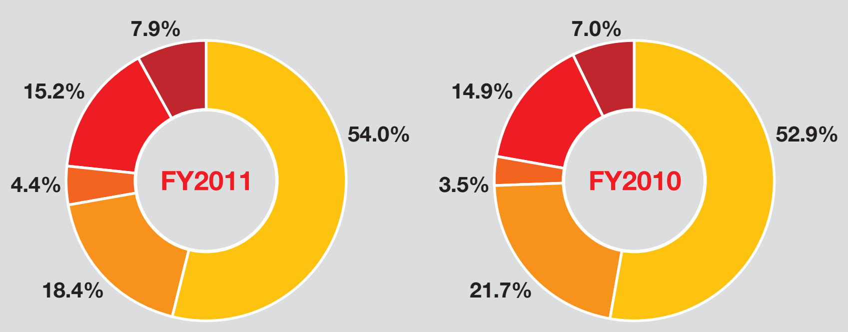
Group Financial Review

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

Simplified Income Statement

RM Million	FY2011	FY2010	+/- RM Million	+/- %
Net interest income	2114.6	1893.6	221.0	+11.7
Net income from Islamic banking business	719.7	775.5	(55.8)	-7.2
Net fund income	**2834.3**	**2669.1**	**165.3**	**+6.2**
Net income from insurance business	172.0	123.7	48.3	+39.0
Other income	906.7	784.3	122.4	+15.6
Total income	**3913.0**	**3577.0**	**335.9**	**+9.4**
Overheads	(1561.9)	(1501.4)	(60.6)	-4.0
Operating profit	**2351.1**	**2075.7**	**275.4**	**+13.3**
Allowance for impairment on loans and financing	(475.4)	(568.9)	93.4	+16.4
Other (provisions)/writeback	20.4	4.0	16.5	+>100.0
Impairment loss	(30.9)	(134.1)	103.2	+76.9
Profit before taxation and zakat	**1865.1**	**1376.7**	**488.5**	**+35.5**
Taxation and zakat	(474.0)	(334.1)	(139.9)	-41.9
Profit after taxation	**1391.2**	**1042.6**	**348.5**	**+33.4**
Minority interests	(48.3)	(34.0)	(14.3)	-42.2
Profit after tax and minority interests	**1342.8**	**1008.6**	**334.2**	**+33.1**

Composition of Income



INCOME STATEMENT

The Group posted another record performance for the year ending 31 March 2011 ("FY2011") with strong growth in both pre-tax profit and profit after tax and minority interests ("PATMI"). It achieved a pre-tax profit of RM1,865.1 million (+35.5%), whilst PATMI increased by 33.1% to RM1,342.8 million. Earnings per share (fully diluted) improved from 34.7 sen in FY2010 to 44.7 sen.

The growth in profits is mainly attributable to growth in net fund income, higher contribution from insurance business, investment and fee based activities, coupled with lower allowances for impairment on loans, financing and securities.

TOTAL INCOME – REVENUE GROWTH

Revenue growth was underpinned by higher net interest income and non-interest income growth from all divisions. The Group continues to focus on sustaining our core business with existing customers, winning new clientele through product innovation and superior service delivery, and diversifying into new income streams. To support revenue generation, the Group invested in operational improvement, delivery of quality service experience and expansion of distribution channels.

Total income for FY2011 was RM3,913.0 million, up 9.4% compared to the preceding year.

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

Net fund income: RM2,834.3 million (+6.2% or RM165.3 million)

- Net interest income grew by RM221.0 million (+11.7%) whilst net income from Islamic banking business dipped by RM55.8 million (-7.2%)

from lower investment income. Collectively, they formed the main source of revenue making up 72.4% (Net interest income: 54.0%, Income from Islamic banking business: 18.4%) of total income.

- Growth in net fund income was driven by increase in net loans and financing (+RM4.9 billion or 7.7%). Expansion in loans and financing was mainly driven by growth in financing to the finance, insurance and real estate sector and manufacturing sector.

Net income from insurance business: RM172.0 million (+39.0% or RM48.3 million)

- Net income from insurance business grew by RM48.3 million (+39.0%). Premium income from general insurance increased by RM49.8 million whilst surplus transferred from life insurance increased by RM28.8 million. This improvement was mitigated by RM30.3 million increase in insurance claims and commissions.

Other Income: RM906.7 million (+15.6% or RM122.4 million)

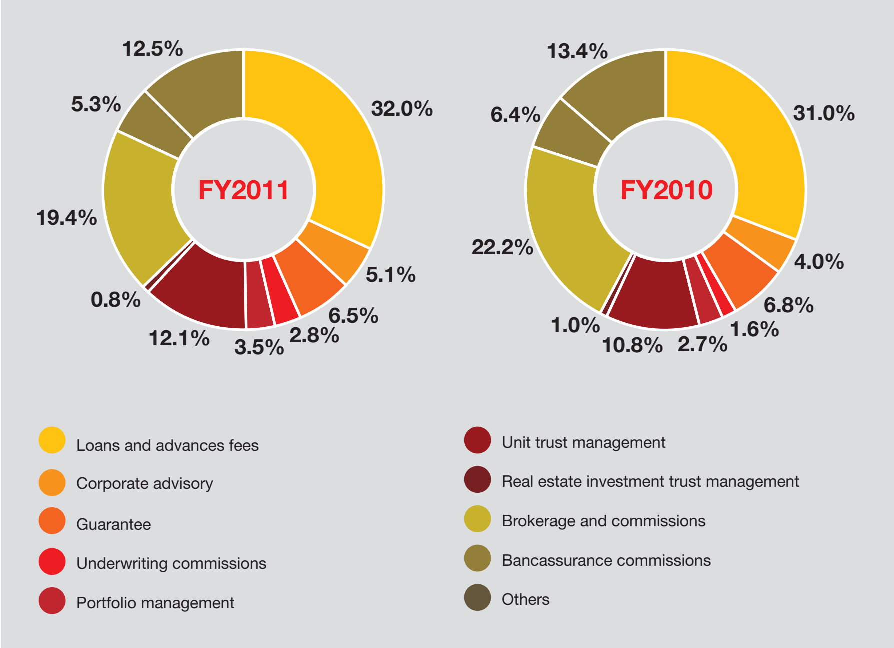
Other income, which comprises mainly income from investment banking and trading activities as well as ancillary services connected to the Group's lending activities, was supported by good contributions from asset management, corporate finance, foreign exchange and derivatives business.

For FY2011:

- Fee income increased by RM61.0 million (+11.4%) mainly attributable to higher fees from unit trust management, corporate advisory and fees from loans and financing but mitigated by lower brokerage and banccassurance commissions.

- Investment and trading activities recorded a higher contribution of RM289.4 million, up 25.6% compared to income of RM230.4 million in the previous year. The strengthening of Asian interest rates and currencies coupled with improvement in economic and market conditions due to the adoption of fiscal stimulus programmes; and prudent monetary policy by BNM has resulted in trading and revaluation gains in the foreign exchange, derivatives, securities held for trading and available for sale portfolios.

Fee Income



Operating Expenses

RM Million	FY2011	FY2010	+/- RM Million	+/- %
Personnel/staff	946.3	897.6	+48.7	5.4
Establishment	346.8	323.7	+23.1	7.1
Marketing and communication	134.7	149.5	-14.9	-10.0
Administration and general	134.2	130.5	+3.7	2.8
Total	**1,561.9**	**1,501.4**	**+60.6**	**4.0**

OPERATING EXPENSES

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

In FY2011, the cost-to-income ratio improved to 39.9% (FY2010: 42.0%) mainly due to higher income growth at 9.4% relative to expense growth at 4.0%.

Overheads: RM1,561.9 million (+4.0% or RM60.6 million)

- Personnel expenses were RM48.7 million higher, attributable to recruitment of staff to support higher business volumes coupled with the annual salary adjustments and bonuses as well as the cost of shares and options granted under the Group Executives' Share Scheme.

- Establishment expenses rose by RM23.1 million due to increase in amortisation of computer software and higher computerisation costs from operating lease under the open infrastructure program, installation of ATMs at 7-eleven stores and increase in rentals of branch premises.
- Marketing and communication expenses decreased by RM14.9 million largely due to lower sales commissions and promotional expenses incurred.
- Administration expenses increased by RM3.7 million mainly attributable to outsource services and stamp duties arising from increase in transaction volumes.

ASSET QUALITY AND LOAN/ FINANCING IMPAIRMENT ALLOWANCE

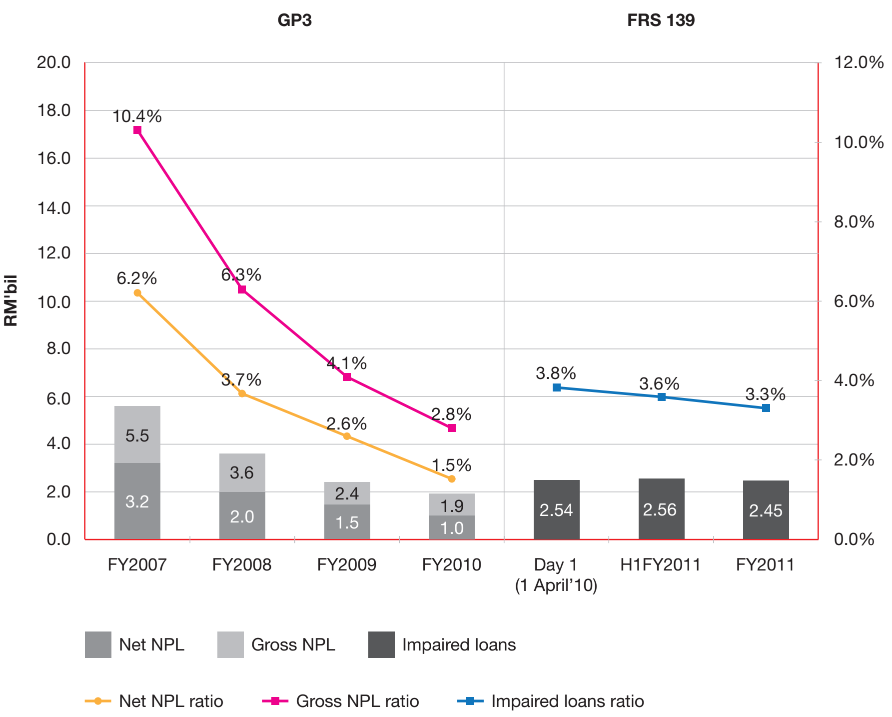
Since 1 April 2010 ("Day 1"), the loan/ financing impairment assessment and allowance computation complies with the requirements of FRS139, subject to the transitional provisions of BNM Guideline- Classification and Impairment Provisions for Loans/Financing issued in December 2010.

Under the new convention, impaired loans/financing are classified based on evidence of impairment instead of the previous time based classification. Loan/financing quality has improved throughout the year compared to the "Day 1" position with gross impaired loan/financing ratio trending down from 3.8% ("Day 1" position) to 3.3%.

The net loan/financing impairment charge fell by RM93.4 million (-16.4%) to RM475.5 million, with decrease in allowance of RM60.3 million and improvement in bad debt recoveries of RM33.1 million.

To proactively manage its asset quality, the Group will continue to enhance its asset writing and collection strategies, invest in new and enhanced risk models and infrastructure supported by the Group's specialist risk and impaired loans/financing management team.

Asset Quality



Loan/Financing Impairment Allowance

RM Million	FY2011	FY2010	FY2011 vs FY2010
Individual and collective allowance - net	912.7	-	912.7
Specific and general allowance - net	-	973.0	(973.0)
Bad debts recovered - net	(437.2)	(404.1)	(33.1)
Total	**475.5**	**568.9**	**(93.4)**

IMPAIRMENT LOSS

Impairment loss decreased by RM103.2 million (-76.9%) mainly due to RM100.8 million lower impairment charge on securities compared to last year.

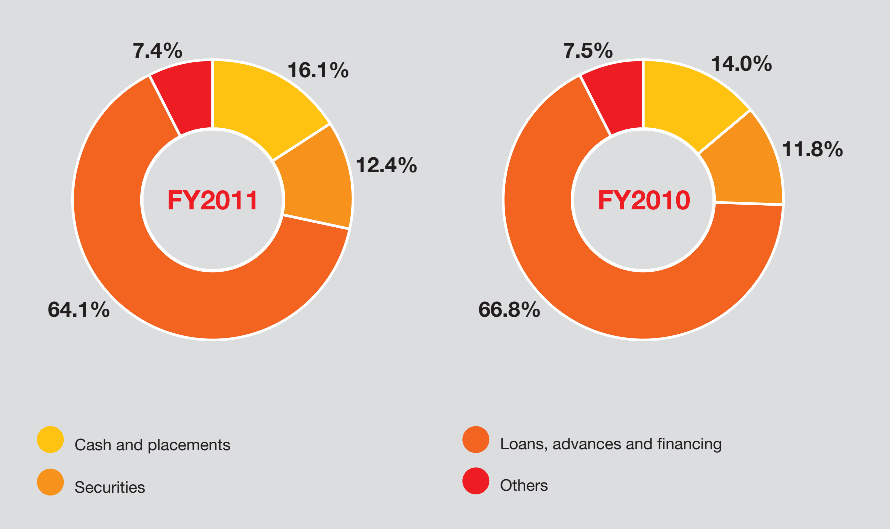
BALANCE SHEET

As at 31 March 2011, the Group's total assets increased by RM11.8 billion (+12.2%) to RM108.2 billion represented by healthy growth in loans and financing, securities and placements with financial institutions.

LOANS AND FINANCING

- The Group's net lending growth for FY2011 was up RM5.0 billion (+7.8%) to reach RM69.4 billion compared to RM64.4 billion for the preceding year. The Group continues its loans portfolio rebalancing strategy to focus on profitable segments, increasing the composition of variable rate loans mix and composition of corporate loans mix.
- Specifically, retail lending focuses on preferred and viable segments which accords higher risk adjusted returns, business and SME lending target stable and preferred growth sectors while corporate and institutional lending focuses on project financing with government support, government-linked corporations and large multinational corporations.

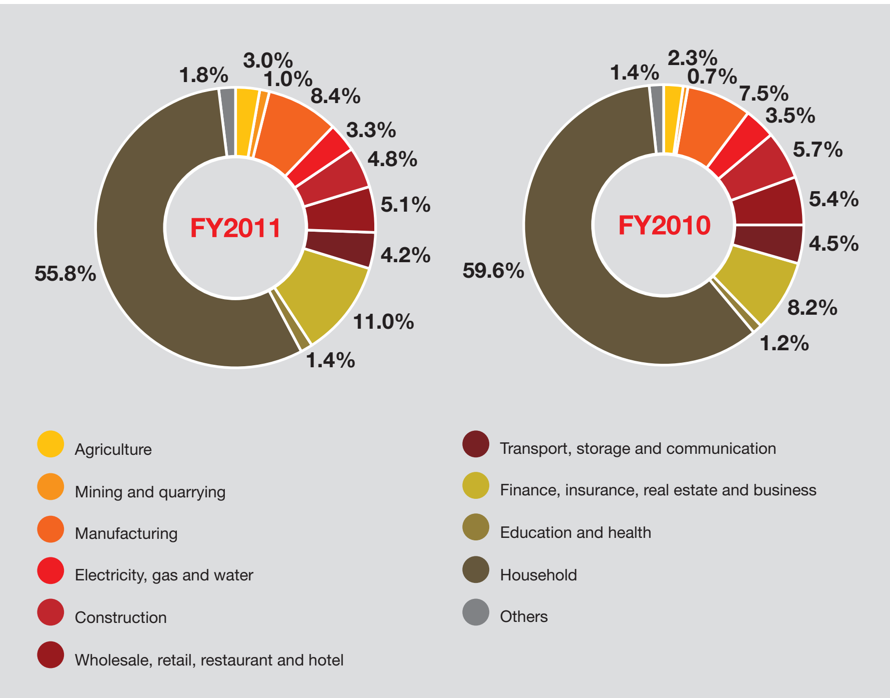
Asset Mix Analysis



Loans by Type of Customers

	FY2011 RM Million	FY2011 %	FY2010 RM Million	FY2010 %
Individuals	40,233.1	56.0	39,476.9	59.6
SME	7,474.1	10.4	7,220.8	10.9
Corporate	20,775.3	28.9	17,483.7	26.4
Others	3,403.0	4.7	2,101.7	3.2
Total	**71,885.4**	**100.0**	**66,283.1**	**100.0**

Gross Loans - Sectors



- The expansion in loans and advances was mainly attributed to strong loans demand in the corporate segment which grew 18.8% or RM3.3 billion to RM20.8 billion. This segment accounted for 28.9% of total loans by type of customers compared to 26.4% the year before. Loans to individuals accounted for 56.0% of total loans by type of customers.
- Variable rate loans portfolio exceeded our fixed rate loans portfolio for the first time, accounting for 51.1% of total gross loans.
- The Group constantly monitors its portfolio for risk concentrations. Despite growing by 1.5%, lending to the household sector has declined to 55.8% of total loans portfolio from 59.6%, the year before.

SECURITIES

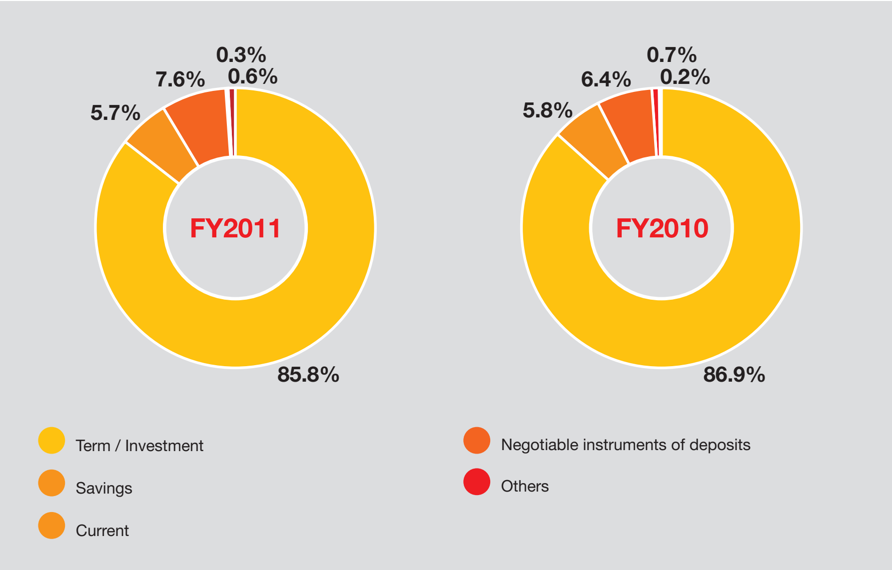
- Securities held for trading are acquired for purpose of benefitting from short term price movements or to lock in arbitrage profits. Securities held for trading increased by RM3.5 billion to RM5.2 billion due to increased holdings of Malaysian Government Investment Certificates, Bank Negara Monetary Notes, quoted shares and corporate bonds.
- Securities available for sale are acquired for yield and liquidity purposes. Securities available for sale contracted RM1.0 billion to RM8.1 billion mainly from decrease in money market securities, quoted securities and private debt securities.

DEPOSITS AND FUNDING

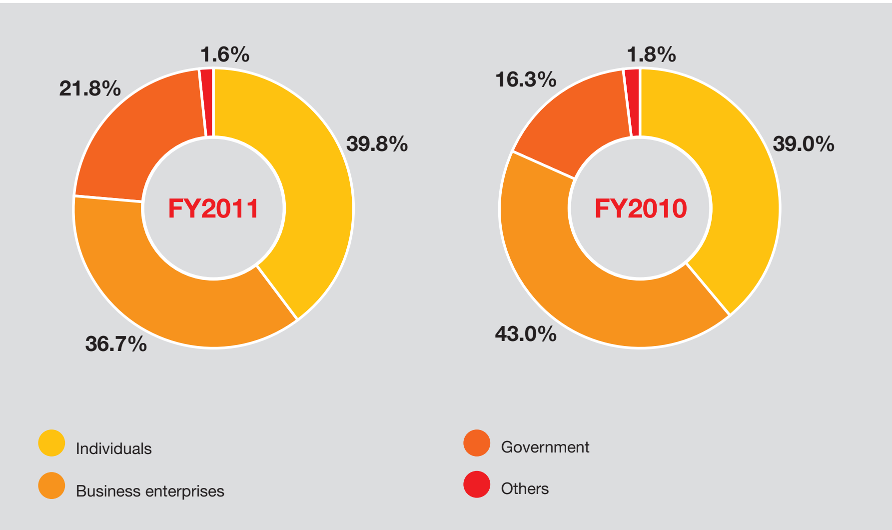
- The Group's primary source of funding is from customer deposits, comprising term/investment deposits, savings account deposits, current account deposits, and negotiable instruments of deposits. Other major sources of funds include shareholders' funds, debt capital, term funding, interbank and other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

Group Financial Review

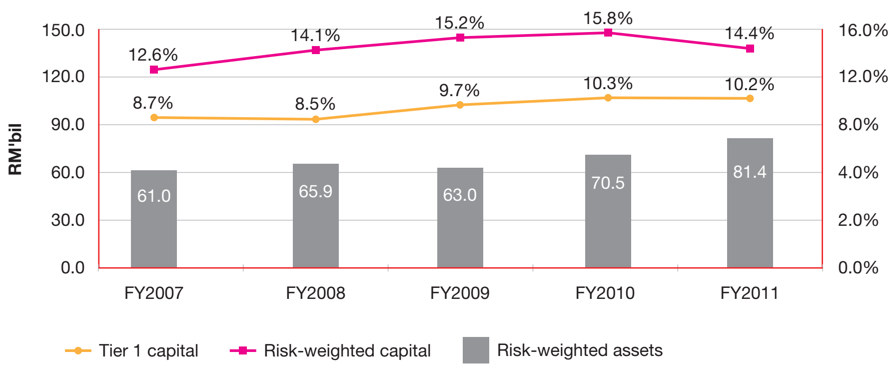
Deposits from Customers -Type



Deposits from Customers -Source



Capital Ratios



- The Group continues to expand its customer and low cost deposits, through enchanced distribution channels and footprints, improved product suite and services, and better leveraging on SME and corporates.

- Deposits from customers increased by RM5.7 billion (+8.3%) to RM74.6 billion as at 31 March 2011, whilst low cost deposits comprising current accounts and savings accounts ("CASA") grew 29.0% and 7.0% respectively. CASA as a proportion to total customer deposits stood at 13.3% compared to 12.2% a year ago.

- Term/Investment deposits continued to make up the majority of customer deposits by type constituting 85.8% (FY2010: 86.9%) of total customer deposits.

- The Group's distribution network comprises 190 commercial bank branches, 823 automated teller machines and 145 electronic banking centres nationwide. Of these, 403 ATM's are placed at 7-Eleven stores to accord customers with 24-hour and more secure banking convenience.

- Term funding initiatives included senior notes and sukuk issuances. As at 31 March 3011, the Group has issued RM2.9 billion senior notes as part of its RM7 billion Senior Notes programme and RM550 million senior sukuk under its RM3 billion Senior Sukuk Musyarakah programme. Together with loans and Islamic financing sold to Cagamas with recourse of RM2.7 billion, the adjusted loans/financing to customer deposit ratio improved from 91.7% to 87.4%.

STRONG CAPITAL LEVELS

Our capital levels remained sound, with the Group's aggregated risk weighted capital ratio at 14.4% (FY2010: 15.8%) and Tier 1 capital ratio of 10.2% (FY2010: 10.3%).

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

Credit Ratings

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

As a testament to the Group's improved financial performance,

- AmBank's long-term and short-term international ratings were upgraded to BBB/A-2/Stable by S&P and BBB/A3/Stable by Capital Intelligence Ltd.
- AmInvestment Bank's long-term and short-term international ratings were upgraded to BBB/A-2/Stable by S&P.
- The Tier-1 Hybrid Securities of USD200.0 million issued by AmBank has been upgraded to BB+ by S&P whilst reaffirmed at BB+ by Fitch and B2/Stable by Moody's.
- AmIslamic Bank's RM3 billion Senior Sukuk Musyarakah programme was assigned a rating of AA3/Stable by RAM.

Dividend

On the back of our record financial performance in FY2011, the Directors are recommending a final dividend payment of 12.0%, which together with the interim dividend of 6.0% amounts to a cumulative total dividend of 18.0%, up 7.5% compared to FY2010.

Credit Ratings

	AmBank (M) Berhad		AmInvestment Bank Berhad		AmIslamic Bank Berhad	
Rating Agencies	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
RAM Rating Services Berhad ("RAM")	AA3	P1/Stable	AA3	P1/Stable	AA3	P1/Stable
Malaysian Rating Corporation Bhd ("MARC")	Not Rated	Not Rated	AA-	MARC-1/ Positive	Not Rated	Not Rated
Standard & Poor's Rating Services ("S&P")	BBB	A-2/Stable	BBB	A-2/Stable	Not Rated	Not Rated
Capital Intelligence Ltd	BBB	A3/Stable	Not Rated	Not Rated	Not Rated	Not Rated
Fitch Ratings Ltd ("Fitch")	BBB	F3/Stable	BBB	F3/Stable	Not Rated	Not Rated
Moody's Investors Service ("Moody's")	Baa2	P-3/Stable	Not Rated	Not Rated	Not Rated	Not Rated