291,500,000 in 2005) are guaranteed by either the Company, merchant banking subsidiary or other financial institutions.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

24. SUBORDINATED CERTIFICATES OF DEPOSITS

The Subordinated Certificates of Deposits ("SCD") issued by AmMerchant Bank represents RM200,000,000 nominal amount of unsecured Negotiable Subordinated Certificates of Deposit ("NSCD") issued at a discount of RM6,750,600 for a total consideration of RM193,249,400. The accretion of discount of RM6,750,600 will be applied evenly over five years. The NSCD has a coupon rate of 8.0% per annum for the first five years and were redeemed on 1 March 2006.

25. SUBORDINATED TERM LOAN

The subordinated term loan amounting to RM680,000,000 pertaining to the indirect commercial banking subsidiary company, AmBank (M), is unsecured, subordinated to all other liabilities and obtained from Danamodal Nasional Berhad, a company incorporated for the purpose of recapitalising the local banking and financial institutions, to strengthen the capital base of AmBank (M). The loan bore interest at 7.5% per annum in the prior year and interest was repayable on a monthly basis.

Pursuant to the acquisition of AmBank (M) by AMFB, on 20 December 2001, Danamodal Nasional Berhad has extended the loan for a further period of ten (10) years to be repaid on 20 December 2011. The loan bears interest at 6.5% per annum for the first five years and at 7.5% per annum or 1.0% above 3 months KLIBOR, whichever is higher, for the next five years. The interest is payable on a half yearly basis.

On 28 October 2003, AmBank (M) entered into a Supplemental Facility Agreement with Danamodal Nasional Berhad, whereby the RM680.0 million subordinated term loan obtained from Danamodal Nasional Berhad was novated to Astute Assets Berhad.

The terms and conditions of the loan remain the same, except for interest payable on the loan, which is charged at 6.5% per annum until 19 December 2006, 7.0% per annum from 20 December 2006 until 19 December 2007, and 7.5% per annum from 20 December 2007 until 19 December 2011.

26. REDEEMABLE UNSECURED BONDS

Redeemable Unsecured Bonds of the Group and the Company are as follows:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
3.0% 5-Year Redeemable Unsecured Bank-Guaranteed Bonds 2002/2007	144,638	144,638	141,481	141,481
Redeemable Unsecured Subordinated Bonds	775,000	-	660,000	-
	919,638	144,638	801,481	141,481

(a) 3.0% 5-YEAR REDEEMABLE UNSECURED BANK-GUARANTEED BONDS 2002/2007 (3.0% Bonds 2007)

	Group and Company	
	2006 RM'000	2005 RM'000
Balance at beginning and end of year	150,000	150,000
Less:		
Unamortised discount	(5,362)	(8,519)
	144,638	141,481

Pursuant to a Trust Deed dated 29 November 2002 and a Deed Poll dated 29 November 2002, the Company issued RM150,000,000 nominal amount of 3.0% Bonds 2007 together with renounceable rights to allotment of 125,201,248 Warrants 2003/2008 on a 'bought deal' basis to two primary subscribers.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The salient features of the Bonds 2007 are as follows:

- The 3.0% Bonds 2007 bear interest at 3.0% per annum based on the nominal amount of the Bonds 2007, payable semi-annually in arrears and on the basis of actual number of days elapsed in a year of 365 days.
- The 3.0% Bonds 2007 will be redeemed at its nominal value on maturity date together with interest accrued to the date of redemption.
- The 3.0% Bonds 2007 are for a period of five calendar years maturing on 13 December 2007.

Pursuant to Deed Poll dated 29 November 2002 and on 29 January 2003, the primary subscribers jointly offered for sale the provisional rights to allotment of 125,201,248 Warrants 2003/2008 to the shareholders of the Company on a renounceable rights basis of one (1) Warrant 2003/2008 for every eight (8) existing ordinary shares of RM1.00 each held in the Company as at 5.00pm on 22 January 2003 at an offer price of 12.37 sen per Warrant 2003/2008 payable in full upon acceptance.

(b) REDEEMABLE UNSECURED SUBORDINATED BONDS

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year	660,000	660,000
Issued during the year	115,000	-
Balance at end of year	775,000	660,000

Pursuant to a Trust Deed dated 24 April 2003, AmBank (M) issued RM200,000,000 nominal amount of Negotiable Interest-bearing Redeemable Unsecured Subordinated Bonds ("SubBonds I") for the purpose of increasing AmBank (M)'s capital funds.

The salient features of the SubBonds I are as follows:

- The SubBonds I bear interest at 7.95% per annum for the first five years and subsequently at 8.45% to 10.45% per annum. The interest is payable on a semi-annual basis.
- The SubBonds I are redeemable on 30 April 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- The SubBonds I are for a period of ten (10) years maturing on 30 April 2013. However, subject to the prior approval of BNM, AmBank (M) may redeem the SubBonds on 30 April 2008 or on each anniversary date thereafter.

Pursuant to a Trust Deed dated 23 September 2003, AmMerchant Bank issued RM460,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("SubBonds II") to be used to grant a RM460,000,000 10-year unsecured subordinated term loan to AmBank, its related licensed commercial bank for the purpose of refinancing its RM460,000,000 exchangeable subordinated capital loan to Danamodal Nasional Berhad.

The salient features of the SubBonds II are as follows:

- The SubBonds II bear interest at 6.5% per annum for the first five years and at 7.0% to 9.0% per annum or 3.0% above the yield of 5-year Malaysian Government Securities, whichever is higher. The interest is payable on a semi-annual basis.
- The SubBonds II are redeemable on 30 September 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- The SubBonds II are for a period of ten (10) years maturing on 30 September 2013. However, subject to the prior approval of BNM, AmMerchant Bank may redeem the SubBonds on 30 September 2008 or on each anniversary date thereafter.

Pursuant to a Trust Deed dated 27 October 2005, AmMerchant Bank issued RM200,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("SubBonds III") for the purpose of redemption of RM200,000,000 nominal amount of unsecured subordinated certificates of deposits. The unsecured subordinated certificates of deposits were redeemed on 1 March 2006.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The salient features of the SubBonds III are as follows:

- (a) The SubBonds III bear interest at 4.75% per annum for the first five years and at 5.25% to 7.25% per annum between years 6 to 10. The interest is payable on a semi-annual basis.
- (b) The SubBonds III are redeemable on 31 October 2010 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds III are for a period of ten (10) years maturing on 31 October 2015. However, subject to the prior approval of BNM, AmMerchant Bank may redeem the SubBonds on 31 October 2010 or on each anniversary date thereafter.

During the financial year, AmMerchant Bank had purchased and cancelled RM65,000,000 of the SubBonds III.

27. HYBRID CAPITAL

On 27 January 2006, AMBB Capital, an indirect wholly-owned subsidiary of the Company issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Capital"). The Hybrid Capital has the benefit of AmBank (M) guarantee on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Capital was on-lent to AmBank (M) in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank (M)'s working capital requirements.

The salient features of the Hybrid Capital are as follows:

- (a) The Hybrid Capital bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, at a floating rate per annum equal to 3-month US dollar LIBOR plus 2.90 per cent if not redeemed on 27 January 2016. The non-cumulative dividends is payable on a semi-annual basis.
- (b) The Hybrid Capital is perpetual securities and have no fixed final redemption date. The Hybrid Capital may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances. In each case, not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) must be given.

The Hybrid Capital is listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and is offered to international institutional investors outside Malaysia.

The Hybrid Capital are classified as liabilities in accordance with FRS 132: Financial Instruments – Disclosure and Presentation. FRS132 requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As the coupon of the Hybrid Capital will step up at the end of year ten (10) to a level that is considered to be sufficiently higher than market rate, AMBB Capital is deemed likely to redeem the Hybrid Capital at that time. As such, they have been accounted for as long-term liabilities.

28. SHARE WARRANTS

The Warrants 1997/2007 were constituted under the Deed Poll dated 19 March 1997.

The salient features of the Warrants 1997/2007 are as follows:

- (a) Each Warrant 1997/2007 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- (b) The exercise price is RM6.51 per share and may be paid fully in cash, or partly in cash and partly by tender of Bonds 1997/2002 in any combination, or wholly by tender of Bonds 1997/2002 which matured in 2002, for every Warrant 1997/2007 held after one year from the date of allocation. The exercise price of the Warrants 1997/2007 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- (c) The Warrants 1997/2007 are for an initial period of five calendar years. This period was extended for a further period of five years to mature on 13 May 2007.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The movements in the Company's unissued number of shares under Warrants 1997/2007 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			
	Balance at 1.4.2005	Issued	Exercised	Balance at 31.3.2006
Number of unissued shares under Warrants 1997/2007	143,534,078	-	-	143,534,078

The Warrants 2003/2008 were constituted under the Deed Poll dated 29 November 2002 and 29 January 2003.

The salient features of the Warrants 2003/2008 are as follows:

- Each Warrant 2003/2008 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise year.
- The exercise price is RM2.19 per share and is payable fully in cash for every warrant 2003/2008 held from the date of allocation. The exercise price of the Warrants 2003/2008 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 2003/2008 are for an initial period of five calendar years to mature on 20 March 2008.

The movements in the Company's unissued number of shares under Warrants 2003/2008 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			
	Balance at 1.4.2005	Issued	Exercised	Balance at 31.3.2006
Number of unissued shares under Warrants 2003/2008	132,105,145	-	-	132,105,145

29. SHARE CAPITAL

	Group and Company	
	2006 RM'000	2005 RM'000
Authorised:		
Shares of RM1.00 each:		
Balance at beginning and end of year	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at beginning of year	2,130,534	1,858,806
Issued during the year pursuant to the:		
- exercise of share options	-	12,886
- exercise of Warrants 2003/2008	-	69,914
- AMFB Privatisation	-	188,928
Balance at end of year	2,130,534	2,130,534

Subsequent to the financial year, the issued and fully paid-up share capital of the Company was increased from 2,130,533,695 ordinary share of RM1.00 each to 2,130,538,695 ordinary shares of RM1.00 each by the issue of 5,000 new ordinary shares of RM1.00 each at RM2.19 per share by virtues of the exercise of Share Warrants 2003/2008 of the Company. The resulting share premium amounting to RM5,950 has been credited to share premium account.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

30. RESERVES

Reserves as at 31 March are analysed as follows:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Non-distributable reserves:				
Share premium	791,550	792,343	798,356	798,356
Statutory reserve	1,000,417	-	913,438	-
Available-for-sale reserve	9,713	-	26,730	-
Revaluation reserve	-	153,324	-	532,154
Exchange fluctuation reserve	15,736	-	15,086	-
Total non-distributable reserves	1,817,416	945,667	1,753,610	1,330,510
Distributable reserve:				
Unappropriated profit	1,081,089	960,617	929,146	441,475
Total reserves	2,898,505	1,906,284	2,682,756	1,771,985

Movements in reserves are shown in the statements of changes in equity.

Share premium is used to record premium arising from new shares issued in the Company.

The statutory reserves of the merchant banking and commercial banking subsidiaries are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

Available-for-sale reserve is in respect of unrealised fair value gains and losses on securities available-for-sale.

Revaluation reserve is used to record increase and decrease in revaluation of investments in subsidiary companies, as described in the accounting policies.

Exchange differences arising on translation of foreign subsidiary and associated companies are taken to exchange fluctuation reserve, as described in the accounting policies.

Distributable reserve are those available for distribution by way of dividends.

As at 31 March 2006, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends amounting to RM424,087,000 out of its distributable reserve. If the balance of the distributable reserve of RM157,700,000 were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM61,300,000.

31. MINORITY INTERESTS

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary companies attributable to shares and debentures owned, directly or indirectly other than by the Company or subsidiary companies.

The movements in minority interests in subsidiary companies are as follows:

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year	36,347	931,418
Acquisition and subscription of shares in Investment Banking subsidiary company	968,918	-
Acquisition of shares in AmAssurance subsidiary company	17,241	-
Subscription of shares in private equity subsidiary company	260	-
Disposal of shares in assets management and unit trust subsidiary companies	(7,413)	-
Share in net results of subsidiary companies	113,535	83,948
Dividends received/receivable	(20,068)	(16,908)
Shares issued under the Employees' Share Option Scheme in AMFB	-	574
Disposal of shares pursuant to AMFB Privatisation	-	(934,494)
Disposal of shares in AmAssurance subsidiary company	-	(18,794)
Disposal of shares in AmSecurities subsidiary company	-	(9,397)
Balance at end of year	1,108,820	36,347

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

32. INTEREST INCOME

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Short-term funds and deposits with financial institutions	201,283	6,234	188,595	3,855
Securities held-for-trading	179,658	393	208,239	-
Securities available-for-sale	49,808	-	14,407	-
Securities held-to-maturity	71,556	3,353	83,810	7,297
Loans and advances:				
Interest income other than recoveries from NPLs	2,332,720	-	2,172,451	-
Recoveries from NPLs	313,721	-	277,470	-
Others	123,265	-	96,161	-
Gross interest income	3,272,011	9,980	3,041,133	11,152
Amortisation of premium less accretion of discounts	5,554	-	(17,708)	-
Interest suspended	(115,958)	-	(73,226)	-
Total after net interest suspension	3,161,607	9,980	2,950,199	11,152

33. INTEREST EXPENSE

Deposits from customers	1,084,459	-	1,033,426	-
Deposits of banks and other financial institutions	201,141	-	97,757	-
Securities sold under repurchase agreements	57,389	-	36,942	-
Amount due to Cagamas Berhad	77,349	-	133,325	-
Bank borrowings:				
Term loans	23,377	15,376	28,097	16,154
Overdrafts	1,555	-	1,451	-
Subordinated deposits and term loans	59,355	-	61,637	-
Interest on Bonds	56,437	7,657	53,501	7,657
Others	180,666	4,523	121,589	3,319
	1,741,728	27,556	1,567,725	27,130

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

34. OTHER OPERATING INCOME

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Fee and other operating income:				
Fees on loans and advances	121,634	-	79,165	-
Corporate advisory	17,796	-	23,867	-
Guarantee fees	23,725	167	17,376	217
Underwriting commissions	5,115	-	6,881	-
Portfolio management fees	7,641	-	9,829	-
Unit trust management fees	29,118	-	20,016	-
Brokerage rebates	602	-	774	-
Property trust management fees	1,983	-	1,965	-
Brokerage fees and commissions	43,327	-	50,011	-
Bancassurance commission	25,822	-	22,438	-
Income from asset securitisation	1,695	-	42,838	-
Other fee income	28,453	-	38,770	-
	306,911	167	313,930	217
Investment and trading income:				
Net (loss)/gain from sale of securities held-for-trading	(13,051)	-	59,357	-
Net gain from sale of securities available-for-sale	28,296	-	14,668	-
Net gain on redemption of securities held-to-maturity	19,561	-	12,329	-
Gain/(Loss) on revaluation of securities held-for-trading	53,884	-	(21,711)	-
Gain on revaluation of derivatives	6,165	-	6,611	-
Gain on listing of investment banking subsidiary company	-	174,497	-	-
Gain on disposal of 10.0% equity interest in insurance subsidiary company	29,962	-	-	-
Gross dividend income from:				
Subsidiary companies:				
Quoted in Malaysia	-	26,928	-	33,999
Unquoted	-	33,040	-	338,882
Securities held-for-trading	14,286	-	10,072	-
Securities available-for-sale	34,627	-	7,410	-
Securities held-to-maturity	24,945	-	39,433	-
	198,675	234,465	128,169	372,881
Premium income from life and general insurance business	369,928	-	286,898	-
Other income:				
Unrealised foreign exchange gain	11,267	-	-	-
Realised foreign exchange gain	3,244	-	2,746	-
Gain on disposal of property and equipment – net	1,807	-	3,816	-
Gain on disposal of leased assets – net	-	-	3	-
Gain on disposal of development property	-	-	382	-
Rental income	9,648	-	7,672	-
Capital gain arising from receipt of shares in Bursa Malaysia Berhad	-	-	12,727	-
Other non-operating income	2,534	32	3,038	467
	28,500	32	30,384	467
	904,014	234,664	759,381	373,565

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

35. OTHER OPERATING EXPENSES

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Personnel/Staff costs:				
Salaries, allowances and bonuses	460,245	1,440	379,701	536
Others	66,021	453	62,066	1,637
Establishment costs:				
Depreciation of property and equipment (Note 15)	67,079	117	66,742	10
Computerisation costs	74,832	-	64,579	-
Rental	41,829	-	33,890	-
Cleaning and maintenance	22,708	-	19,067	-
Others	19,945	-	22,665	-
Marketing and communication expenses:				
Sales commission	49,022	-	67,112	-
Handling fees	118,916	-	99,842	-
Advertising, promotional and other marketing activities	78,525	202	38,511	448
Telephone charges	16,805	-	15,618	-
Postage	13,900	16	15,291	65
Travel and entertainment	9,022	1	7,665	-
Others	25,810	107	21,583	161
Administration and general:				
Amortisation of goodwill and premium on consolidation	27,977	-	15,719	-
Professional services	26,934	588	26,248	707
Donations	4,997	-	1,602	-
Administration and management expenses	10,924	-	9,098	-
Others	40,225	329	55,229	45
Overheads	1,175,716	3,253	1,022,228	3,609
Insurance commission	41,237	-	33,473	-
General insurance claims	233,224	-	193,227	-
	1,450,177	3,253	1,248,928	3,609

Included in the above expenditure are the following statutory disclosures:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Directors' remuneration (Note 38)	5,996	1,964	5,859	2,284
Property and equipment written off	1,604	-	3,916	-
Hire of motor vehicles and office equipment	5,233	-	4,553	-
Auditors' remuneration:				
Statutory audit	1,047	50	896	30
Half year limited review/audit	252	-	314	-
Other services	1,005	5	88	43
Provision for foreclosed properties	22	-	2,396	-
Sundry receivables written off	981	-	283	-

The total number of employees of the Group and of the Company as at 31 March 2006 were 9,280 (8,973 in 2005) and nil (nil in 2005), respectively.

Staff costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund of the Group and the Company amounted to RM53,553,715 (RM51,471,938 in 2005) and RMNil (RM85,500 in 2005) respectively.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

36. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group	
	2006 RM'000	2005 RM'000
Allowance for bad and doubtful debts and financing:		
Specific allowance – net	951,914	1,032,879
General allowance	92,171	28,505
	1,044,085	1,061,384
Bad debts and financing:		
Written off	5,295	252
Recovered	(273,810)	(268,688)
	(268,515)	(268,436)
Recoveries of allowance for value impairment on amount recoverable from Danaharta	(881)	(22,479)
	774,689	770,469

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions and balances with subsidiary companies.

The significant transactions and outstanding balances of the Company with its subsidiary companies which are eliminated on consolidation are as follows:

	2006 RM'000	2005 RM'000
Income/(Expense)		
Interest on :		
Deposits	6,234	3,854
ICULS investments	-	6,766
Guarantee fees	167	217
Dividend income – gross	59,968	372,881
	66,369	383,718
Assets		
Current accounts	427	866
Money at call and deposits	19,532	89,816
Securities purchased under resale agreements	78,050	31,950
Deposits and placement with banks and other financial institutions	37,101	26,629
Negotiable instruments of deposits	-	150,233
Amount due from subsidiary companies	40	214,603
	135,150	514,097
Liabilities		
Amount due to subsidiary companies	272	243

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent third parties.

(b) Directors related transactions

The significant non-banking transactions of the Group with companies in which Tan Sri Dato' Azman Hashim is deemed to have a substantial interest, are as follows :

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Company	Types of transaction	2006 RM'000	2005 RM'000
Expense			
Harpers Travel (M) Sdn Bhd	Traveling expenses	1,778	2,834
Restoran Seri Melayu	Food and beverage	243	104
AON Insurance Brokers (M) Sdn Bhd	Insurance premium	4,431	4,475
Am First Property Trust	Rental of premises	12,572	12,684
Dion Realities Sdn Bhd	Rental of premises	3,469	3,841
Troost Sdn Bhd	Rental of premises	253	309
Syarikat Kompleks Damai Sdn Bhd	Rental of premises	1,102	587
Medan Delima Sdn Bhd	Rental of premises	96	83
Melawangi Sdn Bhd	Rental of premises	67	680
Taifab Properties Sdn Bhd	Rental of premises	-	80
AMDB Realty Sdn Bhd	Rental of premises	331	392
MCM Consulting Sdn Bhd	Computer maintenance	1,671	3,210
MCM Horizon Sdn Bhd (formerly known as Bluestar Infotech (M) Sdn Bhd)	Computer maintenance	1,894	1,744
Gubahan Impian Sdn Bhd	Gifts and flower arrangement	50	50
MCM Systems Sdn Bhd	Computer maintenance	7,423	404
Capital expenditure			
MCM Consulting Sdn Bhd	Purchase of computer hardware, software and related consultancy services	1,133	2,816
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	13,285	3,668
MCM Horizon Sdn Bhd	Purchase of computer hardware, software and related consultancy services	6,864	289
Melawangi Sdn Bhd	Purchase of two (2) units of office lots at the AMCORP Trade Centre	-	3,624
Modular Corp Sdn Bhd	Provide 262,500 EMV chip card replacements	5,608	1,025
	Provide EMV chip card personalization and fulfillment services	-	3,633
Taifab Properties Sdn Bhd	Purchase of three (3) units of freehold office premises located at the Arab-Malaysian Business Centre ("AMBC")	-	1,811
Medan Delima Sdn Bhd	Purchase of seven (7) units of freehold office premises located at AMBC	-	2,521
Syarikat Kompleks Damai	Purchase of thirteen (13) units of office lots at Bangunan AMDB	54,109	-

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The significant non-banking transactions of the Group with a company in which Mr. Cheah Tek Kuang is deemed to have a substantial interest, is as follows:

Company	Types of transaction	2006 RM'000	2005 RM'000
Financial Park (L) Sdn Bhd	Rental of premises	188	214

The significant non-banking transactions of the Group with a company in which Tun Mohammed Hanif Omar is deemed to have a substantial interest, is as follows:

Company	Types of transaction	2006 RM'000	2005 RM'000
Unigaya Protection Systems Sdn Bhd	Provision of security services	254	373

The above transactions have been entered into in the normal course of business and have been established under terms and conditions not materially different from those arranged with independent third parties.

(c) Renounceable Rights to subscribe for shares in AIGB

	2006 '000	2005 '000
Tan Sri Dato' Azman Hashim	-	118,954,848
Dato' Azlan Hashim	-	221,995
Tun Mohammed Hanif Omar	-	200,000
Prof Tan Sri Dato' Dr Mohd Rashdan Haji Baba	-	201,824
Tan Sri Datuk Dr Aris Osman @ Othman	-	50,000
Tan Sri Datuk Clifford Francis Herbert	-	50,000
Dato' Izham Mahmud	-	101,070
Tan Sri Dato' Mohd Ibrahim Mohd Zain	-	50,000
Cheah Tek Kuang	-	2,620,075
Soo Kim Wai	-	100,000
Shalina Azman	-	100,000

The renounceable rights offered by the Company and AIGB pursuant to the restricted offer for sale at an issue price of RM1.40 per share, were allocated to the directors on the same terms and conditions offered to other employees and entitled shareholders of the Company.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

38. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all directors charged to the income statement for the financial year are as follows:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Executive director				
Fees	181	36	116	36
Salaries	840	-	495	-
Other remuneration	417	-	367	12
Gratuity payment	-	-	200	-
Bonuses	837	-	715	-
Benefits-in-kind	141	-	83	-
	2,416	36	1,976	48
Non-executive directors				
Fees	977	348	795	372
Other remuneration	2,598	1,580	2,993	1,802
Gratuity payment	-	-	62	62
Benefits-in-kind	5	-	33	-
	3,580	1,928	3,883	2,236
Total directors' remuneration	5,996	1,964	5,859	2,284
Total directors' remuneration excluding benefits-in-kind	5,850	1,964	5,743	2,284

* Directors' fees for directors who are executives of companies of the Group are paid to their respective companies.

The number of directors of the Company whose total remuneration for the financial year which fall within the required disclosure bands is as follows:

Group	2006	2005
Executive director		
RM1,950,001 – RM2,000,000	-	1
RM2,400,001 – RM2,450,000	1	-
Non-executive directors		
Below RM50,000	4	4
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	1	2
RM150,001 – RM200,000	3	1
RM200,001 – RM250,000	2	1
RM250,001 – RM350,000	-	1
RM2,250,001 – RM2,300,000	1	-
RM2,700,001 – RM2,750,000	-	1

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

39. TAXATION

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Estimated current tax payable	92,637	12,164	79,743	103,485
Transfer to deferred tax assets (Note 40)	127,742	-	56,851	-
Transfer from deferred tax liabilities (Note 40)	784	-	1,757	-
	221,163	12,164	138,351	103,485
Under provision of current taxation in respect of prior years	9,906	-	66,281	-
	231,069	12,164	204,632	103,485

As at 31 March 2006, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM82,000,000 (RM82,000,000 in 2005) and RM29,000,000 (RM29,000,000 in 2005) respectively, which, if confirmed by the Inland Revenue Board, will enable the Group and the Company to distribute tax exempt dividend up to the same amount.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Profit before taxation	710,109	213,835	492,567	353,978
Taxation at Malaysian statutory tax rate of 28.0% (2005 : 28.0%)	198,831	59,874	137,919	99,114
Effect of different tax rates in Labuan and certain subsidiaries	(2,279)	-	(2,191)	-
Interest expense on ICULS included in statement of changes in equity which is deductible for tax purposes	(2,016)	-	(2,016)	-
Income not subject to tax	(20,936)	(48,859)	(34,041)	(6,786)
Expenses not deductible for tax purposes	31,150	1,181	76,370	7,966
Deferred tax assets charged out/ (not recognised in prior years)	26,319	(32)	28,591	3,191
Tax expense for the year	231,069	12,164	204,632	103,485

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

40. DEFERRED TAXATION

Deferred taxation pertains to subsidiary companies and is as follows:

(a) Deferred tax assets

	Group	
	2006 RM'000	2005 RM'000
Balance at beginning of year		
- As previously reported	(987,077)	(1,017,041)
- prior year's adjustments	2,332	1,874
As restated	(984,745)	(1,015,167)
Transfer to income statement (Note 39)	127,742	56,851
Reclassification from other assets	-	(26,429)
Balance at end of year	(857,003)	(984,745)
The deferred tax credits/(debits) are in respect of the following:		
Unutilised tax losses	(317,148)	(445,131)
Temporary differences arising from general allowance for loans, advances and financing	(200,502)	(174,138)
Temporary differences arising from impairment on:		
Securities held-to-maturity	(176,322)	(177,973)
Assets acquired in exchange of debts	(820)	(2,446)
Temporary differences arising from allowance for value impairment on amount recoverable from Danaharta	(134,008)	(134,254)
Temporary differences arising from impairment loss on foreclosed properties	(26,036)	(24,396)
Temporary differences arising from profit equalization reserve	(77)	(615)
Temporary differences between depreciation and tax allowances on property and equipment	24,050	21,084
Temporary differences arising from gain/(loss) on revaluation of securities held-for-trading	6,761	(14,397)
Temporary differences arising from interest suspended on non-performing loans	-	(7,452)
Others	(32,901)	(25,027)
	(857,003)	(984,745)
(b) Deferred tax liabilities		
Balance at beginning of year	2,062	305
Transfer to income statement (Note 39)	784	1,757
Balance at end of year	2,846	2,062

Deferred tax liabilities of the Group is in respect of temporary difference between capital allowances and book depreciation of property and equipment.

As mentioned in Note 3, the effects of temporary differences and unutilised tax losses which would give rise to deferred tax assets are recognised only when it is probable that the respective subsidiary companies will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2006, the amount of estimated deferred tax assets of the Group, pertaining to unutilised tax losses and unabsorbed capital allowances, calculated at applicable tax rate which is not recognised in the financial statements amounted to RM170,000,000 (RM120,000,000 in 2005).

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

41. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
2006	
Proposed dividend – 5.0% less 28.0% taxation, on 2,130,533,695 ordinary shares of RM1.00 each	<u>76,699</u>
2005	
Dividend paid – 4.0% less 28.0% taxation, on 2,130,533,695 ordinary shares of RM1.00 each	<u>61,359</u>

A first and final ordinary dividend in respect of the financial year ended 31 March 2006 of 5.0 %, less 28.0% taxation, amounting to RM76,699,213, based on issued and paid-up share capital as at 31 March 2006, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend is proposed by the Board. Such dividend, if approved by the shareholders, will be accounted for in shareholders' funds as an appropriation of unappropriated profit in the next financial year ending 31 March 2007.

42. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholder of the Company by the number of ordinary shares in issue during the financial year.

	2006		2005	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net profit attributable to shareholders' of the Company	365,505	201,671	203,987	250,493
Number of ordinary shares at beginning of year	2,130,534	2,130,534	1,858,806	1,858,806
Effect of ordinary shares issued pursuant to:				
Exercise of ESOS	-	-	8,135	8,135
Exercise of Warrants 2003/2008	-	-	3,263	3,263
AMFB Privatisation	-	-	12,940	12,940
Weighted average number of ordinary shares in issue	2,130,534	2,130,534	1,883,144	1,883,144
Basic earnings per share (sen)	17.16	9.47	10.83	13.30

(b) Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted profit after taxation and minority interests for the financial year by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The Company has two categories of dilutive potential ordinary shares:

- i) Warrants 1997/2007; and
- ii) Warrants 2003/2008.

The basis for the maximum number of ordinary shares of RM1.00 each to be issued upon exercise of outstanding warrants 1997/2007 and 2003/2008, the respective latest dates for exercise and their respective prices are mentioned in Notes 26 and 28.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	2006		2005	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net profit attributable to shareholders' of the Company	365,505	201,671	203,987	250,493
Weighted average number of ordinary shares in issue (as in (a) above)	2,130,534	2,130,534	1,883,144	1,883,144
Adjusted for:				
Exercise of Warrants 2003/2008	29,875	29,875	29,215	29,215
Adjusted weighted average number of ordinary shares in issue and issuable	2,160,409	2,160,409	1,912,359	1,912,359
Fully diluted earnings per share (sen)	16.92	9.33	10.67	13.10

For the financial year ended 31 March 2006 and 2005, outstanding share warrants 1997/2007 have been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Group, as their exercise and conversion to ordinary shares would increase earnings per share.

The Group and the Company's adjusted weighted average number of ordinary shares in issue and issuable for the financial year ended 31 March 2006 and 2005 have been arrived at based on the assumption that dilutive share warrants 2003/2008 is exercised at beginning of year.

43. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT AND TRUSTEE SERVICES

Investment portfolio funds managed by the Group on behalf of customer as at 31 March 2006 amounted to RM10,269,483,000 (RM7,066,876,000 in 2005).

44. CAPITAL COMMITMENTS

As at 31 March 2006, capital commitments pertaining to subsidiary companies are as follows:

	Group	
	2006 RM'000	2005 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	53,238	40,749
Purchase of other investments	13,976	20,523
Purchase of motor vehicles	-	1,044
Purchase of land and building	300	-
	67,514	62,316
Authorised but not contracted for:		
Purchase of other investments	20,100	20,100
Purchase of office equipment, information technology equipment and solutions	192	5
	20,292	20,105
	87,806	82,421

45. LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

	RM'000
12 months ending 31 March	
2007	5,592
2008	33,437
2009 and thereafter	164,685
	203,714

The lease commitments represent minimum rentals not adjusted for operating expenses which the Group is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than the rental expenses for the financial year.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

46. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmMerchant Bank, AmBank (M), AmInternational and AmIslamic Bank, make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements as mentioned in Note 22. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2006, the commitments and contingencies outstanding are as follows:

Group	2006			2005		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Derivative Financial Instruments						
Interest rate related contracts:						
Interest rate futures	580,000	-	-	550,000	-	-
Interest rate swaps	13,067,759	325,210	66,305	6,306,407	124,318	28,151
Foreign exchange related contracts:						
Forward exchange contracts	4,034,678	67,946	14,014	1,745,473	19,433	5,910
Cross currency swaps	375,676	32,666	6,533	463,600	32,512	6,502
Malaysian Government securities futures	10,000	-	-	27,900	-	-
	18,068,113	425,822	86,852	9,093,380	176,263	40,563
Commitments						
Irrevocable commitments to extend credit maturing:						
within one year	9,453,604	-	-	6,929,341	-	-
more than one year	1,467,076	733,538	733,046	2,426,560	1,213,280	1,212,965
Sell and buy back agreements	2,174,849	2,174,849	915,378	1,797,884	1,797,884	965,427
Forward purchase commitments	331,127	331,127	153,377	113,040	113,040	20,285
	13,426,656	3,239,514	1,801,801	11,266,825	3,124,204	2,198,677
Contingent Liabilities						
Guarantees given on behalf of customers	1,384,893	1,384,893	1,202,004	1,305,373	1,305,373	1,092,854
Certain transaction-related contingent items	637,248	318,624	284,116	691,679	345,840	314,446
Underwriting liabilities	1,133,152	566,576	541,819	457,069	228,535	207,317
Short term self liquidating trade-related contingencies	345,374	69,075	69,075	169,913	33,983	12,879
Islamic financing sold to Cagamas	2,205,827	2,205,827	2,205,827	928,658	928,658	927,011
Others	109,160	250	150	32,022	250	150
	5,815,654	4,545,245	4,302,991	3,584,714	2,842,639	2,554,657
	37,310,423	8,210,581	6,191,644	23,944,919	6,143,106	4,793,897

The credit equivalent amount is arrived at using the credit conversion factor as per BNM guidelines.

As at 31 March 2006, other contingencies and commitments of the Group and of the Company are as follows:

- The Company has given unsecured guarantees totaling RM383,600,000 (RM523,100,000 in 2005) to various financial institutions in respect of credit facilities extended to certain subsidiary companies.
- ALGB has given unsecured guarantees totaling RM10,000,000 (RM10,000,000 in 2005) to a financial institution in respect of credit facilities extended to a subsidiary company.
- As required, AmMerchant Bank has given a continuing guarantee to BNM on behalf of AmInternational, to meet all its liabilities and financial obligations and requirements.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

- (d) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd (“Meridian”) against AmTrustee in respect of a claim amounting to RM27.6 million for alleged loss and damage together with interests and costs arising from AmTrustee’s provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd (‘MAA’) has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19.6 million, together with interests and costs.

AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA. MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

Neither material financial loss nor operational impact on the Group is expected as a result of the Writ and Statement of Claim.

Based on legal advice, AmTrustee believes it has a good defence in respect of the claim.

47. RISK MANAGEMENT POLICY

Risk management is about managing uncertainties such that deviations from the Group’s intended objectives are kept within acceptable levels. Sustainable profitability forms the core objectives of the Group’s risk management strategy.

Every risk assumed by the Group carries with it potential for gains as well as potential to erode shareholders’ value. The Group’s risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

The management approach towards the significant risks of the Group is enumerated below.

MARKET RISK MANAGEMENT

Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates and foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Group to reduce its position without incurring potential loss that is beyond the sustainability of the Group.

The market risk of the Group’s trading and non-trading portfolio is managed separately using value-at-risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market condition.

The Group controls the market risk exposure of its trading and non-trading activities primarily through a series of threshold limits. Stop loss, value at risk and position sensitivity limits are the primary means of control governing the trading activities of the Group while value at risk limits governs the non-trading positions.

To complement value at risk measurement, the Group also institutes a set of scenario analysis under various potential market conditions such as shifts in currency rates, general equity prices and interest rate movements to assess the changes in portfolio value.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

Group 2006	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS										
Cash and short-term funds	7,617,976	-	-	-	-	-	1,837,286	-	9,455,262	4.31
Securities purchased under resale agreements	688,666	30,924	-	-	-	-	-	-	719,590	3.16
Deposits and placements with banks and other financial institutions	26,661	100,775	122,840	326,628	73,662	-	102,127	-	752,693	3.23
Securities held-for-trading	6,287	-	-	-	-	-	681,450	5,410,303	6,098,040	3.76
Securities available-for-sale	-	-	82,223	23,694	608,123	452,393	437,172	-	1,603,605	4.93
Securities held-to-maturity	-	55,247	23,899	167,109	839,162	1,033,353	594,271	-	2,713,041	5.38
Loans, advances and financing:										
- performing	12,708,861	2,239,092	1,030,662	319,353	7,099,566	11,996,766	5,583,954	-	40,978,254	7.30
- non-performing *	-	-	-	-	-	-	3,882,214	-	3,882,214	-
Amount due from originators	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	5,968,244	-	5,968,244	-
TOTAL ASSETS	21,049,267	2,426,038	1,261,591	856,348	8,687,860	13,482,512	19,086,718	5,410,303	72,260,637	
LIABILITIES AND EQUITY										
Deposits from customers	16,367,813	6,676,416	4,023,014	5,883,054	1,506,108	-	4,461,759	-	38,918,164	3.10
Deposits and placements of banks and other financial institutions	4,056,727	1,813,945	792,037	1,733,009	1,765,459	1,866,814	2,612,810	-	14,640,801	3.61
Obligations on securities sold under repurchase agreements	3,398,217	173,766	274	-	-	-	-	-	3,572,257	3.15
Bills and acceptances payable	224,464	366,006	93,799	-	-	-	228,454	-	912,723	4.81
Recourse obligation on loans sold to Cagamas Berhad	141,957	55,928	16,487	667,413	986,864	-	-	-	1,868,649	3.90
Term loans	-	482,232	-	-	-	-	-	-	482,232	5.15
Subordinated term loan	-	-	-	-	680,000	-	-	-	680,000	6.72
Redeemable unsecured bonds	-	-	-	-	324,638	595,000	-	-	919,638	6.57
Hybrid capital	-	-	-	-	-	684,047	-	-	684,047	6.77
Other non-interest sensitive balances	-	-	-	-	-	-	3,444,267	-	3,444,267	-
Total Liabilities	24,189,178	9,568,293	4,925,611	8,283,476	5,263,069	3,145,861	10,747,290	-	66,122,778	
Share capital	-	-	-	-	-	-	2,130,534	-	2,130,534	
Reserves	-	-	-	-	-	-	2,898,505	-	2,898,505	
Shareholders' equity	-	-	-	-	-	-	5,029,039	-	5,029,039	
Minority interests	-	-	-	-	-	-	1,108,820	-	1,108,820	
Total equity	-	-	-	-	-	-	6,137,859	-	6,137,859	
TOTAL LIABILITIES AND EQUITY	24,189,178	9,568,293	4,925,611	8,283,476	5,263,069	3,145,861	16,885,149	-	72,260,637	
On-balance sheet interest rate gap sensitivity	(3,139,911)	(7,142,255)	(3,664,020)	(7,427,128)	3,424,791	10,336,651	2,201,569	5,410,303	-	
Off-balance sheet interest rate gap sensitivity	662,731	5,146,170	499,430	(1,387,358)	(6,849,710)	1,935,099	-	-	6,362	
Total interest rate gap sensitivity	(2,477,180)	(1,996,085)	(3,164,590)	(8,814,486)	(3,424,919)	12,271,750	2,201,569	5,410,303	6,362	
Cumulative interest rate gap sensitivity	(2,477,180)	(4,473,265)	(7,637,855)	(16,452,341)	(19,877,260)	(7,605,510)	(5,403,941)	6,362		

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Group 2005	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
ASSETS										
Cash and short-term funds	6,539,602	-	-	-	-	-	1,238,500	-	7,778,102	2.79
Securities purchased under resale agreements	115,153	32,367	-	-	-	-	-	-	147,520	2.50
Deposits and placements with banks and other financial institutions	-	665,570	38,578	104	-	22,100	55,200	-	781,552	2.75
Securities held-for-trading	-	-	-	-	-	-	720,190	3,116,017	3,836,207	3.79
Securities available-for-sale	-	-	18,999	-	601,717	328,997	537,765	-	1,487,478	3.67
Securities held-to-maturity	150,233	-	132,417	195,455	739,081	860,179	212,485	-	2,289,850	6.12
Loans, advances and financing:										
- performing	12,323,480	1,154,531	1,093,107	1,777,030	8,629,690	3,147,770	6,821,158	-	34,946,766	7.47
- non-performing *	-	-	-	-	-	-	5,152,790	-	5,152,790	-
Amount due from originators	-	3,363	-	7,684	121,751	-	-	-	132,798	4.29
Other non-interest sensitive balances	-	-	-	-	-	-	5,561,170	-	5,561,170	-
TOTAL ASSETS	19,128,468	1,855,831	1,283,101	1,980,273	10,092,239	4,359,046	20,299,258	3,116,017	62,114,233	
LIABILITIES AND EQUITY										
Deposits from customers	12,731,405	6,505,913	3,905,405	5,306,983	1,534,072	-	4,463,562	-	34,447,340	2.96
Deposits and placements of banks and other financial institutions	2,144,353	1,738,949	1,013,905	530,238	935,361	1,507,262	4,316,463	-	12,186,531	3.06
Obligations on securities sold under repurchase agreements	1,447,458	3,327	101	-	-	-	-	-	1,450,886	2.59
Bills and acceptances payable	128,234	240,408	106,842	-	-	-	43,454	-	518,938	4.91
Recourse obligation on loans sold to Cagamas Berhad	343,350	161,190	115,458	241,930	1,797,478	127,042	-	-	2,786,448	3.95
Term loans	746,500	221,000	285,000	-	-	-	-	-	1,252,500	4.17
Subordinated certificates of deposits	-	-	-	198,768	-	-	-	-	198,768	8.85
Subordinated term loan	-	-	-	-	680,000	-	-	-	680,000	6.66
Redeemable unsecured bonds	-	-	-	-	801,481	-	-	-	801,481	6.94
Other non-interest sensitive balances	-	-	-	-	-	-	2,941,704	-	2,941,704	-
Total Liabilities	17,541,300	8,870,787	5,426,711	6,277,919	5,748,392	1,634,304	11,765,183	-	57,264,596	
Share capital	-	-	-	-	-	-	2,130,534	-	2,130,534	
Reserves	-	-	-	-	-	-	2,682,756	-	2,682,756	
Shareholders' equity	-	-	-	-	-	-	4,813,290	-	4,813,290	
Minority interests	-	-	-	-	-	-	36,347	-	36,347	
Total equity	-	-	-	-	-	-	4,849,637	-	4,849,637	
TOTAL LIABILITIES AND EQUITY	17,541,300	8,870,787	5,426,711	6,277,919	5,748,392	1,634,304	16,614,820	-	62,114,233	
On-balance sheet interest rate gap sensitivity	1,587,168	(7,014,956)	(4,143,610)	(4,297,646)	4,343,847	2,724,742	3,684,438	3,116,017	-	
Off-balance sheet interest rate gap sensitivity	295,859	418,103	(43,003)	(24,654)	(912,807)	266,502	-	-	-	
Total interest rate gap sensitivity	1,883,027	(6,596,853)	(4,186,613)	(4,322,300)	3,431,040	2,991,244	3,684,438	3,116,017	-	
Cumulative interest rate gap sensitivity	1,883,027	(4,713,826)	(8,900,439)	(13,222,739)	(9,791,699)	(6,800,455)	(3,116,017)	-	-	

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

2006 Company	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non- interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
ASSETS							
Cash and short-term funds	18,661	-	-	1,298	-	19,959	3.00
Securities purchased under resale agreements	78,050	-	-	-	-	78,050	3.10
Deposits and placements with banks and other financial institutions	-	37,101	-	-	-	37,101	3.20
Securities held-for-trading	-	-	-	-	170,197	170,197	3.10
Other non-interest sensitive balances	-	-	-	4,085,617	-	4,085,617	-
TOTAL ASSETS	96,711	37,101	-	4,086,915	170,197	4,390,924	
LIABILITIES AND EQUITY							
Term loans	-	206,000	-	-	-	206,000	5.29
Redeemable unsecured bonds	-	-	144,638	-	-	144,638	3.00
Other non-interest sensitive balances	-	-	-	3,468	-	3,468	-
Total Liabilities	-	206,000	144,638	3,468	-	354,106	
Share capital	-	-	-	2,130,534	-	2,130,534	
Reserves	-	-	-	1,906,284	-	1,906,284	
Shareholders' equity	-	-	-	4,036,818	-	4,036,818	
TOTAL LIABILITIES AND EQUITY	-	206,000	144,638	4,040,286	-	4,390,924	
On-balance sheet interest rate gap sensitivity	96,711	(168,899)	(144,638)	46,629	170,197	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	
Total interest rate gap sensitivity	96,711	(168,899)	(144,638)	46,629	170,197	-	
Cumulative interest rate gap sensitivity	96,711	(72,188)	(216,826)	(170,197)	-	-	

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

2005 Company	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non- interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
ASSETS							
Cash and short-term funds	89,816	-	-	866	-	90,682	2.70
Securities purchased under resale agreements	31,950	-	-	-	-	31,950	2.50
Deposits and placements with banks and other financial institutions	-	26,629	-	-	-	26,629	2.85
Securities held-for-trading	-	-	-	-	150,233	150,233	2.70
Other non-interest sensitive balances	-	-	-	4,711,071	-	4,711,071	-
TOTAL ASSETS	121,766	26,629	-	4,711,937	150,233	5,010,565	
LIABILITIES AND EQUITY							
Term loans	740,000	221,000	-	-	-	961,000	4.51
Redeemable unsecured bonds	-	-	141,481	-	-	141,481	3.00
Other non-interest sensitive balances	-	-	-	5,565	-	5,565	-
Total Liabilities	740,000	221,000	141,481	5,565	-	1,108,046	
Share capital	-	-	-	2,130,534	-	2,130,534	
Reserves	-	-	-	1,771,985	-	1,771,985	
Shareholders' equity	-	-	-	3,902,519	-	3,902,519	
TOTAL LIABILITIES AND EQUITY	740,000	221,000	141,481	3,908,084	-	5,010,565	
On-balance sheet interest rate gap sensitivity	(618,234)	(194,371)	(141,481)	803,853	150,233	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	
Total interest rate gap sensitivity	(618,234)	(194,371)	(141,481)	803,853	150,233	-	
Cumulative interest rate gap sensitivity	(618,234)	(812,605)	(954,086)	(150,233)	-	-	

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

LIQUIDITY RISK

Liquidity risk is the risk that the organization will not be able to fund its day-to-day operations at a reasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments.

The primary objective of liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as it comes due.

The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base, and maturity period.

- Management of cash-flow; an assessment of potential cash flow mismatches that may arise over a period of one-year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of BNM.
- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

In the event of actual liquidity crisis occurring, a Contingency Funding Plan provides a formal process to identify a liquidity crisis and detailing responsibilities among the relevant departments to ensure orderly execution of procedures to restore the liquidity position and confidence in the Group.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms.

Group 2006	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	9,427,127	-	-	-	-	-	28,135	9,455,262
Securities purchased under resale agreements	688,666	30,924	-	-	-	-	-	719,590
Deposits and placements with banks and other financial institutions	25,805	401,082	214,917	110,889	-	-	-	752,693
Securities held-for-trading	781,383	-	13,694	480,475	3,328,796	1,002,812	490,880	6,098,040
Securities available-for-sale	-	4,948	63,699	36,694	220,269	994,897	283,098	1,603,605
Securities held-to-maturity	11,978	-	12,880	143,992	621,830	1,798,654	123,707	2,713,041
Loans, advances and financing	5,984,693	3,908,426	2,490,453	3,731,546	15,045,414	13,478,643	221,293	44,860,468
Other assets	90,702	34,286	33,327	22,387	94,253	117,936	1,978,101	2,370,992
Goodwill on consolidation	-	-	-	-	-	-	515,976	515,976
Deferred tax assets	-	-	-	-	-	-	857,003	857,003
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,776,693	1,776,693
Investments in associated companies	-	-	-	-	-	-	40,295	40,295
Property and equipment	-	-	-	-	-	-	496,979	496,979
TOTAL ASSETS	17,010,354	4,379,666	2,828,970	4,525,983	19,310,562	17,392,942	6,812,160	72,260,637
LIABILITIES AND EQUITY								
Deposits from customers	19,072,126	7,502,763	4,585,425	6,190,410	1,567,440	-	-	38,918,164
Deposits and placements of banks and other financial institutions	4,971,587	2,445,237	1,302,864	1,851,313	2,152,987	1,916,813	-	14,640,801
Obligations on securities sold under repurchase agreements	3,398,217	173,766	274	-	-	-	-	3,572,257
Bills and acceptances payable	292,335	498,962	121,426	-	-	-	-	912,723
Recourse obligation on loans sold to Cagamas Berhad	141,957	55,928	16,487	667,413	986,864	-	-	1,868,649
Other liabilities	321,715	45,644	5,245	2,199	8,430	98,428	2,962,606	3,444,267
Term loans	-	206,000	-	276,232	-	-	-	482,232
Subordinated term loan	-	-	-	-	-	680,000	-	680,000
Redeemable unsecured bonds	-	-	-	-	124,638	795,000	-	919,638
Hybrid capital	-	-	-	-	-	684,047	-	684,047
Total Liabilities	28,197,937	10,928,300	6,031,721	8,987,567	4,840,359	4,174,288	2,962,606	66,122,778
Share capital	-	-	-	-	-	-	2,130,534	2,130,534
Reserves	-	-	-	-	-	-	2,898,505	2,898,505
Shareholders' equity	-	-	-	-	-	-	5,029,039	5,029,039
Minority interests	-	-	-	-	-	-	1,108,820	1,108,820
Total equity	-	-	-	-	-	-	6,137,859	6,137,859
TOTAL LIABILITIES AND EQUITY	28,197,937	10,928,300	6,031,721	8,987,567	4,840,359	4,174,288	9,100,465	72,260,637
Net maturity mismatch	(11,187,583)	(6,548,634)	(3,202,751)	(4,461,584)	14,470,203	13,218,654	(2,288,305)	-

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Group 2005	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	7,637,802	-	-	-	-	-	140,300	7,778,102
Securities purchased under resale agreements	147,520	-	-	-	-	-	-	147,520
Deposits and placements with banks and other financial institutions	11,846	753,820	15,261	625	-	-	-	781,552
Securities held-for-trading	121,370	133,504	89,659	541,223	2,035,286	555,804	359,361	3,836,207
Securities available-for-sale	-	-	40,015	40,304	480,309	725,996	200,854	1,487,478
Securities held-to-maturity	5,903	-	65,399	310,349	327,320	1,464,386	116,493	2,289,850
Loans, advances and financing	7,049,228	2,917,727	2,181,937	4,265,261	14,227,585	9,273,663	184,155	40,099,556
Other assets	12,312	126,085	14,202	12,260	135,862	14,242	1,806,256	2,121,219
Goodwill on consolidation	-	-	-	-	-	-	523,046	523,046
Deferred tax assets	-	-	-	-	-	-	984,745	984,745
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,545,877	1,545,877
Investments in associated companies	-	-	-	-	-	-	38,715	38,715
Property and equipment	-	-	-	-	-	-	480,366	480,366
TOTAL ASSETS	14,985,981	3,931,136	2,406,473	5,170,022	17,206,362	12,034,091	6,380,168	62,114,233
LIABILITIES AND EQUITY								
Deposits from customers	15,729,496	7,346,718	4,248,632	5,472,835	1,649,659	-	-	34,447,340
Deposits and placements of banks and other financial institutions	3,428,171	3,215,785	1,679,795	1,107,089	1,365,991	1,389,700	-	12,186,531
Obligations on securities sold under repurchase agreements	1,447,458	3,428	-	-	-	-	-	1,450,886
Bills and acceptances payable	135,047	255,421	128,470	-	-	-	-	518,938
Recourse obligation on loans sold to Cagamas Berhad	343,350	161,190	115,458	241,930	1,797,478	127,042	-	2,786,448
Other liabilities	248,474	39,713	5,308	1,618	3,475	6,991	2,636,125	2,941,704
Term loans	740,000	226,500	500	285,500	-	-	-	1,252,500
Subordinated certificates of deposits	-	-	-	-	-	198,768	-	198,768
Subordinated term loan	-	-	-	-	-	680,000	-	680,000
Redeemable unsecured bonds	-	-	-	-	141,481	660,000	-	801,481
Total Liabilities	22,071,996	11,248,755	6,178,163	7,108,972	4,958,084	3,062,501	2,636,125	57,264,596
Share capital	-	-	-	-	-	-	2,130,534	2,130,534
Reserves	-	-	-	-	-	-	2,682,756	2,682,756
Shareholders' equity	-	-	-	-	-	-	4,813,290	4,813,290
Minority interests	-	-	-	-	-	-	36,347	36,347
Total equity	-	-	-	-	-	-	4,849,637	4,849,637
TOTAL LIABILITIES AND EQUITY	22,071,996	11,248,755	6,178,163	7,108,972	4,958,084	3,062,501	7,485,762	62,114,233
Net maturity mismatch	(7,086,015)	(7,317,619)	(3,771,690)	(1,938,950)	12,248,278	8,971,590	(1,105,594)	-

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Company 2006	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 months RM'000	Non specific maturity RM'000	Total RM'000
ASSETS					
Cash and short-term funds	19,532	-	-	427	19,959
Securities purchased under resale agreements	78,050	-	-	-	78,050
Deposits and placements with banks and other financial institutions	-	37,101	-	-	37,101
Securities held-for-trading	-	-	-	170,197	170,197
Other assets	-	-	-	33,992	33,992
Investments in subsidiary companies	-	-	-	4,051,165	4,051,165
Property and equipment	-	-	-	460	460
TOTAL ASSETS	97,582	37,101	-	4,256,241	4,390,924
LIABILITIES AND EQUITY					
Other liabilities	-	-	-	3,468	3,468
Term loans	-	206,000	-	-	206,000
Redeemable unsecured bonds	-	-	144,638	-	144,638
Total Liabilities	-	206,000	144,638	3,468	354,106
Share capital	-	-	-	2,130,534	2,130,534
Reserves	-	-	-	1,906,284	1,906,284
Shareholders' equity	-	-	-	4,036,818	4,036,818
TOTAL LIABILITIES AND EQUITY	-	206,000	144,638	4,040,286	4,390,924
Net maturity mismatch	97,582	(168,899)	(144,638)	215,955	-

2005

ASSETS

Cash and short-term funds	89,816	-	-	866	90,682
Securities purchased under resale agreements	31,950	-	-	-	31,950
Deposits and placements with banks and other financial institutions	-	26,629	-	-	26,629
Securities held-for-trading	-	-	-	150,233	150,233
Other assets	215,990	-	-	33,256	249,246
Investments in subsidiary companies	-	-	-	4,461,248	4,461,248
Property and equipment	-	-	-	577	577
TOTAL ASSETS	337,756	26,629	-	4,646,180	5,010,565

LIABILITIES AND EQUITY

Other liabilities	4,918	-	-	647	5,565
Term loans	740,000	221,000	-	-	961,000
Redeemable unsecured bonds	-	-	141,481	-	141,481
Total Liabilities	744,918	221,000	141,481	647	1,108,046
Share capital	-	-	-	2,130,534	2,130,534
Reserves	-	-	-	1,771,985	1,771,985
Shareholders' equity	-	-	-	3,902,519	3,902,519
TOTAL LIABILITIES AND EQUITY	744,918	221,000	141,481	3,903,166	5,010,565
Net maturity mismatch	(407,162)	(194,371)	(141,481)	743,014	-

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

CREDIT RISK MANAGEMENT

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending and guarantee activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.

The primary objective of credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

For non-retail credits, risk measurement begins with an assessment and rating of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores which are translated into a rating grade, which ranges from "AAA" (lowest risk) to "C" (highest risk).

Credit risk is quantified based on Expected Default Frequencies and Expected Losses on default from its portfolio of loans and off-balance sheet commitments. Expected Default Frequencies are calibrated to the internal rating model while Loan Loss Estimates are based on past portfolio default experiences.

For retail credits, an in-house developed credit-scoring system to support the housing and hire purchase applications is being used to complement the credit assessment process.

The Group's lending activities are guided by internal credit policies and guidelines that are approved by the Board of Directors. Within these policies, name limits restrict total exposure allowed to corporate groups according to their level of creditworthiness, while sector limits ensure that the Group's total credit exposure to each economic sector is within prudent thresholds.

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 points and causes of failure, assess the potential cost and 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 contingency planning. These are supported by independent reviews by the Group's Internal Audit team.

LEGAL AND REGULATORY RISK

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgment, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organization to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimize these risks, staff training and assessments, provision of advise and disseminating of information.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivatives is one of the financial instruments engaged by the Group both for revenue purposes as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focused on interest rate derivatives and foreign exchange rate derivatives.

The principal exchange rate contracts used are forward foreign exchange contracts and cross currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

For revenue purposes the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

Fair value of financial derivatives

The estimated fair values of the Group's outstanding derivative financial instruments are as below. These values are stand-alone without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group.

	2006		2005	
	Principal Amount RM'000	Fair Value RM'000	Principal Amount RM'000	Fair Value RM'000
Interest rate related contracts:				
Interest rate futures	580,000	140	550,000	448
Interest rate swaps	13,067,759	(9,322)	6,306,407	(8,601)
Foreign exchange related contracts:				
Forward exchange contracts	4,034,678	8,485	1,745,473	6,783
Cross currency swaps	375,676	4,681	463,600	(1,333)
Malaysian Government securities futures	10,000	15	27,900	(158)
	18,068,113	3,999	9,093,380	(2,861)

Risk associated with financial derivatives

As derivatives are contracts that transfer risks, they expose the holder to the same types of market and credit risk as other financial instruments, and the Group manages these risks in a consistent manner under the overall risk management framework.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Market risk of derivatives used for trading purposes

Market risk arising from the above interest rate-related and foreign exchange-related derivatives contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measures that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a 90-day period at a 99% confidence level under normal market condition.

As at 31 March 2006, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM890,497 (RM25,849 in 2005).

The value at risk of the interest rate derivatives related contracts used for trading purposes of the Group was RM25,195,011 (RM12,976,600 in 2005).

The use of these instruments to hedge underlying exposures arising from funding or for fixed income instruments acquired for investment purposes are not included in the market risk numbers above.

Credit risk of derivatives

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract. Unlike conventional asset instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counter party and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

As at 31 March 2006, the amount of counter party credit risk, measured in terms of the cost to replace the positive value contracts of the Group, was RM26,977,165 (RM5,841,221 in 2005). This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

The Group limit its credit risks within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

48. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiary companies and taxation are excluded, as they do not fall within the scope of FRS132²⁰⁰⁴ (Financial Instruments: Disclosure and Presentation) (formerly known as Malaysian Accounting Standards Board ("MASB") 24), which requires the fair value information to be disclosed.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The estimated fair values of the Group's and the Company's financial instruments are as follows:

2006	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	9,455,262	9,455,262	19,959	19,959
Securities purchased under resale agreements	719,590	719,590	78,050	78,050
Deposits and placements with banks and other financial institutions	752,693	880,168	37,101	37,101
Securities held-for-trading	6,098,040	6,098,040	170,197	170,197
Securities available-for-sale	1,603,605	1,603,605	-	-
Securities held-to-maturity	2,713,041	3,027,740	-	-
Loans, advances and financing *	45,533,285	46,104,796	-	-
Amount due from Originators	89,694	87,254	-	-
Other financial assets	1,049,317	1,049,317	33,992	33,992
	<u>68,014,527</u>	<u>69,025,772</u>	<u>339,299</u>	<u>339,299</u>
Non-financial assets	4,246,110		4,051,625	
TOTAL ASSETS	<u>72,260,637</u>		<u>4,390,924</u>	
Financial Liabilities				
Deposits from customers	38,918,164	38,992,202	-	-
Deposits and placements of banks and other financial institutions	14,640,801	14,302,943	-	-
Obligations on securities sold under repurchase agreements	3,572,257	3,572,257	-	-
Bills and acceptances payable	912,723	912,723	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,868,649	1,856,057	-	-
Term loans	482,232	482,232	206,000	206,000
Subordinated term loan	680,000	804,359	-	-
Redeemable unsecured bonds	919,638	967,758	144,638	139,403
Hybrid capital	684,047	723,812	-	-
Other financial liabilities	3,321,925	3,321,925	3,468	3,468
	<u>66,000,436</u>	<u>65,936,268</u>	<u>354,106</u>	<u>348,871</u>
Non-Financial Liabilities				
Other non-financial liabilities	122,342		-	
Minority interests	1,108,820		-	
Shareholders' equity	5,029,039		4,036,818	
	<u>6,260,201</u>		<u>4,036,818</u>	
TOTAL LIABILITIES AND EQUITY	<u>72,260,637</u>		<u>4,390,924</u>	

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

2005	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	7,778,102	7,778,102	90,682	90,682
Securities purchased under resale agreements	147,520	147,520	31,950	31,950
Deposits and placements with banks and other financial institutions [^]	781,552	780,750	26,629	26,629
Securities held-for-trading	3,836,207	3,836,207	150,233	150,233
Securities available-for-sale	1,487,478	1,487,478	-	-
Securities held-to-maturity	2,289,850	4,196,586	-	-
Loans, advances and financing *	40,729,340	41,508,697	-	-
Amount due from originators	132,798	139,535	-	-
Other financial assets	942,023	942,023	249,246	249,246
	<u>58,124,870</u>	<u>60,816,898</u>	<u>548,740</u>	<u>548,740</u>
Non-financial assets	3,989,363		4,461,825	
TOTAL ASSETS	<u>62,114,233</u>		<u>5,010,565</u>	
Financial Liabilities				
Deposits from customers	34,447,340	34,554,147	-	-
Deposits and placements of banks and other financial institutions	12,186,531	12,088,536	-	-
Obligations on securities sold under repurchase agreements	1,450,886	1,523,124	-	-
Bills and acceptances payable	518,938	518,938	-	-
Recourse obligation on loans sold to Cagamas Berhad	2,786,448	2,788,327	-	-
Term loans	1,252,500	1,245,958	961,000	961,000
Subordinated certificates of deposits	198,768	220,671	-	-
Subordinated term loan	680,000	698,149	-	-
Redeemable unsecured subordinated bonds	801,481	779,009	141,481	139,403
Other financial liabilities	2,813,754	2,813,754	5,565	5,565
	<u>57,136,646</u>	<u>57,230,613</u>	<u>1,108,046</u>	<u>1,105,968</u>
Non-Financial Liabilities				
Other non-financial liabilities	127,950		-	
Minority interests	36,347		-	
Shareholders' equity	4,813,290		3,902,519	
	<u>4,977,587</u>		<u>3,902,519</u>	
TOTAL LIABILITIES AND EQUITY	<u>62,114,233</u>		<u>5,010,565</u>	

* The general allowance for the Group amounting to RM721,817,000 (RM629,784,000 in 2005) has been included under non-financial assets.

[^] The fair value of deposits and placements with banks and other financial institutions is below its carrying amount as a result of an increase in KLIBOR rates. The Group has not reduced the carrying value because uncertainties surrounding the circumstances may change and any changes in uncertainties could affect the resulting fair value estimates.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The fair values of derivatives financial instruments are shown in Note 47.

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallize. The Group assesses that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provisions is necessary to be made.

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2006:

(a) Cash And Short-Term Funds

The carrying values are a reasonable estimate of the fair values because of negligible credit risk and short-term in nature or frequent repricing.

(b) Securities Purchased Under Resale Agreements And Deposits And Placements With Banks And Other Financial Institutions

The fair values of securities purchased under resale agreements and deposits and placements with banks and other financial institutions with remaining maturities less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements and deposits and placements with banks and other financial institutions with maturities of more than six months, the fair values are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

(c) Securities Held-For-Trading, Securities Available-For-Sale And Securities Held-To-Maturity

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using discounted cash flow or net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at a par value, taking into consideration of the underlying collateral values. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using market indicative rates of similar instruments at the balance sheet date.

(d) Loans, Advances And Financing And Subordinated Term Loans (“Loans And Financing”)

The fair value of variable rate loans and financing are estimated to approximate their carrying values. For fixed rate loans and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing indicative rates adjusted for credit risk. In respect of non-performing loans and financing, the fair values are deemed to approximate the carrying values, net of interest in suspense and specific allowance for bad and doubtful debts and financing.

(e) Deposits From Customers, Deposits And Placements Of Banks And Other Financial Institutions And Securities Sold Under Repurchase Agreements

The fair value of deposits liabilities payable on demand (“current and savings deposits”) or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date.

The fair value of term deposits, negotiable instrument of deposits and obligations on securities sold under repurchase agreements with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates and interest rate swap rates.

(f) Bills And Acceptances Payables

The carrying values are a reasonable estimate of their fair values because of their short-term nature.

(g) Recourse Obligations On Loans Sold To Cagamas Berhad

The fair values for recourse obligations on loans to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing rates quoted by Cagamas Berhad as at balance sheet date.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(h) Term Loans, Subordinated Certificates of Deposits, Subordinated Term Loans, Redeemable Unsecured Bonds And Hybrid Capital (“Borrowings”)

The fair values of borrowings with remaining maturities of less than six (6) months are estimated to approximate their carrying values at balance sheet date. The fair values of borrowings with remaining maturities of more than six (6) months are estimated based on discounted cash flows market indicative rates of instruments with similar risk profiles at the balance sheet date.

(i) Interest Rate Swaps, Futures And Forward Rate Agreements

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

(j) Short Term Financial Assets And Financial Liabilities

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

The fair value of the other financial assets and other financial liabilities, which are considered short term in nature, are estimated to be approximately their carrying value.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting value estimates.

49. NET ASSETS PER SHARE (RM)

Net assets per share represent the balance sheet total assets value less total liabilities and minority interests expressed as an amount per ordinary share.

Net assets per share are calculated as follows:

	2006		2005	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Total assets	72,260,637	4,390,924	62,114,233	5,010,565
Less :				
Total liabilities	66,122,778	354,106	57,264,596	1,108,046
Minority interests	1,108,820	-	36,347	-
	67,231,598	354,106	57,300,943	1,108,046
Net assets	5,029,039	4,036,818	4,813,290	3,902,519
Issued and fully paid up ordinary shares of RM1.00 each	2,130,534	2,130,534	2,130,534	2,130,534
Net assets per share (RM)	2.36	1.89	2.26	1.83

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

50. BUSINESS SEGMENT ANALYSIS

The Group's businesses are organized into six segments, based on the products and services that it provides. These segments are investment banking, commercial and retail banking, offshore banking, Islamic banking, insurance and others.

Investment banking

Investment banking encompasses merchant banking, stockbroking, futures broking, fund and property management and trustee services. The merchant banking caters to the business needs of large corporate customers and financial institutions and provides customers with, among other things, a broad range of financing options, treasury and derivative services, corporate finance services, debt capital market and private banking. Through AIGB's subsidiaries, investment banking also offers stock and futures broking products and services through AmSecurities and AmFutures, investment management, management of unit trusts and customized investment solutions and real estate management services through AIM, AIS and AmPTMB, and trustee services through AmTrustee.

Commercial and retail banking

Commercial and retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as term financing, mortgage, trade, hire purchase financing, personal loans and share financing, credit cards, remittance services, deposits collection and bancassurance.

Offshore banking

Through AmInternational (L) Ltd and AmMerchant Bank Labuan branch, the Group has established a presence in the international arena at the Labuan International Offshore Financial Centre. The products and services offered include corporate finance, advisory and trust services, credit facilities and acting as Listing Sponsor for corporations seeking listing on the Labuan International Financial Exchange.

Islamic banking

Islamic banking segment relates to Islamic banking business activities undertaken by the Group.

Insurance

The insurance segment offers a broad range of life and general insurance products.

Others

Others are a variety of activities, which support the operating business. It includes corporate income and expense items that are not allocated to individual business segments.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Group 2006	Investment Banking RM'000	Commercial and Retail Banking RM'000	Offshore Banking RM'000	Islamic Banking RM'000	Insurance RM'000	Others RM'000	Elimination/ Consolidation Adjustments RM'000	Total RM'000
External revenue	883,852	2,529,419	51,624	816,695	760,981	7,188	(72,949)	4,976,810
Revenue from other segments	46,139	30,251	5,950	-	837	17,961	(101,138)	-
Operating revenue	929,991	2,559,670	57,574	816,695	761,818	25,149	(174,087)	4,976,810
Segment results	279,813	220,087	6,079	206,955	55,571	(7,416)	(25,205)	735,884
Amortisation of goodwill on consolidation	-	-	-	-	-	-	(27,977)	(27,977)
Profit from operations	279,813	220,087	6,079	206,955	55,571	(7,416)	(53,182)	707,907
Share in results of associated companies	-	-	-	-	-	-	2,202	2,202
Profit/(Loss) before taxation	279,813	220,087	6,079	206,955	55,571	(7,416)	(50,980)	710,109
Taxation	(75,006)	(84,745)	(20)	(58,683)	(16,778)	(18,698)	22,861	(231,069)
Minority interests	-	-	-	-	-	-	(113,535)	(113,535)
Net profit/(loss) for the year	204,807	135,342	6,059	148,272	38,793	(26,114)	(141,654)	365,505
Other information								
Segment assets	18,291,154	47,967,407	967,441	9,406,836	1,832,781	676,792	(7,438,045)	71,704,366
Investment in subsidiary companies	254,765	30,317	-	-	-	7,333,666	(7,618,748)	-
Investment in associated companies	21,950	200	-	-	-	100	18,045	40,295
Goodwill/(reserve) on consolidation	-	-	-	-	(1,565)	-	517,541	515,976
Total assets	18,567,869	47,997,924	967,441	9,406,836	1,831,216	8,010,558	(14,521,207)	72,260,637
Segment liabilities	16,726,767	45,425,684	1,026,025	8,377,419	1,656,773	511,487	(7,601,377)	66,122,778
Property and equipment purchases	10,944	71,378	38	12	11,244	31	-	93,647
Depreciation	9,871	53,658	78	16	2,730	722	4	67,079
Goodwill on consolidation	-	-	-	-	-	-	27,977	27,977

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Group 2005	Investment Banking RM'000	Commercial and Retail Banking RM'000	Offshore Banking RM'000	Islamic Banking RM'000	Insurance RM'000	Elimination/ Consolidation Others RM'000	Adjustments RM'000	Total RM'000
External revenue	839,678	2,546,567	43,249	435,005	647,610	12,662	(39,467)	4,485,304
Revenue from other segments	36,009	60,548	18,364	-	1,042	4,787	(120,750)	-
Operating revenue	875,687	2,607,115	61,613	435,005	648,652	17,449	(160,217)	4,485,304
Segment results	286,400	42,323	5,117	129,002	32,849	(19,524)	31,310	507,477
Amortisation of goodwill on consolidation	-	-	-	-	-	-	(15,719)	(15,719)
Profit from operations	286,400	42,323	5,117	129,002	32,849	(19,524)	15,591	491,758
Share in results of associated companies	-	-	-	-	-	-	809	809
Profit/(Loss) before taxation	286,400	42,323	5,117	129,002	32,849	(19,524)	16,400	492,567
Taxation	(71,662)	(89,033)	-	(36,242)	(9,843)	(143,692)	145,840	(204,632)
Minority interests	-	-	-	-	-	-	(83,948)	(83,948)
Net profit/(loss) for the year	214,738	(46,710)	5,117	92,760	23,006	(163,216)	78,292	203,987
Other information								
Segment assets	12,096,058	39,966,432	1,440,763	9,056,424	1,551,776	786,538	(3,345,519)	61,552,472
Investment in subsidiary companies	213,606	30,330	-	-	-	7,489,726	(7,733,662)	-
Investment in associated companies	21,950	200	-	-	-	100	16,465	38,715
Goodwill/(reserve) on consolidation	-	-	-	-	(1,565)	-	524,611	523,046
Total assets	12,331,614	39,996,962	1,440,763	9,056,424	1,550,211	8,276,364	(10,538,105)	62,114,233
Segment liabilities	10,603,433	37,485,500	1,504,204	8,145,095	1,404,084	1,492,961	(3,370,681)	57,264,596
Property and equipment purchases	7,291	54,504	12	57	4,545	587	7	67,003
Depreciation	14,801	48,654	104	34	2,335	953	(139)	66,742
Goodwill on consolidation	-	-	-	-	-	-	15,719	15,719

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiary companies, PTAMCI, AmSecurities (HK) and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia and Hong Kong, respectively. These activities in Singapore, Indonesia and Hong Kong are not significant (less than 1.0% over the operating revenue, profit before taxation and total assets) in relation to the Group's activities in Malaysia.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

51. LIFE BUSINESS LIABILITIES AND LIFE POLICYHOLDERS' FUND

The state of affairs as at 31 March 2006 and the results for the financial year ended 31 March 2006 under the life business liabilities and life policyholders' fund of AmAssurance are summarised as follows:

Balance Sheet

As at 31 March 2006

	2006 RM'000	2005 RM'000
ASSETS		
Cash and short-term funds	9,212	9,291
Securities purchased under resale agreements	35,040	43,439
Deposits and placements with banks and other financial institutions	143,712	128,804
Securities held-for-trading	113,416	125,675
Securities available-for-sale	622,633	485,708
Loans, advances and financing	77,963	68,946
Other assets	155,887	83,174
Property and equipment	4,625	4,388
TOTAL ASSETS	1,162,488	949,425
LIABILITIES AND POLICYHOLDERS' FUND		
Other liabilities	152,315	121,267
Life policyholders' fund	1,010,173	828,158
TOTAL LIABILITIES AND POLICYHOLDERS' FUND	1,162,488	949,425
Income Statement		
For The Year Ended 31 March 2006		
	2006 RM'000	2005 RM'000
Revenue	370,647	339,759
Interest income	46,560	36,612
Interest expense	-	-
Net interest income	46,560	36,612
Allowance for losses on loans and financing	-	(6)
	46,560	36,606
Net premium, investment and other income	324,087	303,147
Net income	370,647	339,753
Other operating expenses and transfer to life policyholders' funds	(370,647)	(339,753)
Transfer to shareholders' funds	-	-

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

52. CAPITAL ADEQUACY RATIO

BNM guideline on capital adequacy requires AmMerchant Bank and AmBank (M), to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The risk-weighted capital adequacy ratios of AmMerchant Bank of 13.24% (16.61% in 2005) and AmBank (M) of 12.15% (11.51% in 2005), exceed the minimum requirement.

Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratios, the Group's capital adequacy ratios, as at 31 March 2006 have incorporated the market risk pursuant to BNM Market Risk Capital Adequacy Framework which became effective on 1 April 2005 and is as follows:

	Group	
	2006 RM'000	2005 RM'000
Tier 1 capital		
Paid-up ordinary share capital	2,130,534	2,130,534
Share premium	791,550	798,356
Statutory reserve	1,000,417	913,438
Exchange fluctuation reserve	15,736	15,086
Hybrid capital	684,047	-
Unappropriated profit at end of year	1,081,089	926,810
Minority interests	1,108,820	36,347
Total	6,812,193	4,820,571
Less : Goodwill	515,976	523,046
Deferred tax assets - net	854,157	984,870
Total tier 1 capital	5,442,060	3,312,655
Tier 2 capital		
Subordinated certificates of deposit	-	198,650
Subordinated term loan	680,000	680,000
Redeemable Unsecured Bonds	775,000	660,000
General allowance for bad and doubtful debts	721,817	629,784
Total tier 2 capital	2,176,817	2,168,434
Capital base	7,618,877	5,481,089
Risk-weighted assets	54,635,748	47,442,814
Capital Ratios:		
Core capital ratio	9.96%	6.98%
Risk-weighted capital ratio	13.94%	11.55%
Core capital ratio (net of proposed final dividend)	9.82%	6.85%
Risk-weighted capital ratio (net of proposed final dividend)	13.80%	11.42%

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	2006		2005	
	Principal Amount RM'000	Risk-Weighted Amount RM'000	Principal Amount RM'000	Risk-Weighted Amount RM'000
0%	10,973,248	-	10,448,362	-
10%	87,239	8,724	435,489	43,549
20%	4,535,658	907,132	6,286,028	1,257,206
50%	8,367,850	4,183,925	7,251,983	3,625,992
100%	43,988,003	43,988,003	42,516,067	42,516,067
	67,951,998	49,087,784	66,937,929	47,442,814
Add: Total Risk Weighted Assets Equivalent for market risk		5,547,964		
		54,635,748		

The capital adequacy ratio of the Group as at 31 March 2005 has not been restated for prior year adjustments effect as mentioned in Note 54 to the financial statements.

53. OTHER SIGNIFICANT AND SUBSEQUENT EVENTS

During the financial year:

- Upon obtaining the necessary approvals from the shareholder and the relevant authorities, the following were proposed and issued:
 - Issuance of United States Dollar ("USD") 200 million Innovative Hybrid Tier 1 Capital comprising of 2,000 preference shares of USD100,000 each ("Hybrid Securities") by AMBB Capital to non-resident investors; and
 - Proposed issuance of substitute preference shares (of equal economic value as the Hybrid Securities) ("Substitute Preference Shares") by AmBank (M) in the event of certain substitution events pursuant to the terms of the Hybrid Securities.

The Hybrid Securities was issued by AMBB Capital on 27 January 2006 and has the benefit of a subordinated guarantee by AmBank (M). The gross proceeds of USD200.0 million from the issued of Hybrid Securities was on-lent to AmBank (M) in the form of a subordinated term loan on 27 January 2006.

At an initial size of USD150.0 million, the book was twice oversubscribed. Consequently, the issue size was increased to USD200.0 million after the completion of the book building process. The Hybrid Securities was priced at par on a semi-annual coupon of 6.77%. The coupon will at a floating rate per annum equal to 3-month US dollar LIBOR plus 2.90 per cent if the Hybrid Securities is not redeemed after year ten (10) from the date of issued.

Pursuant to the terms and conditions of the Hybrid Securities, upon the occurrence of certain substitution events as required by the guidelines on innovative Tier 1 capital instruments issued by BNM on 24 December 2004 ("BNM Tier 1 Guidelines"), AmBank (M) will be required to issue Substitute Preference Shares to substitute the Hybrid Securities issued by AMBB Capital. However, if there is no occurrence of such substitution events, then there will be no requirement to issue the Substitute Preference Shares.

The Proposed Substitute Preference Shares Issue and the Hybrid Securities issue are inter-conditional.

The Hybrid Securities is listed on both the Labuan International Financial Exchange and the Singapore Exchange and is offered to international institutional investors outside Malaysia.

The Hybrid Securities is rated Ba2/BB/BB by Moody's/Fitch/Standard & Poor's, respectively.

The Hybrid Securities issue allows AmBank (M) to raise non-dilutive Tier 1 capital at a competitive cost for AmBank's general capital management. The funds raised from the Hybrid Securities issue will further improve AmBank (M)'s Tier 1 capital ratio from 6.02% to 7.08% and the overall capital adequacy ratio from 10.46% to 12.05%. The Hybrid Securities issue will also provide the flexibility to fund the growth of AmBank (M)'s business operations.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

2. On 6 March 2006, AmAssurance completed the acquisition of 13 parcels of office lots in Bangunan AMDB from Syarikat Kompleks Damai Sdn Bhd (“SKDS”) for a total cash consideration of RM54,109,000 and tenancy agreement between SKDS and AmAssurance on 9 Parcels of the office lots disposed with a guaranteed net rental yield by AMDB Berhad and SKDS with AmAssurance.

Subsequent to the financial year,

On 11 May 2006, the Company announced the following proposals:

- (a) proposed disposal by AmBank (M) of the entire interest in Menara AmBank for a total consideration of RM230,000,000 to be satisfied by AmFIRST Real Estate Investment Trust (“REIT”) through the issuance of 230,000,000 AmFIRST REIT units at an issue price of RM1.00 per unit credited as fully paid-up. AmBank (M) will subsequently transfer the entire REIT units to the Company for a cash consideration of RM230.0 million.
- (b) a renounceable restricted offer for sale of up to 96,246,917 AmFIRST REIT units at an offer price of RM1.00 per unit to the existing shareholders of the Company on the basis of one (1) AmFIRST REIT unit for 25 existing ordinary shares of RM1.00 each held in the Company of which RM0.85 per unit will be paid in cash by the shareholders of the Company and the remaining RM0.15 per unit is assumed by the Company; and
- (c) a proposed offer for sale of 133,753,083 AmFIRST REIT units at an offer price of RM1.00 per unit to be placed out to institutional and selected investors.

collectively referred to as the “Proposals”.

The Proposals are in conjunction with the restructuring and rebranding of AmFirst Property Trust (“AmFPT”) as announced by AmProperty Trust Management Berhad (“AmPTMB”), the manager of AmFPT on 11 May 2006, which involves the proposed dissolution of AmFPT and the establishment of a new REIT namely AmFIRST REIT.

AIGB as the sponsor for AmFIRST REIT and Am ARA REIT Managers Sdn Bhd (“Am ARA”) as the proposed management company of AmFIRST REIT pursuant to the proposed establishment of AmFIRST REIT, will seek a listing and quotation for the entire fund size of AmFIRST REIT comprising 490,000,000 units on the Main Board of Bursa Malaysia Securities Berhad (“Proposed Listing”).

AIGB had on 5 May 2006 acquired seven (7) ordinary shares of RM1.00 each, representing 70.0% equity interest, in Am ARA REIT Holdings Sdn Bhd (“Am ARA Holdings”), the holding company of Am ARA, for a cash consideration of RM7.00, in connection with the joint venture (“JV”) between AIGB and ARA Asset Management (Malaysia) Limited (“ARA”) in the business of REIT management. Am ARA Holdings and Am ARA both were incorporated on 20 April 2006.

Pursuant to the JV agreement entered into between AIGB and ARA on 16 February 2006, the balance of three (3) ordinary shares of RM1.00 each, representing 30.0% equity interest in Am ARA Holdings, are held by ARA.

Am ARA currently has a paid-up capital of RM2.00, comprising two (2) ordinary shares of RM1.00 each, and subject to the approval of Securities Commission, Am ARA will act as the manager of AmFIRST REIT.

The Proposed Listing and the proposals to be undertaken by the Company and AmFPT are subject to the approvals of Securities Commission, BNM, shareholders and other relevant authorities.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

54. PRIOR YEAR'S ADJUSTMENTS AND COMPARATIVES

During the financial year, the Group adopted the revised BNM/GP8 which have resulted in the following new accounting policies:

- (1) The holdings of the securities portfolio of the Group are segregated based on the following categories and valuation methods:

i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short term price movements or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statements.

ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

The securities held-to-maturity are measured at accreted/amortised cost based on effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from the derecognition of securities held-to-maturity are recognised in the income statements.

iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised costs (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed off or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

- (2) Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statement unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statements in the periods when the hedged item affects the income statement.

- (3) Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously.

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except the following figures which have been restated as a result of:

- (i) changes in accounting policies as disclosed above following the adoption of the revised BNM/GP8; and
 (ii) the reclassification to present separately for the life fund assets, life fund liabilities and life policy holders' fund.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	As previously reported RM'000	Effect of change RM'000	As restated RM'000
BALANCE SHEET			
AS AT 31 MARCH 2005			
Assets			
Cash and short-term funds	7,787,393	(9,291)	7,778,102
Securities purchased under resale agreements	158,592	(11,072)	147,520
Deposits and placements with banks and other financial institutions	810,356	(28,804)	781,552
Dealing securities	3,063,417	(3,063,417)	-
Investment securities	5,112,916	(5,112,916)	-
Securities held-for-trading	-	3,836,207	3,836,207
Securities available-for-sale	-	1,487,478	1,487,478
Securities held-to-maturity	-	2,289,850	2,289,850
Loans, advances and financing	40,220,876	(121,320)	40,099,556
Other assets	1,151,961	19,833	1,171,794
Property and equipment	484,754	(4,388)	480,366
Life fund assets	-	949,425	949,425
Deferred tax assets	987,077	(2,332)	984,745
Liabilities and Equity			
Deposits and placements of banks and other financial institutions	12,077,751	108,780	12,186,531
Obligations on securities sold under repurchase agreements	1,418,519	32,367	1,450,886
Other liabilities	2,882,664	(890,385)	1,992,279
Life fund liabilities	-	121,267	121,267
Life policyholders' fund	-	828,158	828,158
Reserves	2,653,690	29,066	2,682,756
INCOME STATEMENT			
FOR THE YEAR ENDED 31 MARCH 2005			
Net interest income	1,418,515	(36,041)	1,382,474
Net income from Islamic Banking Business	435,005	960	435,965
Other operating income	1,069,399	(310,018)	759,381
Other operating expenses	(1,587,668)	338,740	(1,248,928)
Operating profit	1,335,251	(6,359)	1,328,892
Allowance for diminution in value of investments	(24,914)	24,914	-
Impairment loss on securities	-	(15,294)	(15,294)
Taxation	(203,807)	(825)	(204,632)
Profit after taxation but before minority interests	285,889	2,046	287,935
Net profit for the year	201,941	2,046	203,987
Basic earnings per share (sen)	10.72	0.11	10.83
Fully diluted earnings per share (sen)	10.56	0.11	10.67

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

55. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2006 and the results for the year ended 31 March 2006 of the Islamic Banking Business of the Group and included in the financial statements, after elimination of intercompany transactions and balances, are summarised as follows:

Balance Sheet**As at 31 March 2006**

	Note	Group	
		2006 RM'000	2005 RM'000
ASSETS			
Cash and short-term funds	(ii)	1,549,521	922,365
Deposit and placements with banks and other financial institutions	(iii)	102,126	77,300
Securities held-for-trading	(iv)	798,073	684,069
Securities available-for-sale	(v)	18,830	-
Securities held-to-maturity	(vi)	56,171	-
Financing, advances and other loans	(vii)	6,505,459	7,026,806
Statutory deposits with Bank Negara Malaysia		289,850	245,681
Other receivables, deposits and prepayments		18,040	15,750
Property and equipment	(viii)	38	56
Deferred tax assets	(xx)	68,729	84,398
TOTAL ASSETS		9,406,837	9,056,425
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(ix)	4,461,758	3,579,449
Deposits and placements of banks and other financial institutions	(x)	3,312,104	3,879,573
Converted fund	(xi)	82,711	301,677
Acceptances payable		228,454	43,454
Other liabilities	(xii)	292,392	340,943
Total Liabilities		8,377,419	8,145,096
ISLAMIC BANKING FUNDS			
Capital funds	(xiii)	563,381	595,542
Reserves		466,037	315,787
Islamic Banking Funds		1,029,418	911,329
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		9,406,837	9,056,425
COMMITMENTS AND CONTINGENCIES	(xxi)	6,162,113	4,221,222

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006

	Note	Group	
		2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and others	(xiv)	689,107	599,459
Impairment writeback on securities held-to-maturity		94	113
Allowance for losses on financing	(xv)	(161,886)	(209,498)
Transfer to profit equalisation reserve		(4,494)	(57,949)
Total attributable income		522,821	332,125
Income attributable to the depositors	(xvi)	(276,106)	(259,857)
Profit attributable to the Group		246,715	72,268
Income derived from Islamic Banking Funds	(xvii)	127,541	96,363
Total net income		374,256	168,631
Operating expenditure	(xviii)	(167,301)	(39,629)
Profit before taxation		206,955	129,002
Taxation	(xix)	(58,683)	(36,242)
Profit after taxation		148,272	92,760

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006

Group	Note	Non-Distributable			Distributable	Total RM'000
		Capital Funds RM'000	Available- for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappro- priated Profit RM'000	
At 1 April 2004						
As previously stated		475,542	-	-	222,727	698,269
Prior year adjustments		-	-	-	300	300
At 1 April 2004 (restated)		475,542	-	-	223,027	698,569
Funds allocated from						
Head Office		120,000	-	-	-	120,000
Profit for the year		-	-	-	92,760	92,760
At 31 March 2005		595,542	-	-	315,787	911,329
At 1 April 2005						
As previously stated		595,542	-	-	315,246	910,788
Prior year adjustments	(xxvi)	-	-	-	541	541
At 1 April 2005 (restated)		595,542	-	-	315,787	911,329
Transfer to non-Islamic banking business		(75,000)	-	-	1,906	(73,094)
Funds allocated from Head Office		42,839	-	-	-	42,839
Net unrealised loss on revaluation of securities available-for-sale		-	81	-	-	81
Translation adjustments		-	-	(9)	-	(9)
Profit for the year		-	-	-	148,272	148,272
At 31 March 2006		563,381	81	(9)	465,965	1,029,418

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

**CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2006**

	Group	
	2006 RM'000	2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	206,955	129,002
Add/(Less) adjustments for:		
Specific allowance for bad and doubtful financing	152,637	202,379
Net interest suspended	13,351	14,054
General allowance for bad and doubtful financing	11,508	20,107
Transfer to profit equalization reserve	4,494	57,949
Depreciation of property and equipment	16	65
Net gain from sale of securities held-for-trading	(48,344)	(26,985)
Gain on revaluation of securities held-for-trading	(2,721)	(851)
Impairment writeback on securities held-to-maturity	(94)	(113)
Operating profit before working capital changes	337,802	395,607
(Increase)/Decrease in operating assets		
Deposit and placements with banks and other financial institutions	(24,826)	(47,300)
Securities held-for-trading	(62,939)	6,093
Financing, advances and other loans	343,851	(747,151)
Other receivables, deposits and prepayments	(2,281)	(12,612)
Statutory deposits with Bank Negara Malaysia	(44,169)	(32,031)
Increase/(Decrease) in operating liabilities		
Deposits from customers	882,309	479,874
Deposits and placements of banks and other financial institutions	(567,469)	340,640
Converted fund	(218,966)	(26,644)
Acceptances payable	185,000	43,303
Other liabilities	(103,094)	(93,149)
Cash generated from operating activities	725,218	306,630
Taxation paid	(66,068)	(71,520)
Net cash generated from operating activities	659,150	235,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities - net	(74,826)	-
Purchase of property and equipment	(7)	(57)
Net cash generated used in investing activities	(74,833)	(57)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from increase in capital funds	42,839	120,000
Net cash generated from financing activities	42,839	120,000
Net increase in cash and cash equivalents	627,156	355,053
Cash and cash equivalents at beginning of year	922,365	567,312
Cash and cash equivalents at end of year	1,549,521	922,365

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisor

The Group's Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisors, Dr Amir Husin Mohd Nor, En Adnan Bin Yusoff and Professor Madya Dr Noor Naemah Abdul Rahman. The role and authority of the Shariah Advisors are as follows:

- (a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.
- (b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

(ii) CASH AND SHORT-TERM FUNDS

	Group	
	2006 RM'000	2005 RM'000
Cash and bank balances	4,921	9,167
Money on call and deposits maturing within one month:		
Licensed banks	544,600	580,950
Licensed finance companies	-	154,048
Other financial institutions	1,000,000	178,200
	1,549,521	922,365

(iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2006 RM'000	2005 RM'000
Bank Negara Malaysia	2,126	-
Licensed banks	100,000	77,300
	102,126	77,300

(iv) SECURITIES HELD-FOR-TRADING

At Fair Value

Money Market Securities:

Cagamas Mudharabah Bearer Bonds	100,077	60,362
Malaysian Government Investment Certificates	121,125	151,227
Negotiable Islamic debt certificates	319,876	235,532
Khazanah Bonds	913	110,351
Treasury bills	48,395	-
	590,386	557,472

Unquoted Securities Of Companies Incorporated In Malaysia:

Corporate bonds	-	49,009
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Unquoted Private Debt Securities of Companies Incorporated In Malaysia:

Corporate bonds	46,754	21,031
Islamic corporate bonds	160,933	56,557
	207,687	77,588

Total	798,073	684,069
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Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
(v) SECURITIES AVAILABLE-FOR-SALE		
At Fair Value		
Quoted Securities In Malaysia:		
Corporate bonds	18,830	-
(vi) SECURITIES HELD-TO-MATURITY		
At Amortised Cost		
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	56,171	-
Market/Indicative value:		
Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:		
Corporate bonds	56,077	-
(vii) FINANCING, ADVANCES AND OTHER LOANS		
Term financing/Revolving credit facilities	1,186,319	1,108,168
Islamic hire purchase, net of unearned income	3,290,083	4,113,336
Credit card receivables	298,426	210,855
Trust receipts	20,560	13,513
Claims on customer under acceptance credits	280,504	163,961
Other financing	1,735,406	1,759,539
Gross financing, advances and other loans	6,811,298	7,369,372
Allowance for bad and doubtful debts and financing		
- general	(132,658)	(121,150)
- specific	(173,181)	(221,416)
	(305,839)	(342,566)
Net financing, advances and other loans	6,505,459	7,026,806
Financing, advances and other loans analysed by concepts are as follows:		
Al-Ijarah	3,960,416	4,148,511
Al-Bai' Bithaman Ajil	1,035,670	1,918,011
Al-Musarakah	20,427	160,840
Al-Murabahah	389,193	217,797
Al-Bai In'nah	-	210,730
Al-Wujud	15,290	16,499
Al-Istina	661	3,833
Others	1,389,641	693,151
	6,811,298	7,369,372

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
The maturity structure of financing, advances and other loans are as follows:		
Maturing within one year	310,411	3,138,202
One year to three years	2,516,664	1,807,294
Three to five years	1,932,414	1,394,043
Over five years	2,051,809	1,029,833
	6,811,298	7,369,372

Financing, advances and other loans analysed by their economic purposes are as follows:

	2006		Group		2005	
	RM'000	%	RM'000	%	RM'000	%
Purchase of transport vehicles	3,837,375	56.3	4,014,576	54.5		
Consumption credit	1,375,165	20.3	930,158	12.6		
Purchase of landed property of which:						
(a) Residential	415,265	6.1	198,473	2.7		
(b) Non-residential	59,897	0.9	399,254	5.4		
Manufacturing	395,881	5.8	84,091	1.1		
Construction	162,346	2.4	213,789	2.9		
Agriculture	155,851	2.3	343,828	4.7		
General commerce	148,261	2.2	31,028	0.4		
Transport, storage and communication	110,121	1.6	145,015	2.0		
Electricity, gas and water	49,121	0.7	112,982	1.5		
Real estate	26,434	0.4	161,211	2.2		
Finance, insurance and business services	13,694	0.2	210,892	2.9		
Purchase of securities	9,906	0.1	6,809	0.1		
Mining and quarrying	3,337	0.0	139,132	1.9		
Investment holding	-	-	325,659	4.4		
Others	48,644	0.7	52,475	0.7		
	6,811,298	100.0	7,369,372	100.0		

Gross financing, advances and other loans analysed by type of customers are as follows:

	Group	
	2006 RM'000	2005 RM'000
Individuals	5,659,055	5,419,442
Small medium industries	410,532	1,170,065
Business enterprises	713,826	605,555
Government	21,137	21,245
Other domestic entities	4,279	149,328
Foreign entities	1,795	3,046
Non-bank financial institutions	674	691
	6,811,298	7,369,372

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Financing, advances and other loans analysed by profit rate sensitivity are as follows:

	Group	
	2006 RM'000	2005 RM'000
Fixed rate		
Housing loans	415,579	399,620
HP receivables	4,329,941	4,727,581
Term loans	39,957	522,957
Others	1,960,889	1,700,083
Variable rate		
Cost-plus	64,932	19,131
	6,811,298	7,369,372

Movements in non-performing financing, advances and other loans are as follows:

	Group	
	2006 RM'000	2005 RM'000
Gross		
Balance at beginning of year	574,873	956,842
Non-performing during the year	456,786	200,945
Reclassification to performing financing	(210,756)	(412,065)
Recoveries	(93,320)	(88,067)
Amount written off	(196,149)	(80,604)
Debt equity conversion	-	(2,178)
Balance at end of year	531,434	574,873
Specific allowance	(173,181)	(221,416)
Non-performing financing - net	358,253	353,457
Net NPL as % of gross financing, advances and other loans less specific allowance	4.05%	4.38%

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Non-performing financing, advances and other loans analysed by their economic purposes are as follows:

	Group	
	2006 RM'000	2005 RM'000
Purchase of transport vehicles	252,457	265,396
Purchase of landed property of which:		
(a) Residential	99,393	72,113
(b) Non-residential	43,155	65,711
Construction	39,908	32,241
Consumption credit	34,870	17,413
Manufacturing	29,723	49,349
Real estate	11,487	26,996
General commerce	8,881	18,326
Purchase of securities	5,858	20,794
Transport, storage and communication	3,771	2,072
Agriculture	469	583
Finance, insurance and business services	447	177
Electricity, gas and water	186	188
Mining and quarrying	-	80
Others	829	3,434
	531,434	574,873

Movements in allowances for bad and doubtful financing accounts are as follows:

	Group	
	2006 RM'000	2005 RM'000
General Allowance		
Balance at beginning of year	121,150	101,043
Allowance made during the year	11,508	20,107
Balance at end of year	132,658	121,150
% of total financing, advances and other loans less specific allowance	1.50%	1.50%
Specific Allowance		
Balance at beginning of year	221,416	91,255
Allowance made during the year	239,322	270,782
Amount written back in respect of recoveries	(86,685)	(68,403)
Net charge to income statement	152,637	202,379
Reclassifications	-	29
Amount transferred to accumulated impairment loss on securities	(2,076)	-
Amount written off/Adjustment to Asset Deficiency Account	(198,796)	(72,247)
Balance at end of year	173,181	221,416

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(viii) PROPERTY AND EQUIPMENT

Group	Leasehold improvements RM'000	Computer hardware and software RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST				
At beginning and end of year	453	267	394	1,114
Addition	-	7	-	7
Transfers	-	-	(9)	(9)
	453	274	385	1,112
ACCUMULATED DEPRECIATION				
At beginning of year	452	232	374	1,058
Addition	1	6	9	16
At end of year	453	238	383	1,074
NET BOOK VALUE				
As at 31 March 2006	-	36	2	38
As at 31 March 2005	1	35	20	56
Depreciation charge for the year ended 31 March 2005	37	12	16	65

(ix) DEPOSITS FROM CUSTOMERS

	Group	
	2006 RM'000	2005 RM'000
Mudarabah Fund		
Special Investment deposits	247,537	311,881
General Investment deposits	3,405,198	2,729,158
Non-Mudarabah Fund		
Demand deposits	200,789	103,869
Saving deposits	508,347	395,691
Negotiable Islamic debt certificates	99,887	38,850
	4,461,758	3,579,449
The maturity structure of deposits from customers is as follows:		
Due within six months	4,063,532	3,298,011
Six months to one year	341,892	165,852
One year to three years	48,633	108,285
Three years to five years	7,701	7,301
	4,461,758	3,579,449

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

The deposits are sourced from the following types of customers:

	Group	
	2006 RM'000	2005 RM'000
Government and statutory bodies	811,397	711,804
Business enterprises	2,152,875	1,544,440
Individuals	1,362,917	1,168,862
Others	134,569	154,343
	4,461,758	3,579,449

(x) DEPOSITS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

Mudarabah Fund		
Licensed banks	9,601	99,614
Other financial institutions	1,278,650	1,285,183
Non-Mudarabah Fund		
Licensed banks	539,018	1,293,660
Licensed finance companies	-	95,060
Licensed merchant banks	760,694	147,153
Other financial institutions	724,141	958,903
	3,312,104	3,879,573

(xi) CONVERTED FUND

This represent funds transferred from non-Islamic banking business to Islamic banking business for funding purposes at commercial terms.

(xii) OTHER LIABILITIES

	Group	
	2006 RM'000	2005 RM'000
Other payables and accruals	144,700	153,586
Taxation and zakat payable	16,377	39,431
Amount owing to head office	-	18,615
Lease deposits and advance rentals	14,560	17,050
Profit equalisation reserve	116,755	112,261
	292,392	340,943

The movements in profit equalisation reserve are as follows:

Balance at beginning of year	112,261	54,312
Provision during the year	9,459	62,540
Amount written back	(4,965)	(4,591)
Transfer from income statement	4,494	57,949
Balance at end of year	116,755	112,261

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(xiii) CAPITAL FUNDS

	Group	
	2006 RM'000	2005 RM'000
Allocated :		
Balance at beginning of year	610,542	610,542
Increase	42,839	-
Transfer to non-Islamic banking business	(90,000)	-
Balance at end of year	563,381	610,542
Utilised :		
Balance at beginning of year	595,542	475,542
Transfer to non-Islamic banking business	(75,000)	-
Increase during the year	42,839	120,000
Balance at end of year	563,381	595,542

(xiv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	2006 RM'000	2005 RM'000
Income derived from investment of:		
(i) general investment deposits	326,005	321,297
(ii) specific investment deposits	3,733	7,757
(iii) other deposits	359,369	270,405
	689,107	599,459
(i) Income derived from investment of general investment deposits:		
Finance income and hibah :		
Financing, advances and other loans	295,961	299,340
Securities held-for-trading	6,725	3,365
Money at call and deposits with financial institutions	13,270	11,669
	315,956	314,374
Net interest suspended	(5,757)	(2,454)
Accretion of discount	4,490	5,149
	314,689	317,069
Net gain from sale of securities held-for-trading	365	150
Gain on revaluation of securities-held-for-trading	1,380	264
	1,745	414
Fee and commission income:		
Commission	576	307
Other fee income	8,995	3,507
	9,571	3,814
Total	326,005	321,297

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

	Group	
	2006 RM'000	2005 RM'000
(ii) Income derived from investment of specific investment deposits:		
Finance income and hibah:		
Securities available-for-sale	845	-
Securities held-to-maturity	2,845	-
Financing, advances and other loans	43	7,757
	3,733	7,757
(iii) Income derived from investment of other deposits:		
Finance income and hibah:		
Financing, advances and other loans	332,955	248,717
Securities held-for-trading	3,469	5,598
Securities available-for-sale	11	-
Securities held-to-maturity	38	444
Money at call and deposits with financial institutions	9,164	5,291
	345,637	260,050
Net interest suspended	(6,611)	(11,163)
Accretion of discount	6,167	11,645
	345,193	260,532
Net gain from sale of securities held-for-trading	441	231
Gain on revaluation of securities-held-for-trading	944	483
	1,385	714
Fee and commission income:		
Commission	844	529
Other fee income	11,947	8,630
	12,791	9,159
Total	359,369	270,405
(xv) ALLOWANCE FOR LOSSES ON FINANCING		
Allowance for bad and doubtful financing:		
- general allowance	11,508	20,107
- specific allowance (net)	152,637	202,379
	164,145	222,486
Bad debts recovered	(2,259)	(12,988)
	161,886	209,498

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(xvi) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group	
	2006 RM'000	2005 RM'000
Deposits from customers		
- Mudarabah Fund	88,440	87,075
- Non-Mudarabah Fund	16,544	9,890
Deposits and placements of banks and other financial institutions		
- Mudarabah Fund	39,781	36,150
- Non-Mudarabah Fund	115,929	104,109
Converted fund	15,412	22,633
	276,106	259,857

(xvii) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

Finance income and hibah:		
Financing, advances and other loans	51,730	56,151
Securities held-for-trading	2,612	1,012
Securities available-for-sale	36	-
Securities held-to-maturity	119	-
Money at call and deposits with financial institutions	6,209	2,583
	60,706	59,746
Net interest suspended	(983)	(437)
Accretion of discount	769	1,431
	60,492	60,740
Net gain from sale of securities held-for-trading	47,538	26,604
Gain on revaluation of securities-held-for-trading	397	104
	47,935	26,708
Fee and commission income:		
Guarantee fees	3,039	3,200
Other fee income	16,075	5,715
	19,114	8,915
Total	127,541	96,363

(xviii) OPERATING EXPENDITURE

Personnel costs	69,808	1,489
Establishment costs	33,500	98
Marketing and communication expenses	52,996	34,845
Administration and general expenses	10,997	3,197
	167,301	39,629

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(xix) TAXATION

	Group	
	2006 RM'000	2005 RM'000
Estimated current tax payable	43,014	71,523
Transfer from/(to) deferred tax assets (Note xx)	15,669	(35,281)
Total	58,683	36,242

(xx) DEFERRED TAX ASSETS

Balance at beginning of year	84,398	49,117
Net transfer (to)/from income statement (Note xix)	(15,669)	35,281
Balance at end of year	68,729	84,398

The deferred taxation is in respect of the following:

General allowance for financing activities	37,144	33,923
Profit equalisation reserve	32,691	31,433
Temporary differences arising from gain on revaluation of securities held-for-trading	(1,099)	(1,914)
Unabsorbed tax losses	-	18,059
Temporary differences arising from impairment of securities held-to-maturity	-	2,906
Temporary difference between depreciation and tax allowance	(7)	(9)
	68,729	84,398

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(xxi) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic banking business of the Group make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2006, the commitments and contingencies outstanding are as follows:

Group	2006			2005		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Commitments						
Irrevocable commitments to extend credit maturing:						
within one year	883,667	-	-	810,084	-	-
more than one year	30,055	15,028	15,028	36,959	18,479	18,479
Direct credit substitutes	98,816	98,816	61,985	30,000	30,000	6,000
Sale and buy back agreements	2,174,849	2,174,849	915,378	1,797,882	1,797,882	965,427
	3,187,387	2,288,693	992,391	2,674,925	1,846,361	989,906
Contingent Liabilities						
Islamic revolving underwriting facilities	485,000	242,500	218,100	294,000	147,000	126,600
Certain transaction-related contingent items	28,506	14,253	14,253	24,671	12,336	12,336
Financing sold to Cagamas Bhd	2,205,827	2,205,827	2,205,807	928,658	928,658	927,011
Short-term self liquidating trade-related contingencies	21,056	4,211	4,211	19,660	3,932	3,828
Al-Kafalah guarantees	228,112	228,112	114,056	279,264	279,264	161,915
Others	6,225	-	-	44	-	-
	2,974,726	2,694,903	2,556,427	1,546,297	1,371,190	1,231,690
	6,162,113	4,983,596	3,548,818	4,221,222	3,217,551	2,221,596

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(xxii) YIELD/PROFIT RATE RISK

The following table shows the effective profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2006	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- yield/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
ASSETS										
Cash and short-term funds	1,544,600	-	-	-	-	-	4,921	-	1,549,521	3.21
Deposits and placements with banks and other financial institutions	-	102,126	-	-	-	-	-	-	102,126	2.91
Securities held-for-trading	-	-	-	-	-	-	-	798,073	798,073	3.63
Securities available-for-sale	-	-	18,576	-	-	-	254	-	18,830	5.64
Securities held-to-maturity	-	55,247	-	-	-	-	924	-	56,171	6.21
Financing, advances and other loans										
- performing	352,240	158,755	100,530	89,131	1,166,650	4,412,558	-	-	6,279,864	7.58
- non-performing*	-	-	-	-	-	-	225,595	-	225,595	-
Other non-profit sensitive balances	-	-	-	-	-	-	376,657	-	376,657	-
TOTAL ASSETS	1,896,840	316,128	119,106	89,131	1,166,650	4,412,558	608,351	798,073	9,406,837	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	2,709,312	818,807	555,149	322,156	56,334	-	-	-	4,461,758	2.80
Deposits and placements of banks and other financial institutions	950,789	690,211	531,454	132,893	1,006,757	-	-	-	3,312,104	3.21
Converted fund	80,285	-	-	81	2,345	-	-	-	82,711	-
Acceptances payable	67,871	132,957	27,626	-	-	-	-	-	228,454	-
Other non-profit sensitive balances	-	-	-	-	-	-	292,392	-	292,392	-
Total liabilities	3,808,257	1,641,975	1,114,229	455,130	1,065,436	-	292,392	-	8,377,419	
Islamic Banking Funds	-	-	-	-	-	-	1,029,418	-	1,029,418	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	3,808,257	1,641,975	1,114,229	455,130	1,065,436	-	1,321,810	-	9,406,837	
On-balance sheet yield/profit rate gap sensitivity	(1,911,417)	(1,325,847)	(995,123)	(365,999)	101,214	4,412,558	(713,459)	798,073	-	
Off-balance sheet yield/profit rate gap sensitivity	(1,233,373)	(487,473)	(295,956)	(1,521)	1,661,213	357,110	-	-	-	
Total yield/profit rate gap sensitivity	(3,144,790)	(1,813,320)	(1,291,079)	(367,520)	1,762,427	4,769,668	(713,459)	798,073	-	
Cumulative yield/profit rate gap sensitivity	(3,144,790)	(4,958,110)	(6,249,189)	(6,616,709)	(4,854,282)	(84,614)	(798,073)	-	-	

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

Group 2005	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- yield/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
ASSETS										
Cash and short-term funds	916,453	-	-	-	-	-	5,912	-	922,365	2.73
Deposits and placements with banks and other financial institutions	-	77,300	-	-	-	-	-	-	77,300	2.80
Securities held-for-trading	-	-	-	-	-	-	-	684,069	684,069	3.82
Financing, advances and other loans										
- performing	435,449	766,240	399,436	779,153	3,739,313	674,908	-	-	6,794,499	7.97
- non-performing*	-	-	-	-	-	-	232,307	-	232,307	-
Other non-profit sensitive balances	-	-	-	-	-	-	345,885	-	345,885	-
TOTAL ASSETS	1,351,902	843,540	399,436	779,153	3,739,313	674,908	584,104	684,069	9,056,425	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	1,871,225	950,306	363,075	165,852	125,123	-	103,868	-	3,579,449	2.81
Deposits and placements of banks and other financial institutions	940,990	1,457,278	344,863	576,851	548,411	-	11,180	-	3,879,573	3.18
Converted fund	5,704	152,741	5,370	1,073	-	-	136,789	-	301,677	3.24
Acceptances payable	6,813	15,013	21,628	-	-	-	-	-	43,454	-
Other non-profit sensitive balances	-	-	-	-	-	-	340,943	-	340,943	-
Total liabilities	2,824,732	2,575,338	734,936	743,776	673,534	-	592,780	-	8,145,096	
Islamic Banking Funds	-	-	-	-	-	-	911,329	-	911,329	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	2,824,732	2,575,338	734,936	743,776	673,534	-	1,504,109	-	9,056,425	
On-balance sheet yield/profit rate gap sensitivity	(1,472,830)	(1,731,798)	(335,500)	35,377	3,065,779	674,908	(920,005)	684,069	-	
Off-balance sheet yield/profit rate gap sensitivity	(696,772)	(764,617)	(240,651)	410,362	1,048,074	243,604	-	-	-	
Total yield/profit rate gap sensitivity	(2,169,602)	(2,496,415)	(576,151)	445,739	4,113,853	918,512	(920,005)	684,069	-	
Cumulative yield/profit rate gap sensitivity	(2,169,602)	(4,666,017)	(5,242,168)	(4,796,429)	(682,576)	235,936	(684,069)	-	-	

* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(xxiii) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

The estimated fair values of the Group Islamic banking business financial instruments are as follows:

Group	2006		2005	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	1,549,521	1,549,521	922,365	922,365
Deposit and placements with banks and other financial institutions	102,126	102,126	77,300	77,300
Securities held-for-trading	798,073	798,073	684,069	684,069
Securities available-for-sale	18,830	18,830	-	-
Securities held-to-maturity	56,171	56,077	-	-
Financing, advances and other loans*	6,638,117	6,825,547	7,147,956	7,458,367
Other financial assets	18,040	18,040	15,750	15,750
	9,180,878	9,368,214	8,847,440	9,157,851
Non-financial assets	225,959		208,985	
TOTAL ASSETS	9,406,837		9,056,425	
Financial Liabilities				
Deposits from customers	4,461,758	4,470,480	3,579,449	3,589,364
Deposits and placements of banks and other financial institutions	3,312,104	3,303,308	3,879,573	3,885,932
Converted fund	82,711	82,711	301,677	301,677
Acceptances payable	228,454	228,454	43,454	43,454
Other financial liabilities	159,260	159,260	189,251	189,251
	8,244,287	8,244,214	7,993,404	8,009,678
Non-financial liabilities				
Other non-financial liabilities	133,132		151,692	
Islamic Banking Funds	1,029,418		911,329	
	1,162,550		1,063,021	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	9,406,837		9,056,425	

* The general allowance for the Group amounting to RM132,658,000 (RM121,150,000 as at 31 March 2005) has been included under non-financial assets.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(xxiv) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic banking business comprises the following items:

	Group	
	2006 RM'000	2005 RM'000
Income derived from investment of depositors' funds and others	689,107	599,459
Less : Income attributable to depositors	(276,106)	(259,857)
Income attributable to the Group	413,001	339,602
Income derived from Islamic Banking Funds	127,541	96,363
	540,542	435,965

(xxv) CAPITAL ADEQUACY RATIO

(i) Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratio, the Group's capital adequacy ratio of the Islamic banking business are as follows:

	2006 RM'000	2005 RM'000
Tier 1 capital		
Capital funds	563,381	595,542
Exchange fluctuation reserve	(9)	-
Unappropriated profit at end of year	465,965	315,246
Total tier 1 capital	1,029,337	910,788
Less: Deferred tax assets - net	(68,729)	(84,509)
	960,608	826,279
Tier 2 capital		
General allowance for bad and doubtful financing	132,658	121,150
Capital base	1,093,266	947,429
Capital Ratios:		
Core capital ratio	9.41%	8.73%
Risk-weighted capital ratio	10.71%	10.01%

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	2006		2005	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	1,695,878	-	1,416,097	-
10%	1,623	162	54,433	5,443
20%	716,794	143,359	1,467,968	293,594
50%	544,574	272,287	573,396	286,698
100%	8,733,532	8,733,532	8,877,003	8,877,003
	11,692,401	9,149,340	12,388,897	9,462,738
Add : Total equivalent to market risk		1,054,588		
		10,203,928		

The capital adequacy ratio of the Group as at 31 March 2005 has not been restated for prior year adjustments effect as mentioned in Note xxvi below.

Notes to the Financial Statements (cont'd)

For The Year Ended 31 March 2006

(xxvi) PRIOR YEAR'S ADJUSTMENTS

The prior year's adjustments relate to the change in accounting policy on adoption of revised GP8/BNM as described in Note 54 to the financial statements.

The presentation and classification of items in the current year's financial statements are consistent with the previous financial year except that the following figures which have been restated as a result of the adoption of the revised BNM/GP8:

	As previously stated RM'000	Effect of change RM'000	As restated RM'000
Balance Sheet			
As at 31 March 2005			
Dealing securities	178,506	(178,506)	-
Investment securities	504,811	(504,811)	-
Securities held-for-trading	-	684,069	684,069
Deferred tax assets	84,509	(111)	84,398
Other liabilities	340,843	100	340,943
Unappropriated profit	315,246	541	315,787
Income Statement			
Financial year ended 31 March 2005			
Income derived from investment of depositors' funds and others	597,810	1,649	599,459
Reversal of allowance for diminution in value of investments	738	(738)	-
Impairment writeback on securities held-to-maturity	-	113	113
Income attributable to the depositors	(259,052)	(805)	(259,857)
Income derived from Islamic Banking Funds	96,247	116	96,363
Taxation	(36,148)	(94)	(36,242)
Profit after taxation	92,519	241	92,760

56. CURRENCY

All amounts are in Ringgit Malaysia.

List of Landed Properties

As At 31 March 2006

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
The properties owned by the subsidiary companies are as follows:						
Perlis Indera Kayangan						
13, Jalan Jubli Perak 01000 Kangar Perlis Indera Kayangan	One unit of double storey shoplot for branch premises	22 years	Freehold	117,145	2,800	4 Nov 1991
Perak Darul Ridzuan						
5, Main Road 32300 Pulau Pangkor Perak Darul Ridzuan	One unit of two-storey shophouse for branch premises	33 years	Freehold	55,332	2,720	31 Dec 1990
27, Jalan Trump Kuala Sepetang 34650 Taiping Perak Darul Ridzuan	One unit of double storey shoplot for branch premises	23 years	Freehold	44,801	2,702	4 Nov 1991
23 & 24, Jalan Raja Omar 32000 Sitiawan Perak Darul Ridzuan	Two units of three-storey shoplots for branch premises	24 years	Freehold	257,989	7,040	1 Nov 1991
107, Jalan Tokong Datoh 33300 Grik Perak Darul Ridzuan	One unit of two-storey shoplot for branch premises	21 years	Leasehold Term: 99 years Expiry: 30 Oct 2084	181,055	5,695	29 Dec 1990
2 & 4, Jalan Temenggong Pusat Bandar 34200 Parit Buntar Perak Darul Ridzuan	Two units of two-storey shoplots for branch premises	17 years	Leasehold Term: 99 years Expiry: Oct 2088	296,188	6,722	23 Dec 1993
Pulau Pinang						
1 & 3, Lorong Murni 6 Taman Desa Murni, Sungai Dua 13800 Butterworth Pulau Pinang	Two units of double storey shoplots for branch premises	14 years	Freehold	594,718	7,200	28 Nov 1996
35 & 36 - Phase 1 Prai Business Point Prai Perdana 12000 Seberang Prai Pulau Pinang	Two units of vacant three-storey shop office	6 years	Freehold	1,537,669	10,307	28 Nov 1998
1311, Jalan Besar 14200 Sungai Bakap Province Wellesley Pulau Pinang	One unit of two-storey shoplot for branch premises	16 years	Freehold	205,462	3,894	7 Dec 1992
4194, Jalan Bagan Luar 12000 Butterworth Pulau Pinang	Two units of two-storey shoplots for branch premises	21 years	Freehold	234,930	7,200	16 Sep 1992

List of Landed Properties

As At 31 March 2006 (cont'd)

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
Wilayah Persekutuan – Kuala Lumpur						
Menara AmBank 8, Jalan Yap Kwan Seng 50450 Kuala Lumpur	46-storey office building for operations and rental	8 years	Freehold	193,133,896	927,070	13 Mar 1990
Wisma AmBank 113, Jalan Pudu 55100 Kuala Lumpur	One unit 12-storey office building for operations and branch premises	20 years	Freehold	15,806,001	55,700	4 Nov 1991
Warisan MBf Jalan Tun H. S. Lee 50050 Kuala Lumpur	Four-storey pre-war shophouse used for branch premises	63 years	Freehold	4,864,851	16,114	24 Apr 1991
2 & 4, Jalan 12/5 Taman Melati, Setapak 53100 Kuala Lumpur	Two units of two-storey shophouses for storage purposes	15 years	Freehold	355,753	5,600	17 July 1992
2 & 4, Jalan 23/70A Desa Sri Hartamas 55048 Kuala Lumpur	Two units of four-storey shophouses for rental purposes	7 years	Freehold	3,298,070	13,504	23 Apr 1998
85, 87, 89, 107, 109 & 111 Jalan 3/93, Taman Miharja 55200 Kuala Lumpur	Six units of three-storey shophouses for rental purposes	16 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	2,686,054	30,528	9 Mar 1992
45, Jalan 45/26 Taman Sri Rampai, Setapak 53300 Kuala Lumpur	One unit of three-storey shophouse for storage purposes	20 years	Freehold	195,325	1,399	20 Feb 1991
8th & 9th Floors Bangunan AMDB 1, Jalan Lumut 50400 Kuala Lumpur	Two floors of office space for operations	13 years	Freehold	7,542,439	25,488	18 May 1994
Wilayah Persekutuan – Labuan						
A (03-6) & E (03-1) Kerupang II 87000 Federal Territory of Labuan	Two units of three-room walk-up apartment for residential purposes	11 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	379,781	1,016	30 June 1996
Alpha Park Tower Condo Labuan, 10th Floor Financial Park Complex 87000 Federal Territory of Labuan	Condominium for residential purposes	10 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	451,536	1,679	1 July 1996

List of Landed Properties

As At 31 March 2006 (cont'd)

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
Selangor Darul Ehsan						
11, Jalan Taman Off Jalan Melayu, 41300 Klang Selangor Darul Ehsan	One unit of four-storey shoplot under joint venture for rental	21 years	Leasehold Term: 20 years Expiry: July 2006	22,313	6,200	4 Nov 1991
7 & 9, Jalan Perusahaan 2 Off Jalan Kolej 43300 Seri Kembangan Selangor Darul Ehsan	Two units of two-storey commercial complex for branch premises	20 years	Leasehold Term: 40 years Expiry: May 2017	511,869	8,000	25 Nov 1995
Damansara Fairway 3 6C, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya Selangor Darul Ehsan	One unit of 13-storey office building	15 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	18,108,415	76,120	13 Oct 2000
Pahang Darul Makmur						
Lot 4, Sec 1, Pekan Mengkuang Mukim of Triang District of Temerloh Pahang Darul Makmur	One piece of vacant land	N/A	Freehold	61,000	410,009	4 Nov 1991
533, Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur	One unit of apartment	22 years	Leasehold Term: 85 years Expiry: Aug 2067	160,426	980	30 Nov 1985
Melaka						
Lot 43 & 44, Sec 7 Jalan Hang Tuah Town Area XXI, Melaka Tengah Melaka	Two pieces of vacant land for rental purposes	15 years	Freehold	3,492,416	26,789	4 Nov 1991
Negeri Sembilan Darul Khusus						
226, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus	One unit of abandoned four-storey shophouse	22 years	Freehold	141,067	5,200	4 Nov 1991
22 & 23, Jalan Dato' Lee Fong Yee 70000 Seremban Negeri Sembilan Darul Khusus	Two units of four-storey shoplots for branch premises	21 years	Freehold	1,124,716	22,000	15 Mar 1990
Lot 4261 GM395 Mukim Jimah Port Dickson Negeri Sembilan Darul Khusus	One unit of two-storey shophouse	9 years	Freehold	31,069	1,765	25 Apr 1997

List of Landed Properties

As At 31 March 2006 (cont'd)

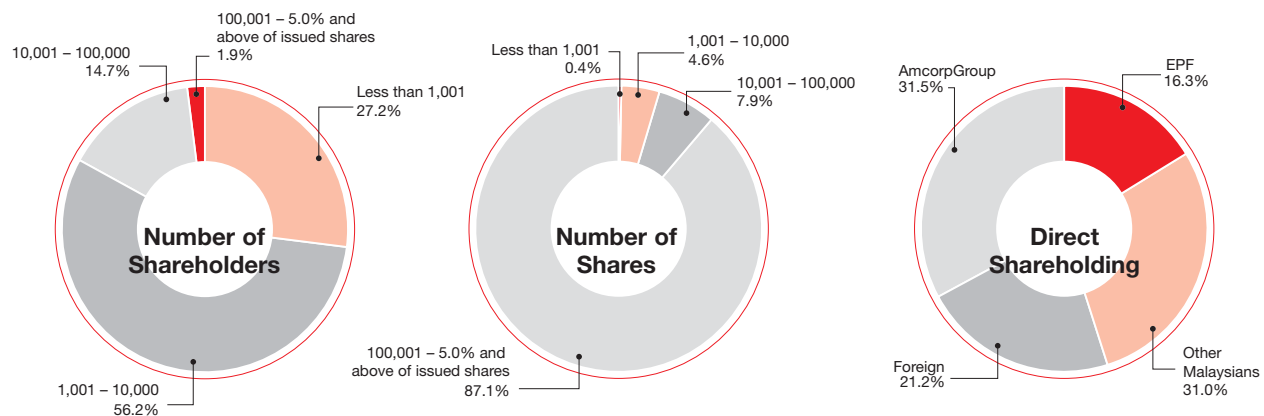
Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq.Ft)	Date of Acquisition
Johor Darul Takzim						
S142, Bt 22, Jalan Mersing Kahang New Village 86700 Kahang Johor Darul Takzim	One unit of double storey shoplot for branch premises	23 years	Freehold	74,390	2,300	4 Nov 1991
33 & 35, Jalan Permatang 12 Taman Desa Jaya 81100 Johor Bahru Johor Darul Takzim	Two units of two-storey shoplots for storage purposes	16 years	Freehold	408,502	5,800	8 July 1990
31-7, Jalan Raya Kulai Besar 81000 Kulai Johor Darul Takzim	One unit of shoplot for branch premises	18 years	Freehold	401,095	6,930	19 May 1992
14 & 15, Jalan Abdullah 85000 Segamat Johor Darul Takzim	Two units of four-storey shoplots for branch premises	66 years	Freehold	386,758	5,832	12 June 1985
100, Jalan Besar 83700 Yong Peng Johor Darul Takzim	One unit of shoplot for branch premises	68 years	Freehold	227,576	3,120	12 June 1985
PTD No.3700, 3702, 3887, 4338 and 4339 H.S.(D) 9062, 9064, 9249, 9695 and 9696 Mukim Paloh, Daerah Kluang Johor Darul Takzim	Five pieces of bungalow land	N/A	Freehold	227,848	28,418	29 Dec 1999
PT 4758, 4759, 4760, 4761, 4762, 4763, 4764 and 4765 H.S.(D) 10114, 10115, 10116 10117, 10118, 10119, 10120 and 10121 Mukim Paloh, Daerah Kluang Johor Darul Takzim	Eight pieces of semi-detached land	N/A	Freehold	239,616	29,952	29 Dec 1999
Kelantan Darul Naim						
707, Jalan Masjid Lama 17000 Pasir Mas Kelantan Darul Naim	One unit of two-storey shoplot for branch premises	28 years	Leasehold Term: 66 years Expiry: Jan 2061	335,159	3,024	25 June 1993
Terengganu Darul Iman						
50, Jalan Lim Teck Wan 23000 Dungun Terengganu Darul Iman	One unit of double storey shoplot for branch premises	23 years	Freehold	162,804	3,600	4 Nov 1991
Sabah and Sarawak						
257, Jalan Haji Taha 93400 Kuching Sarawak	Seven-storey office building for branch premises and rental	7 years	Leasehold Term: 855 years Expiry: July 2792	14,375,384	51,906	31 Dec 1994

Shareholding and Warrant Holding Structures

As At 26 June 2006

Analysis of Shareholdings

Authorised Share Capital : RM5,000,000,000
 Paid-up Share Capital : RM2,130,538,695
 Class of Share : Ordinary share of RM1.00 each
 Voting Rights : 1 vote per shareholder on a show of hands
 : 1 vote per ordinary share on a poll



	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Size of Shareholdings				
Less than 100	1,070	2.59	43,594	0.00
100 – 1,000	10,173	24.63	8,188,608	0.38
1,001 – 10,000	23,218	56.22	97,363,557	4.57
10,001 – 100,000	6,076	14.71	167,420,062	7.86
100,001 – less than 5.0% of issued shares	760	1.84	1,067,513,919	50.11
5.0% and above of issued shares	3	0.01	790,008,955	37.08
Total	41,300	100.00	2,130,538,695	100.00
Location of Shareholders				
Malaysia	39,555	95.77	1,678,473,551	78.79
Singapore	500	1.21	8,855,531	0.42
Hong Kong	11	0.02	969,124	0.04
Australia	42	0.10	613,974	0.03
Japan	3	0.01	22,000	0.00
United States	15	0.04	242,658	0.01
Other Countries	1,174	2.85	441,361,857	20.71
Total	41,300	100.00	2,130,538,695	100.00
Types of Shareholders (By Nationality)				
Malaysian				
– Individual	34,167	82.73	234,462,699	11.00
– Nominee companies	4,774	11.56	899,526,573	42.22
– Other companies	614	1.48	544,484,279	25.57
Singaporean	500	1.21	8,855,531	0.42
Hong Kong Nationals	11	0.02	969,124	0.04
Australian	42	0.10	613,974	0.03
Japanese	3	0.01	22,000	0.00
American	15	0.04	242,658	0.01
Other Nationalities	1,174	2.85	441,361,857	20.71
Total	41,300	100.00	2,130,538,695	100.00

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

30 Largest Shareholders

	No. of Shares	%
1. UOBM Nominees (Tempatan) Sdn Bhd – AmcorpGroup Berhad	389,126,825	18.27
2. Employees Provident Fund Board	265,276,534	12.45
3. AmcorpGroup Berhad	135,605,596	6.37
4. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd – AmcorpGroup Berhad	77,095,000	3.62
5. UOBM Nominees (Tempatan) Sdn Bhd – AmcorpGroup Berhad	65,000,000	3.05
6. Regal Genius Sdn Bhd	29,490,000	1.38
7. Valuecap Sdn Bhd	27,134,900	1.27
8. Malaysia Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad	26,174,900	1.23
9. Cartaban Nominees (Asing) Sdn Bhd – Government of Singapore Investment Corporation Pte Ltd for Government of Singapore	24,431,799	1.15
10. Cartaban Nominees (Tempatan) Sdn Bhd – Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board	23,886,480	1.12
11. HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (U.A.E.)	22,423,405	1.05
12. HSBC Nominees (Asing) Sdn Bhd – Exempt An for Morgan Stanley & Co. Incorporated	19,201,775	0.90
13. Citigroup Nominees (Asing) Sdn Bhd – Exempt An for American International Assurance Company Limited	18,969,334	0.89
14. HSBC Nominees (Asing) Sdn Bhd – HSBC-FS for Target Asia Fund Limited	15,065,100	0.71
15. Amanah Raya Nominees (Tempatan) Sdn Bhd – Skim Amanah Saham Bumiputera	14,250,000	0.67
16. Citigroup Nominees (Asing) Sdn Bhd – CBNY for DFA Emerging Markets Fund	14,093,744	0.66
17. Citigroup Nominees (Tempatan) Sdn Bhd – CMS Dresdner Asset Management Sdn Bhd for Employees Provident Fund	14,000,000	0.66
18. Pertubuhan Keselamatan Sosial	13,199,940	0.62
19. Citigroup Nominees (Asing) Sdn Bhd – Chase Manhattan Trustees Limited for Pacific Trust	13,083,900	0.61

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

30 Largest Shareholders

	No. of Shares	%
20. Citigroup Nominees (Tempatan) Sdn Bhd – ING Insurance Berhad	13,060,273	0.61
21. Cartaban Nominees (Asing) Sdn Bhd – Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore	12,499,500	0.59
22. Cartaban Nominees (Asing) Sdn Bhd – Investors Bank and Trust Company for Ishares, Inc	12,390,000	0.58
23. HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (Saudi Arabia)	10,994,700	0.52
24. Amanah Raya Nominees (Tempatan) Sdn Bhd – Amanah Saham Malaysia	10,437,120	0.49
25. Amanah Raya Nominees (Tempatan) Sdn Bhd – Sekim Amanah Saham Nasional	10,110,500	0.47
26. RHB Nominees (Tempatan) Sdn Bhd – RHB Asset Management Sdn Bhd for Kumpulan Wang Simpanan Pekerja	9,767,980	0.46
27. HSBC Nominees (Asing) Sdn Bhd – Pictet and CIE for Pictet Asia Growth Fund FCP	9,573,400	0.45
28. SBB Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	9,360,500	0.44
29. HSBC Nominees (Asing) Sdn Bhd – TNTC for Government of Singapore Investment Corporation Pte Ltd	8,962,000	0.42
30. HLG Nominee (Tempatan) Sdn Bhd – PB Trustee Services Berhad for HLG Growth Fund	8,531,860	0.40
Total	1,323,197,065	62.11

Substantial Shareholders According to the Register of Substantial Shareholders

	No. of Shares			
	Direct Interest	%	Deemed Interest	%
Tan Sri Dato' Azman Hashim	–	–	701,181,468 ⁽¹⁾	32.91
Slan Sdn Bhd	–	–	701,181,468 ⁽¹⁾	32.91
Ginagini Sdn Bhd	–	–	701,181,468 ⁽¹⁾	32.91
AmcorpGroup Berhad	671,252,421	31.51	29,929,047 ⁽²⁾	1.40
Employees Provident Fund Board	347,119,014	16.29	–	–

Notes:

⁽¹⁾ Deemed interested through AmcorpGroup Berhad, Regal Genius Sdn Bhd and AMDB Equipment Trading Sdn Bhd.

⁽²⁾ Deemed interested through Regal Genius Sdn Bhd and AMDB Equipment Trading Sdn Bhd.

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

Analysis of Warrant 1997/2007 Holdings

No. of Warrants in Issue	: 143,534,078
Exercise Price of Warrants	: RM6.51
Exercise Period of Warrants	: 14 May 1998 – 13 May 2007 (Only in the months of January, April, July and October)
Exercise Rights	: Each warrant entitles the holder to subscribe for one new ordinary share of RM1.00 each in the Company.
Voting Rights at meetings of warrant holders	: 1 vote per warrant holder on a show of hands 1 vote per warrant on a poll

	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Size of Warrant Holdings				
Less than 100	1,243	16.90	81,681	0.06
100 – 1,000	956	12.99	523,615	0.36
1,001 – 10,000	3,232	43.93	15,891,912	11.07
10,001 – 100,000	1,684	22.89	56,457,009	39.33
100,001 – less than 5.0% of issued warrants	242	3.29	70,579,861	49.18
5.0% and above of issued warrants	–	0.00	–	0.00
Total	7,357	100.00	143,534,078	100.00
Location of Warrant Holders				
Malaysia	7,188	97.71	133,903,227	93.28
Singapore	55	0.74	489,929	0.34
Australia	1	0.01	1,649	0.00
United States	3	0.04	31,095	0.02
Other Countries	110	1.50	9,108,178	6.36
Total	7,357	100.00	143,534,078	100.00
Types of Warrant Holders (By Nationality)				
Malaysian				
– Individual	6,175	83.94	98,351,511	68.52
– Nominee companies	952	12.94	32,200,600	22.43
– Other companies	61	0.83	3,351,116	2.33
Singaporean	55	0.74	489,929	0.34
Australian	1	0.01	1,649	0.00
American	3	0.04	31,095	0.02
Other Nationalities	110	1.50	9,108,178	6.36
Total	7,357	100.00	143,534,078	100.00

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

30 Largest Warrant Holders

	No. of Warrants	%
1. Citigroup Nominees (Asing) Sdn Bhd – GSI for DKR Soundshore Oasis Holding Fund Ltd	2,500,000	1.74
2. Cimsec Nominees (Tempatan) Sdn Bhd – Exempt An for CIMB-GK Securities Pte Ltd	1,964,288	1.37
3. Citigroup Nominees (Asing) Sdn Bhd – Merrill Lynch International	1,955,129	1.36
4. Citigroup Nominees (Tempatan) Sdn Bhd – Janaki @ Mallika a/p Palaniappan	1,662,400	1.16
5. Tan Boon Har	1,394,916	0.97
6. IOI Corporation Berhad	1,319,696	0.92
7. Mayban Nominees (Tempatan) Sdn Bhd – Kek Lian Lye	1,222,633	0.85
8. JF Apex Nominees (Tempatan) Sdn Bhd – See Kooi Lum @ Chui Sue Lim	1,100,000	0.77
9. Chew Ee Suan	1,089,837	0.76
10. SBB Nominees (Tempatan) Sdn Bhd – Pertubuhan Keselamatan Sosial	1,013,611	0.71
11. JF Apex Nominees (Tempatan) Sdn Bhd – Yee Swee Kuan	1,000,000	0.70
12. HSBC Nominees (Asing) Sdn Bhd – HPBS SG for Tenacious Hold Limited	948,953	0.66
13. Lee Chong Loo	942,900	0.66
14. Wan Ah Seng	940,000	0.66
15. Lew Tin Yang @ Leu Ting Yeang	910,101	0.63
16. Cimsec Nominees (Tempatan) Sdn Bhd – Hoe Siew Nee	850,000	0.59
17. Affin Nominees (Tempatan) Sdn Bhd – Tan Boon Har	723,876	0.50
18. Ng Tiam Ming	713,700	0.50
19. RHB Nominees (Tempatan) Sdn Bhd – Tan Boon Keong	700,000	0.49

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

30 Largest Warrant Holders

	No. of Warrants	%
20. Kumpulan Kseena Sdn Bhd	691,006	0.48
21. Ee Cheng Tak	650,000	0.45
22. Tan Peng Nguang	645,300	0.45
23. Liew Choon Num	620,000	0.43
24. Tan Hong Loon	600,000	0.42
25. Chow Seng Chu	520,000	0.36
26. Tan Yong Hoo @ Tan Liong Hoo	500,000	0.35
27. Kenanga Nominees (Tempatan) Sdn Bhd – Tan Poay See	500,000	0.35
28. RHB Capital Nominees (Tempatan) Sdn Bhd – Tai Sooi Chin	450,000	0.31
29. Ngui Kwong Hua	448,400	0.31
30. Lee Meng Yong	445,397	0.31
Total	29,022,143	20.22

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

Analysis of Warrant 2003/2008 Holdings

No. of Warrants in Issue	: 132,100,145
Exercise Price of Warrants	: RM2.19
Exercise Period of Warrants:	20 March 2003 – 19 March 2008
Exercise Rights	: Each warrant entitles the holder to subscribe for one new ordinary share of RM1.00 each in the Company.
Voting Rights at meetings of warrant holders	: 1 vote per warrant holder on a show of hands 1 vote per warrant on a poll

	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Size of Warrant Holdings				
Less than 100	1,311	17.96	63,791	0.05
100 – 1,000	1,001	13.71	518,702	0.39
1,001 – 10,000	4,047	55.44	13,598,329	10.29
10,001 – 100,000	824	11.29	25,769,595	19.51
100,001 – less than 5.0% of issued warrants	114	1.56	52,990,990	40.12
5.0% and above of issued warrants	3	0.04	39,158,738	29.64
Total	7,300	100.00	132,100,145	100.00
Location of Warrant Holders				
Malaysia	7,094	97.18	116,700,713	88.34
Singapore	72	0.99	774,716	0.58
Australia	4	0.05	33,563	0.03
United States	5	0.07	26,051	0.02
Other Countries	125	1.71	14,565,102	11.03
Total	7,300	100.00	132,100,145	100.00
Types of Warrant Holders (By Nationality)				
Malaysian				
– Individual	5,912	80.99	39,112,676	29.61
– Nominee companies	1,044	14.30	42,088,552	31.86
– Other companies	138	1.89	35,499,485	26.87
Singaporean	72	0.99	774,716	0.58
Australian	4	0.05	33,563	0.03
American	5	0.07	26,051	0.02
Other Nationalities	125	1.71	14,565,102	11.03
Total	7,300	100.00	132,100,145	100.00

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

30 Largest Warrant Holders

	No. of Warrants	%
1. Corporateview Sdn Bhd	20,983,203	15.89
2. A.A. Assets Nominees (Tempatan) Sdn Bhd – Fulcrum Asset Management Sdn Bhd for Corporateview Sdn Bhd	10,675,535	8.08
3. HSBC Nominees (Asing) Sdn Bhd – Exempt An for Morgan Stanley & Co. Incorporated	7,500,000	5.68
4. AmcorpGroup Berhad	5,954,097	4.51
5. Citigroup Nominees (Tempatan) Sdn Bhd – CMS Dresdner Asset Management Sdn Bhd for Employees Provident Fund	3,800,000	2.88
6. HSBC Nominees (Asing) Sdn Bhd – Exempt An for Credit Suisse	3,439,600	2.61
7. Regal Genius Sdn Bhd	2,989,936	2.26
8. HLG Nominee (Tempatan) Sdn Bhd – PB Trustee Services Berhad for HLG Growth Fund	1,934,989	1.47
9. HSBC Nominees (Tempatan) Sdn Bhd – HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	1,826,000	1.38
10. HLG Nominee (Tempatan) Sdn Bhd – Goh Gek Ying @ Goh Sai Ying	1,523,300	1.15
11. Ng Leong Huat	1,440,000	1.09
12. RHB Capital Nominees (Tempatan) Sdn Bhd – Sor Ah Kee	1,325,000	1.00
13. Universal Trustee Malaysia Berhad – HLG Balanced Fund	1,234,752	0.93
14. Amanah Raya Berhad – SBB Double Growth Fund	1,100,000	0.83
15. Citigroup Nominees (Tempatan) Sdn Bhd – Koh Kim Teck	1,067,000	0.81
16. Citigroup Nominees (Asing) Sdn Bhd – UBS AG Singapore for World Apex Limited	1,000,000	0.76
17. Mayban Nominees (Tempatan) Sdn Bhd – Eng Lai Sim	991,700	0.75
18. HLB Nominees (Tempatan) Sdn Bhd – Tiang Ming Sing	860,000	0.65
19. Manulife Insurance (Malaysia) Berhad	840,501	0.64

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

30 Largest Warrant Holders

	No. of Warrants	%
20. Soong Bee Yoke	749,000	0.57
21. Lee Yew Sing	622,000	0.47
22. Citigroup Nominees (Tempatan) Sdn Bhd – Tiang Ming Sing	586,000	0.44
23. Lem Kim Seong	585,200	0.44
24. Lee San Ming @ Lee Lay Eng	500,000	0.38
25. Low Chee Kein	435,000	0.33
26. Yong Poh Kon	400,000	0.30
27. AMMB Nominees (Tempatan) Sdn Bhd – Assar Asset Management Sdn Bhd for Lembaga Kumpulan Wang Kawasan Konsesi Hutan	400,000	0.30
28. Inter-Pacific Equity Nominees (Tempatan) Sdn Bhd – Lee Soo Ming	400,000	0.30
29. Mayban Nominees (Tempatan) Sdn Bhd – Yeong Sin Khong	370,000	0.28
30. JF Apex Nominees (Tempatan) Sdn Bhd – Hon Kwong Yew	362,000	0.27
Total	75,894,813	57.45

Shareholding and Warrant Holding Structures

As At 26 June 2006 (cont'd)

Directors' Interest in the Company and its Related Corporations

The Company – AMMB Holdings Bhd

	Direct Interest		No. of Shares	
		%	Deemed Interest	%
Tan Sri Dato' Azman Hashim	–	–	701,181,468 ⁽¹⁾	32.91
Dato' Azlan Hashim	90,000	*	–	–
Dato' Izham Mahmud	4,670	*	–	–
Cheah Tek Kuang	23,800	*	–	–

	Direct Interest		No. of Warrants 2003/2008	
		%	Deemed Interest	%
Tan Sri Dato' Azman Hashim	–	–	40,625,453 ⁽²⁾	30.75
Cheah Tek Kuang	46,189	0.03	–	–

Subsidiary Company – AmInvestment Group Berhad

	Direct Interest		No. of Shares	
		%	Deemed Interest	%
Tan Sri Dato' Azman Hashim	94,554,848	7.16	831,167,074 ⁽³⁾	62.97
Dato' Azlan Hashim	223,331	0.02	–	–
Tun Mohammed Hanif Omar	200,000	0.02	–	–
Tan Sri Datuk Dr Aris Othman	50,000	*	–	–
Tan Sri Datuk Clifford Francis Herbert	50,000	*	–	–
Tan Sri Dato' Mohd Ibrahim Mohd Zain	50,000	*	–	–
Dato' Izham Mahmud	107,070	0.01	–	–
Cheah Tek Kuang	1,120,100	0.08	–	–
Soo Kim Wai	100,000	0.01	–	–
Shalina Azman	100,000	0.01	–	–

Tan Sri Dato' Azman Hashim, by virtue of his interest in the shares and warrants of AMMB Holdings Bhd (AHB), is also deemed to have an interest in the shares of the subsidiaries of AHB to the extent that AHB has an interest.

Other than stated above, none of the other directors of the Company had any direct and deemed interest in the Company or its related corporations.

Notes:

⁽¹⁾ Deemed interested through AmcorpGroup Berhad, Regal Genius Sdn Bhd and AMDB Equipment Trading Sdn Bhd.

⁽²⁾ Deemed interested through AmcorpGroup Berhad, Regal Genius Sdn Bhd, AMDB Equipment Trading Sdn Bhd and Corporateview Sdn Bhd.

⁽³⁾ Deemed interested through AMMB Holdings Berhad, AmcorpGroup Berhad, Regal Genius Sdn Bhd, AMDB Equipment Trading Sdn Bhd and Azman Hashim Holdings Sdn Bhd.

* Less than 0.01%

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REGION 6**SARAWAK**

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Cheras – Taman Maluri
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Kepong
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Pudu – Jalan Pudu
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Fax: 03-2072 9198

Pudu – Jalan Besar
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7984 3694
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7984 3694
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Selayang
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Sentul
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Setapak
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Fax: 03-4023 6551

Sri Petaling
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Wangsa Maju
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Bandar Baru Bangi
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Bandar Baru Sungai Buloh
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Banting
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Bandar Baru Rawang
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Fax: 05-366 5009

Bercham
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Ipoh Main – Jalan Yang Kalsom
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Fax: 05-255 7539

Kampar
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Fax: 05-465 1534

Kuala Kangsar
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Kuala Sepetang
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Langkap
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Menglembu
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Sitiawan
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Fax: 04-530 2395

Butterworth
Tel: 04-332 2901, 332 2902
Fax: 04-332 4619

Gelugor
Tel: 04-657 1284, 657 2148
Fax: 04-657 2004

Jelutong – Jalan Jelutong
Tel: 04-657 2339, 659 2410
Fax: 04-657 1644

MBf Tower
Tel: 04-229 0917, 229 0972
Fax: 04-229 0943

Penang Main – Leboh Bishop
Tel: 04-263 2520, 263 2523
Fax: 04-263 1468

Pulau Tikus
Tel: 04-229 8942, 229 8943
Fax: 04-229 8945

Sungai Bakap
Tel: 04-582 2368, 582 4579
Fax: 04-582 5827

Sungai Dua
Tel: 04-356 7691, 356 1328
Fax: 04-356 1159

Tanjung Bungah
Tel: 04-890 4502, 890 4628
Fax: 04-890 4690

Penang – Menara Liang Court
Tel: 04-226 3939
Fax: 04-226 1313

Seberang Jaya
Tel: 04-397 9569, 397 9570
Fax: 04-397 9572

KEDAH DARUL AMAN

Alor Setar
Tel: 04-730 1905, 731 6811
Fax: 04-731 3901

Jitra
Tel: 04-917 2903, 917 5555
Fax: 04-917 2911

Kulim
Tel: 04-491 3666, 491 3667
Fax: 04-490 0162

Langkawi
Tel: 04-966 3130, 966 3133
Fax: 04-966 3129

Sungai Petani
Tel: 04-422 7980, 422 7987
Fax: 04-422 8191

PERLIS INDERA KAYANGAN

Arau
Tel: 04-986 2220, 986 2705
Fax: 04-986 2221

Kangar
Tel: 04-976 9177, 976 9190
Fax: 04-976 4217

KELANTAN DARUL NAIM

Kota Bharu
Tel: 09-741 9508, 741 9506
Fax: 09-747 9340

Pasir Mas
Tel: 09-790 0701, 790 0702
Fax: 09-790 0703

TERENGGANU DARUL IMAN

Dungun
Tel: 09-848 5220, 848 5221
Fax: 09-845 6220

Jerteh
Tel: 09-697 2511, 697 2512
Fax: 09-697 2513

Kemaman
Tel: 09-859 2534, 859 5486
Fax: 09-858 5410

Kuala Terengganu
– Jalan Sultan Ismail
Tel: 09-624 9957, 624 9958,
624 9959, 624 9960
Fax: 09-624 9916

Marang
Tel: 09-618 2787, 618 2788,
618 5493
Fax: 09-618 1390

PAHANG DARUL MAKMUR

Bentong
Tel: 09-222 6850, 222 3888
Fax: 09-222 4622

Jerantut
Tel: 09-266 3005, 266 5005
Fax: 09-266 5046

Kuantan – Jalan Beserah
Tel: 09-560 1818, 560 1830
Fax: 09-567 0695

Kuantan – Jalan Haji Abdul Aziz
Tel: 09-516 4389, 516 2607
Fax: 09-555 3782

Mentakab
Tel: 09-277 1196, 277 3028
Fax: 09-277 5427

Raub
Tel: 09-356 1850, 355 3166
Fax: 09-356 1852

Tanah Rata
Tel: 05-491 1088, 491 1089
Fax: 05-491 1087

Temerloh
Tel: 09-290 1113, 290 1128
Fax: 09-296 5889

Triang
Tel: 09-255 3124, 255 3304
Fax: 09-255 3198

NEGERI SEMBILAN DARUL KHUSUS

Bahau
Tel: 06-455 3001, 455 3002
Fax: 06-454 3998

Mantin
Tel: 06-758 3630, 758 3631
Fax: 06-758 2251

Nilai
Tel: 06-850 0648, 850 0649
Fax: 06-850 0647

Port Dickson
Tel: 06-646 1011, 646 1012
Fax: 06-647 4033

Rasah Jaya
Tel: 06-632 8462, 632 8420
Fax: 06-632 8382

Seremban
– Jalan Dato' Lee Fong Yee
Tel: 06-762 4463, 763 6988
Fax: 06-763 5905

Seremban – Jalan Pasar
Tel: 06-764 7735, 764 7734
Fax: 06-764 1537

MELAKA

Ayer Keroh
Tel: 06-232 3146, 232 3866
Fax: 06-232 3466

Jasin
Tel: 06-529 4361, 529 4362
Fax: 06-529 4363

Masjid Tanah
Tel: 06-384 3977, 384 3978
Fax: 06-384 3979

Melaka – Jalan Munshi Abdullah
Tel: 06-282 8114, 286 6530,
286 2870, 286 2871
Fax: 06-283 6926

Tampin
Tel: 06-441 1330, 441 3301
Fax: 06-441 4735
Melaka – Taman Melaka Raya
Tel: 06-282 5785, 282 5892
Fax: 06-282 5979

JOHOR DARUL TAKZIM

Batu Pahat – Jalan Rugayah
Tel: 07-433 8431, 434 8550
Fax: 07-431 6214

Johor Bahru
– Jalan Wong Ah Fook
Tel: 07-228 2200, 276 3355
Fax: 07-221 0663

Johor Bahru – Melodies Garden
Tel: 07-334 1061, 334 1054
Fax: 07-334 1063

Johor Jaya
Tel: 07-354 7033, 355 7759
Fax: 07-356 2624

Kluang
– Jalan Dato' Teoh Siew Khor
Tel: 07-776 2801
Fax: 07-771 9408

Kota Tinggi
Tel: 07-883 4978, 883 3232
Fax: 07-883 4507

Kulai – Lorong Dua
Tel: 07-663 4830, 663 1567
Fax: 07-663 1155

Mersing
Tel: 07-799 4394, 799 4397
Fax: 07-799 1336

Pasir Gudang
Tel: 07-251 0861, 251 2916
Fax: 07-251 8908

Permas Jaya
Tel: 07-387 8977, 386 9842
Fax: 07-387 7748

Pontian
Tel: 07-687 3171, 687 6388
Fax: 07-687 3067

Segamat
Tel: 07-931 9515, 931 9941
Fax: 07-931 6159

Simpang Renggam
Tel: 07-755 6416, 755 0733
Fax: 07-755 6417

Skudai
Tel: 07-556 8031, 556 7259
Fax: 07-558 1927

Sungai Rengit
Tel: 07-826 3011, 826 3013
Fax: 07-826 3359

Tampoi
Tel: 07-234 1216, 234 1217
Fax: 07-234 1131

Tangkak
Tel: 07-978 1331, 978 9519
Fax: 07-978 2144

Ulu Tiram
Tel: 07-867 1004, 867 1002
Fax: 07-867 1006

Yong Peng
Tel: 07-467 2499, 467 3546
Fax: 07-467 2668

Batu Pahat – Jln Rahmat
Tel: 07-432 4208, 431 8218
Fax: 07-431 8961

Johor Bahru – Metropolis Tower
Tel: 07-335 8905, 335 0600
Fax: 07-335 0469

Muar
Tel: 06-954 0070, 954 0071
Fax: 06-954 0076

SABAH

Bandar Sibuga Jaya
Tel: 089-671 228, 671 229
Fax: 089-671 226

Inanam
Tel: 088-421 534, 427 704
Fax: 088-428 830

Keningau
Tel: 087-333 745, 331 088
Fax: 087-331 818

Kota Kinabalu – Jalan Sagunting
Tel: 088-243 725, 246 112
Fax: 088-248 967

Kota Kinabalu – Luyang
Commercial Centre
Tel: 088-280 164, 280 160
Fax: 088-242 241

Kudat
Tel: 088-612 301, 613 255
Fax: 088-612 253

Lahad Datu
Tel: 089-881 561, 884 992
Fax: 089-881 778

Sandakan
Tel: 089-212 627, 215 322
Fax: 089-273 666

Tawau
Tel: 089-764 932, 764 905,
770 430
Fax: 089-764 971

Tuaran
Tel: 088-792 900, 792 901
Fax: 088-792 902

Kota Kinabalu – Jalan Tunku
Abdul Rahman
Tel: 088-265 643, 265 645
Fax: 088-265 654

SARAWAK

Bau
Tel: 082-762 319, 762 325
Fax: 082-762 320

Bintulu
Tel: 086-334 152, 334 153
Fax: 086-332 400

Kuching – Jalan Haji Taha
Tel: 082-256 594, 256 595,
422 992
Fax: 082-256 600

Kuching – Jalan Abell
Tel: 082-244 608, 244 604
Fax: 082-232 023

Lawas
Tel: 085-285 594, 285 637
Fax: 085-285 699

Marudi
Tel: 085-755 297, 755 721
Fax: 085-755 788

Miri – Beautiful Jade Centre
Tel: 085-411 257, 414 988
Fax: 085-419 676

Miri – Boulevard Centre
Tel: 085-437 908, 437 909
Fax: 085-437 915

Sarikei
Tel: 084-655 776, 655 777
Fax: 084-655 775

Serian
Tel: 082-875 157, 875 158
Fax: 082-875 155

Sibu – Blacksmith Road
Tel: 084-322 766, 313 639
Fax: 084-318 786

Sibu – Jalan Pedada
Tel: 084-337 791, 339 105
Fax: 084-337 736

Sibu – Jalan Tuanku Osman
Tel: 084-348 746
Fax: 084-348 745

Sibu – Sibu Jaya
Tel: 084-237 849, 236 978,
237 030
Fax: 084-237 927

WILAYAH PERSEKUTUAN LABUAN

Labuan
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Fax: 087-418 090

ARAB-MALAYSIAN CREDIT BERHAD

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Fax: 03-2031 6453

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50736 Kuala Lumpur
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(General)
03-2072 1866, 2072 1899
(Dealing)
Fax: 03-2078 3162, 2070 3175,
2031 7612, 2032 3246
(General)
03-2072 8358 (Settlement
& CDS)
03-2078 5396 (Operations)
03-2031 7218 (Research)
03-2026 3946 (Nominees)

Damansara Utama
AmSecurities Sdn Bhd
4th Floor
Plaza Damansara Utama
2, Jalan SS21/60
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7710 6613
Fax: 03-7710 7708

JOHOR DARUL TAKZIM

Batu Pahat
AmSecurities Sdn Bhd
3rd Floor
Penggaram Complex
1, Jalan Abdul Rahman
83000 Batu Pahat
Johor, Malaysia
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07-431 7033 (Dealing)
Tel: 07-432 7982 (Admin)
07-431 6755 (Dealing)

AmASSURANCE BERHAD

Head Office

9th Floor, Bangunan AMDB
No. 1, Jalan Lumut
50400 Kuala Lumpur
Tel: 03-4047 8000
Fax: 03-4043 8680

Life Division Branch Offices

WILAYAH PERSEKUTUAN KUALA LUMPUR

KL Main Branch
Tel: 03-4045 3561
Fax: 03-4045 4682

Brickfields
Tel: 03-2274 9344
Fax: 03-2273 9605

SELANGOR DARUL EHSAN

Klang
Tel: 03-3344 8100
Fax: 03-3344 7524

PERAK DARUL RIDZUAN

Ipoh
Tel: 05-254 0589, 255 8193
Fax: 05-241 3570

PULAU PINANG

Jalan Anson
Tel: 04-229 3611
Fax: 04-228 4412

KEDAH DARUL AMAN

Sungai Petani
Tel: 04-422 8819, 04-422 3168
Fax: 04-421 3528

KELANTAN DARUL NAIM

Kota Bharu
Tel: 09-747 0571, 747 0569
Fax: 09-744 2342

TERENGGANU DARUL IMAN

Kuala Terengganu
Tel: 09-624 2388, 624 2361
Fax: 09-624 2364

PAHANG DARUL MAKMUR

Kuantan
Tel: 09-566 2011
Fax: 09-567 9792

NEGERI SEMBILAN DARUL KHUSUS

Seremban
Tel: 06-767 2280, 767 2281
Fax: 06-767 2282

MELAKA

Taman Melaka Raya
Tel: 06-281 3590, 281 3591
Fax: 06-281 3580

JOHOR DARUL TAKZIM

Batu Pahat
Tel: 07-434 2985, 434 2986
Fax: 07-434 3102

Johor Bahru
Tel: 07-333 2688
Fax: 07-334 4776

Kluang (General)
Tel: 07-776 6717, 776 6816
Fax: 07-776 5814

SABAH

Kota Kinabalu
Tel: 088-234 488
Fax: 088-241 686

SARAWAK

Kuching
Tel: 082-415 067
Fax: 082-236 418

Sibu
Tel: 084-313 901, 313 902
Fax: 084-344 875

Miri
Tel: 085-415 526
Fax: 085-416 995

Agency Offices

WILAYAH PERSEKUTUAN

Setapak (Life Branch)
Tel: 03-4148 1071

Pandan Indah (Life Branch)
Tel: 03-4280 2790
Fax: 03-4280 2790

Taman Cheras, Ampang
(Life Branch)
Tel: 03-4297 4118

Bandar Sri Damansara
(Life Branch)
Tel: 03-6277 5424, 6275 5676

SELANGOR DARUL EHSAN
Klang (Life Branch)
Tel: 03-3372 0981
Fax: 03-3373 9834

Taman Baya Perdana, Klang
(Life Branch)
Tel/Fax: 03-3324 0877

Sg. Buloh (Life Branch)
Tel: 03-6156 6007, 6156 1008
Fax: 03-6156 6007

Shah Alam (Life Branch)
Tel: 03-5510 5737
Fax: 03-5513 7726

Taman Seraya, Ampang
(Life Branch)
Tel: 03-4297 8400
Fax: 03-4296 6043

Kajang (Life Branch)
Tel: 03-9076 4315

Batang Berjuntai (Life Branch)
Tel: 03-3271 9685

Bandar Baru Bangi (Life Branch)
Tel: 03-8926 1920

PERAK DARUL RIDZUAN
Ipoh (Life Branch)
Tel/Fax: 05-253 1625

Teluk Intan (Life Branch)
Tel/Fax: 05-621 3214

Batu Gajah (Life Branch)
Tel/Fax: 05-366 4923

KEDAH DARUL AMAN
Taman Bandar Baru
Sg. Petani (Life Branch)
Tel/Fax: 04-441 6841

Jalan Kg. Baru, Sg. Petani
Tel: 04-425 7271
Fax: 04-425 7273

Jalan Bakar Arang
Sg. Petani (Life Branch)
Tel/Fax: 04-421 2934

**NEGERI SEMBILAN DARUL
KHUSUS**
Senawang (Life Branch)
Tel: 06-763 2624
Fax: 06-763 2624

Seremban (Life Branch)
Tel/Fax: 06-764 7763

JOHOR DARUL TAKZIM
Kota Tinggi (Life Branch)
Tel: 07-883 0477
Fax: 07-883 3661

Muar (Life Branch)
Tel: 06-951 8999, 952 8999
Fax: 06-952 4588

Johor Bahru (Life Branch)
Tel/Fax: 07-227 1570

KELANTAN DARUL NAIM
Kota Bharu
Tel/Fax: 09- 741 9137

SABAH
Tawau (Life Branch)
Tel: 087-341 763
Fax: 087-341 763

**General Division Branch
Offices**

SELANGOR DARUL EHSAN
Klang
Tel: 03-3344 7430
Fax: 03-3343 6331

PERAK DARUL RIDZUAN
Ipoh
Tel: 05-253 3493, 255 7509
Fax: 05-253 1650

PULAU PINANG
Jalan Anson
Tel: 04-226 3618, 228 9963
Fax: 04-227 3886

KEDAH DARUL AMAN
Alor Setar
Tel: 04-733 7898
Fax: 04-732 4606

Sungai Petani
Tel: 04-421 7177, 421 7188
Fax: 04-423 8528

KELANTAN DARUL NAIM
Kota Bharu
Tel: 09-747 0042, 747 0043
Fax: 09-747 0046

**TERENGGANU DARUL
IMAN**
Kuala Terengganu
Tel: 09-624 2388, 624 2361
Fax: 09-624 2364

PAHANG DARUL MAKMUR
Kuantan
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Fax: 09-567 9792

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Fax: 06-767 1171

MELAKA
Taman Melaka Raya
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Fax: 06-282 2122

JOHOR DARUL TAKZIM
Batu Pahat
Tel: 07-432 7219
Fax: 07-432 7224

Johor Bahru
Tel: 07-334 2618
Fax: 07-334 7620

SABAH
Kota Kinabalu
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Fax: 088-240 4841

Tawau
Life & General Division
Tel: 089-760 151/760 152
Fax: 089-760 153

SARAWAK
Kuching
Tel: 082-415 296
Fax: 082-428 537

Sibu
Tel: 084-310 930, 318 289
Fax: 084-317 302

Miri
Tel: 085-422 275, 423 395
Fax: 085-416 995

**AmINVESTMENT
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9th Floor
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50200 Kuala Lumpur
Tel: 03-2032 2888
Fax: 03-2031 5210
Telex: MA 31167 &
31169 ABMAL

Correspondence Address

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50708 Kuala Lumpur

Representative Offices

**WILAYAH PERSEKUTUAN
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Fax: 03-2282 8036

PERAK DARUL RIDZUAN
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Fax: 04-229 7314

KEDAH DARUL AMAN
Alor Setar
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Tel: 06-764 4031, 764 4331
Fax: 06-764 4030

PAHANG DARUL MAKMUR
Kuantan
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Fax: 09-512 1387

MELAKA
Taman Melaka Raya
Tel: 06-281 1770, 282 1770
Fax: 06-281 8770

SABAH
Kota Kinabalu
Tel: 088-266 350, 266 351,
266 350
Fax: 088-266 352

SARAWAK
Kuching
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Miri
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(L) LTD**

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Jalan Merdeka
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Tel: 087-413 133/439 399
Fax: 087-425 211, 439 395
Telex: MA 85075 AMMB

**Kuala Lumpur Marketing
Office**

14th Floor
Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2031 7899
Fax: 03-2031 7909

**AmPROPERTY TRUST
MANAGEMENT BERHAD**

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50200 Kuala Lumpur
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Fax: 03-2732 0644
Telex: MA 31167 &
31169 ABMAL

**AMMB CONSULTANT
SDN BHD**

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50200 Kuala Lumpur
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2078 2655
Fax: 03-2078 8933
Direct Line Tel: 03-2072 1272,
2072 1930

AmTRUSTEE BERHAD

Registered Office

22nd Floor
Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur

Operations

17th Floor
Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
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2078 2655
Fax: 03-2031 3070

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Gedung BRI II, Suite 805-806
Jalan Jen. Sudirman Kav. 44-46
Jakarta 10220, Indonesia
Tel: (62) (21) 574 2310
Fax: (62) (21) 571 3706

**FRASER SECURITIES
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#13-01 SGX Centre 2
Singapore 068807
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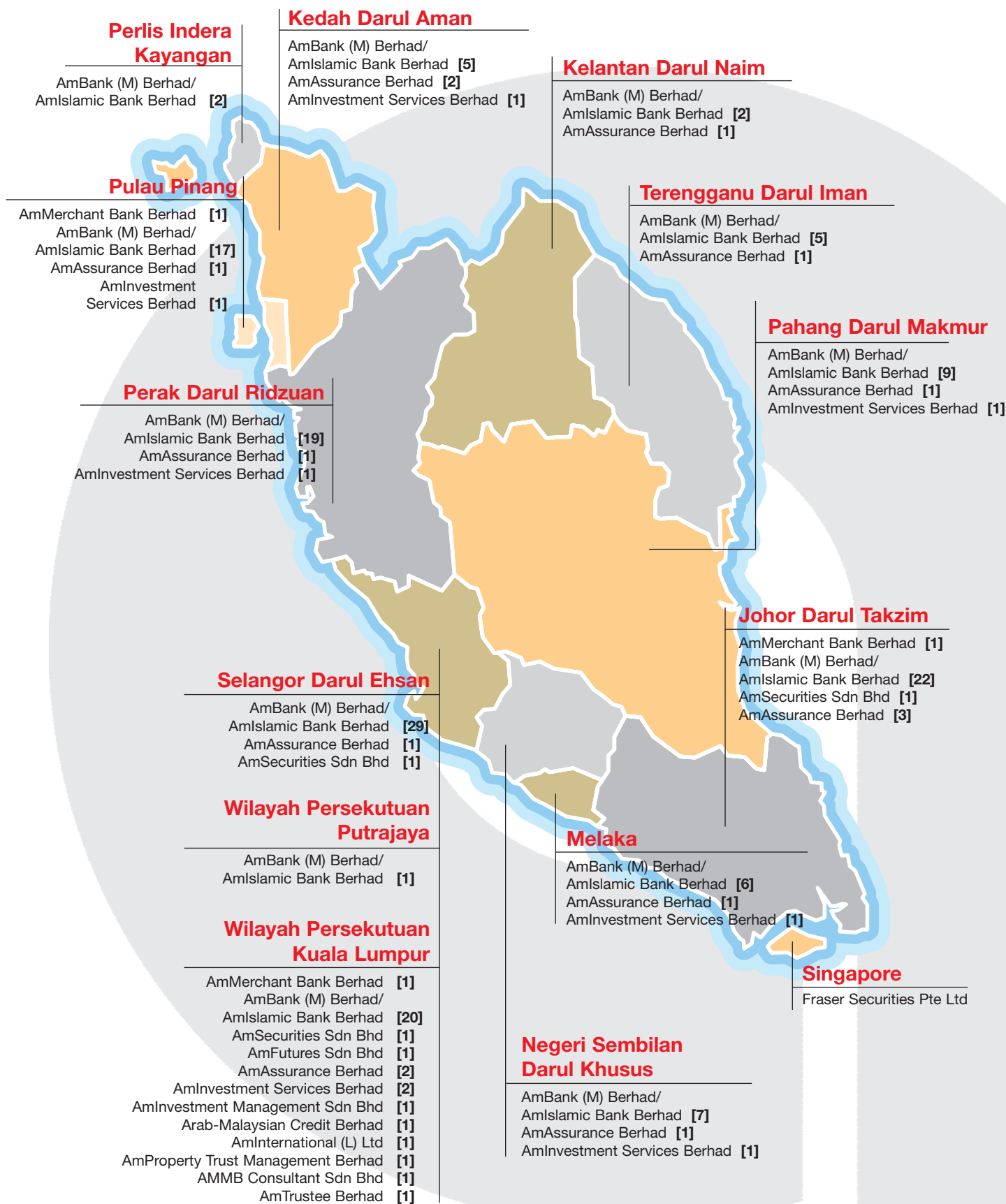
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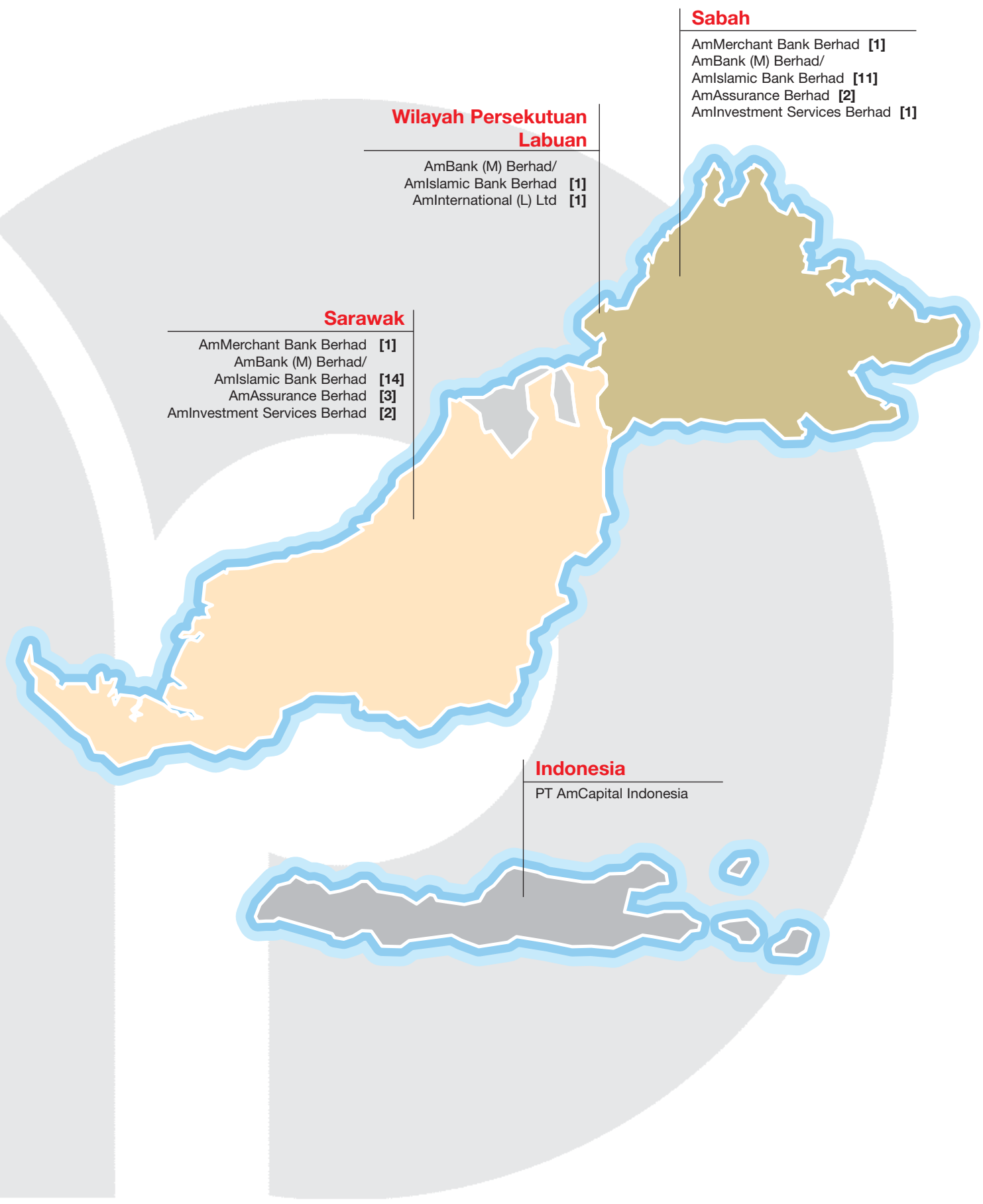
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 Sime Darby Berhad Deal Size: RM1.1 billion Deal Nature: Take-Over Offer for Hyundai Berjaya Group of Companies	 Kulim (M) Berhad Deal Size: RM706 million Deal Nature: Take-Over Offer for QSR Brands Berhad
Kayin Holdings Sdn Bhd Deal Size: RM482 million Deal Nature: Take-Over Offer for Selangor Properties Berhad	 Pelikan Deal Size: RM479 million Deal Nature: Groupwide Restructuring
 Eastern & Oriental Berhad Deal Size: RM421 million Deal Nature: Take-Over Offer for E&O Property Development Berhad	MALAKOFF Malakoff Berhad Deal Size: RM373 million Deal Nature: Acquisition of Segari Energy Ventures
 PNB Deal Size: RM320 million Deal Nature: Take-Over Offer for Pelangi Berhad	 AMMB Holdings Berhad Deal Size: RM2.6 billion Deal Nature: Groupwide Restructuring

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Proxy Form



AMMB Holdings Berhad

(223035-V) (Incorporated in Malaysia)

I/We _____
of _____
being a member of the above Company, hereby appoint _____
of _____

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 Fifteenth Annual General Meeting of the Company to be held on Wednesday, 9 August 2006 and at any adjournment thereof, as indicated below:

No.	Resolution	For	Against
1.	Receive the Audited Accounts for the year ended 31 March 2006 and the Reports of the Directors and Auditors thereon.		
2.	Declare a first and final dividend of 5.0% less tax for the year ended 31 March 2006.		
3.	Approve Directors' fees.		
4.	Re-elect Y Bhg Tan Sri Datuk Dr Aris Othman as Director under Article 89.		
5.	Re-elect Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain as Director under Article 89.		
6.	Re-elect Y Bhg Dato' Izham Mahmud as Director under Article 89.		
7.	Re-elect Puan Shalina Azman as Director under Article 89.		
8.	Re-appoint Messrs. Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.		
	SPECIAL BUSINESS		
9.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "X" or a "✓" in the spaces above how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this _____ day of _____ 2006.

Signature of Shareholder

Number of shares held

Notes:-

- (1) A shareholder of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy or an attorney need not be a shareholder of the Company. Under Section 149(1) of the Companies Act, 1965, if a proxy is not a shareholder, he must be an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.
- (2) An Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one proxy in respect of each securities account held with ordinary shares of the Company standing to the credit of the securities account. The proxy so appointed shall be the beneficial owner of the shares in the said securities account or a person as provided under Section 149(1) of the Companies Act, 1965.
- (3) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
- (4) The instrument appointing the proxy must be deposited at the Registered Office of the Company at 22nd Floor, Bangunan AmBank Group, 55 Jalan Raja Chulan, 50200 Kuala Lumpur **not less than 48 hours** before the time appointed for holding the Meeting.

Please fold here to seal

STAMP

The Registered Office
AMMB HOLDINGS BERHAD
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

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AmBank Group



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