Our approach to risk management and control, continued to evolve during the year to reflect best practice. Sustainable profitability forms the core objective of the Group's risk management strategy.

Every risk assumed by the Group carries potential for gains as well as potential to erode shareholders' value. Risk management policy is designed 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. Seven types of risk identified are strategic, capital, credit, market, funding, operational and legal risks.

Managing Risks

The Risk Governing Bodies

Managing risks is the responsibility of every unit within the Company. Nevertheless, the Company has set up committees where risk issues are centrally reviewed for management attention and bank wide decisions. They comprise the Board of Directors, the Risk Management Committee of Directors and the Executive Risk Management Committees.

Board Overview

The focus on risk and risk management policies begins at the most senior level of the Bank, i.e the Board of Directors who:

- approves the risk management strategy of the Bank and sets the broad risk tolerance level for the Bank; and
- approves the engagement of new products or activities after taking into account the risk bearing capacity and readiness of the Bank.

The Risk Management Committee of Directors assists the Boards in discharging their functions and overseeing the executive body by having a more focused forum on risk issues. The Committee is independent from management and comprises only non-executive directors. The Committee:

- ensures that risks at all levels are managed effectively and the Board's risk tolerance level is effectively enforced; and
- reviews high-level risk exposures and management decisions to ensure that they are within the overall interests of the Bank.

Management

The Executive Risk Management Committee carries out the day-to-day management of risks and implements the Board's approved risk management policies. The Committees are chaired by senior level executives and participated by relevant senior executives of both the business and non-business units. The Committee:

- implements the risk strategy and capital allocation decision of the Board and Risk Management Committee of Directors;
- reviews risk exposures of the Bank and the environment, and sets appropriate risk positioning strategy;
- assesses Bank's ability to accommodate risks under normal and stress scenario;
- reviews compliance with limits or constraints set;
- monitors and assesses risk-return profile; and
- evaluates and approves recommendations made by the risk management and business units.

At the Group level, the consolidated risks of the three banking institutions within the Group are reviewed and discussed at the Group Risk Forum. The Forum is represented by the banks' chief executive officers, heads of risk management and other key senior executives of the three banking institutions.

- The Forum reviews all risks and sets uniform standards in risk measurement and risk tolerance for the Group. The Forum discusses and makes decisions on common risk issues for adoption across the Group.

Risk Management Department

The Risk Management Department is independent of business units and reports directly to the Managing Director. It serves to assist the Executive Risk Management Committees in discharging their duties and implementing the directives of the committees. The major role of the Risk Management Department is to:

- be a central platform for which risks throughout the Bank can be aggregated for overview on a portfolio basis;
- standardise risk measurement methodology to enable comparability;
- act as a central resource for evaluating risks to assist management, business and operating units; and
- recommend means to control or minimise risks on a portfolio basis.

The Risk Management Department is made up of several units to provide a comprehensive coverage of all risks in the Bank. Their functions encompass research and analysis, risk exposure reporting, limit compliance monitoring, formulation of risk assessment methodology and formulation of the Bank's risk strategies.

To achieve Group harmonisation, risk measurement and evaluation methodologies are being standardised across the Group. The resources of the research and development function within each entities' risk management department are mobilised as a central resource for the Group with each risk management department developing specific expertise in certain risk areas.

Internal Audit Department

Complementing the above risk machinery, the Internal Audit Department assists the Audit Committee and the Board by providing an independent assessment on the effectiveness of the risk management structure, control systems and methodologies used to manage risks.

Risk Management Goals

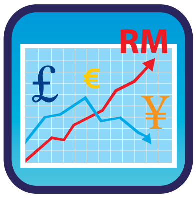
THE BANK'S RISK MANAGEMENT GOALS

- All significant risks in the Bank must be recognised and managed as far as possible.
- Centralised overview, accountability and management of risks in the Bank in order for risks to be considered and evaluated from a complete organisational perspective.
- A uniform risk language for quantifiable risks that permit comparability and risk aggregation.
- Better awareness, grading and development of risk indicators on non-quantifiable risks for assessing risks.
- The Bank only takes risks that it can accommodate.
- Risk taking activities must generate sufficient profits to cover the expected losses that can arise from their inherent risks in the long-run.
- A balance must be achieved between revenue expectations and risks involved in relation to any activity consideration.

The Risk Management Approach

The management approaches towards the significant risks of the Company are enumerated in the following paragraphs.

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, credit spreads 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 Company to reduce its position without incurring potential loss that is beyond its sustainability.

Market Risk Management Structure

Market risk management is the responsibility of the Executive Risk Management Committee in charge of market risk. Its members and invitees include senior management of business and support units, such as Treasury, Risk Management and Finance Departments.

Market risk policies as approved by the Committee are implemented by the appropriate business units and if necessary are monitored and reported back to the Committee by Treasury and/or Risk Management Department(s). The Committee reports to the Risk Management Committee of Directors on a quarterly basis on the market risk position and highlights major issues discussed.

Risk Management Method

The market risk of the trading and non-trading portfolio is managed separately. The duration-weighted-gap value-at-risk (DWG VAR) approach to compute market risk exposure for non-trading portfolio and parametric value-at-risk (parametric VAR) as well as a 25 basis point movement sensitivity analysis for its trading portfolio.

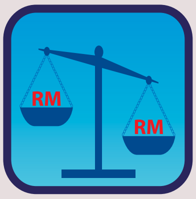
Value-At-Risk: the potential loss a portfolio is expected to incur over a specified time period, within a specified probability under normal market conditions.

The market risk exposure of its 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 governs 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 Company. Approved by the Board of Directors, these limit structure aligns specific risk-taking activities with the overall risk appetite of the Company and of its individual business units.

All business units are expected to maintain their exposure within assigned limits. If a limit is exceeded, business units are responsible to reduce their exposure immediately to a level within the limit. Where this is not possible, senior management is consulted on the appropriate method to address the exposure. Together, these techniques reduce the likelihood that trading and non-trading losses will exceed the risk appetite of the Company. These limits are reviewed regularly in line with the Company's quarterly performance.

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

Funding Risk



Funding Risk Management Objectives

Funding risk is the risk that the organisation will not be able to fund its day-to-day operations at a reasonable cost.

The primary objective of the funding risk management framework 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 funding risk management objectives, which includes diversification of funding sources, customer base, and maturity period.

Funding Risk Management Structure

Funding risk management is the responsibility of the Executive Risk Management Committee in charge of funding risk. Its members and invitees include senior management of business and support units, such as Treasury, Risk Management and Finance Departments.

Funding risk policies approved by the Committee are implemented by the appropriate business units and if necessary monitored and reported back to the Committee by Treasury and/or Risk Management Departments. The Committee reports to the Risk Management Committee of Directors on a quarterly basis on the funding risk position of the bank and highlights major issues discussed.

Management Method

The ongoing funding risk management is based on the following key strategies:

- Management of cash-flow, through maintenance of adequate cash and liquefiable assets over and above what is required by BNM in their cash flow maturity mismatch framework.
- Scenario analysis, 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.

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

Contingency Funding Plan

The Contingency Funding Plan provides a formal process to identify a funding crisis. Detailed responsibilities among the relevant departments are also specified to ensure orderly execution of procedures to restore the funding position and confidence in the Company during actual crisis.

Credit Risk Management

Credit Risk Management Objectives

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 its capability and financial capacity to withstand potential future losses.

Credit Risk Management Structure

Credit risk management comes within the purview of the Executive Risk Management Committee in charge of credit risk. Its members and invitees include senior management of business and support units, such as the lending relationship departments, Credit Risk Management, and Risk Management Departments.

The Business Managers perform credit assessment on new exposures, grade existing and new borrowers and ensure the compliance with all relevant guidelines and policies. However, this is subject to stringent vetting and review by an independent risk management department. To enhance the quality and consistency of credit evaluation for non-retail credits across the group, the Boards of AmMerchant, AmBank and AmFinance recently approved an exercise to centralise the credit evaluation function into specialised centres, one to undertake credit evaluation of large corporate exposures and the other for medium sized business banking exposures. Major loan approvals within approved policies are made by the Credit and Commitments Committee with exceptions escalated to the Executive Committee of Directors. These include the approval of new loans as well as revisions to the terms and conditions of existing loans.

Management Methods

For non-retail credits, risk measurement begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores which are then translated into a rating grade, which ranges from 'AAA' (lowest risk) to 'C' (highest risk). The credit analysis not only highlights the key credit issues that need to be mitigated, but also reflects the overall level of risk for each new borrower. Notwithstanding this, the Board also sets the minimum credit acceptance criteria for new credits. The assigned credit rating forms a crucial part of the credit analysis undertaken for each credit exposure. A review of the credit rating assigned to each borrower is done once a year.

Credit risk is quantified based on expected default frequencies and expected losses on default from its portfolio of loans and off-balance sheet credit commitments. Expected default frequencies are calibrated to the internal rating model, while loan loss estimates are based on past portfolio default experiences.

Apart from recommendations of the risk management units, 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 total credit exposure to each economic sector is within prudent thresholds. These limits are monitored and reported to the senior management monthly. The pricing of non-retail exposure is also guided by benchmark return guidelines to ensure minimum returns that compensate for the risk taken, operating expenses and the cost of capital.

In order to further enhance the overall quality of loan exposures, the Board also endorsed a credit portfolio management strategy designed to achieve a desired ideal portfolio risk tolerance level and sector distribution over the next few years. These portfolio management strategies include minimum credit rating targets for new facilities, a more aggressive approach towards reducing existing high-risk exposures and exposures to certain sectors.

For retail credits, an in-house developed credit-scoring system to support the credit cards, housing and hire purchase applications is being used to complement the credit assessment process. Moving forward, the Company is in the midst of enhancing further the robustness of the credit scoring system to a level capable of performing credit based decision and automated approval in order to speed up the credit granting processes.

Capital Management

The Company continues to rely on retained earnings to enlarge its capital resources to drive the Company's businesses. Traditionally, the Company shall only employ rights issues only when the business expansion is expected to be strong to enable the shareholders to enjoy sustainable returns. The Company also believes in diversifying its sources of capital, and relying on qualifying hybrid instruments and long-dated subordinated debt instruments which contain, among others, interest deferral and loss absorption features. This is to ensure that optimum balance is maintained between the return on shareholders' investments and a prudent level of capitalisation.

Operational Risk Management

Operational Risk Management Objectives

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

Operational Risk Management Structure

Operational risk management is the responsibility of the Executive Risk Management Committee in charge of operational risk. Its members include senior management of the operational and support units.

Operational risk policies as approved by the Committee will be implemented by the various departments and monitored and reported back to the Committee by Risk Management Department. The Committee reviews the adequacy of controls to manage operational risks based on the assessment performed on each operating units. On a quarterly basis, the Committee will report to the Risk Management Committee of Directors.

Management Method

Efforts are in progress to implement the internal framework on risk identification and assessment of the operational risk. This would assist the Company in prioritising the operational risk areas which require further enhancement.

The Company 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 Internal Audit Department.

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

Legal and Regulatory Risk

The Company has in place mechanisms to address its legal and regulatory risks facing its businesses. Legal risks arise from the potential of breaches in applicable laws and regulations, unenforceability of contracts, lawsuits or adverse judgements that may lead to financial losses, the disruption of business and adverse publicity. Legal risk is managed by our internal legal counsel and when necessary, in consultation with external legal counsel.

Regulatory risk arises from the possibility of rules and regulations being breached. The Group manages this risk by inculcating a compliance culture across all levels of staff. Measures introduced by the Group Compliance Department include monitoring and reporting, training, providing advice and disseminating information.

A compliance monitoring and reporting system has been implemented to monitor compliance with rules and regulations. The initial process requires the identification of risks, prioritisation of these risks and prescribing controls to minimize such risks. The monitoring process that follows requires regular self-assessment by staff of their adherence to the controls prescribed. The process culminates with monthly, quarterly and exception reporting that is carried out on-line.

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

In its advisory role, the Group Compliance Department provides advice on measures to be implemented by the Group to facilitate compliance with new rules and regulations. Recent efforts include the introduction of risk-based policies on customer due diligence and standardisation of anti-money laundering measures across the Group. To further promote understanding, the Unit conducts briefings, disseminates information as well as leads coordination efforts.

The Compliance Repository, an e-library that enables easy access to rules and regulations through various search modes, continues to serve staff as an important resource tool.

Review of Business Operations

Investment Banking

The Group's investment banking operations encompass merchant banking, stock broking and funds management operations. The Group is a key player in the investment banking arena, with its investment banking business recording a net profit after tax of RM178.6 million, an increase of 19.9% over last financial year's RM148.9 million.

Corporate Lending

The financial landscape is constantly evolving. We are currently witnessing an increasing tendency of large corporates to divert from traditional corporate lending as a funding source by tapping debt capital markets directly. In line with the Capital Markets Master Plan, the Securities Commission has also eased the way for this development by streamlining its approval processes to enable faster time-to-market for the issuance of equities and debt. Although we did see a contraction in total loans assets, from RM5.9 billion as at 31 March 2003 to RM5.7 billion, arising from redemptions and refinancing via the debt capital markets, AmMerchant Bank had disbursed approximately RM1.8 billion in new corporate loans during the financial year. These loans were primarily bridging loans as many of the corporates continue to tap the debt capital markets for their funding.

The growing trend towards debt capital markets do not pose a significant threat to the Group's source of income, rather, it presents further opportunities for rapid growth of Bank's Debt Capital Markets business.

Although income from traditional corporate lending is not expected to be a crucial component of Group profits in the future, the Group remains committed to traditional corporate lending activities comprising bridging, long term and working capital financing. We view the relationships we build here with targeted corporates as the platform for sustainable, long term and profitable growth for the Group's investment banking business. We nurture our corporate customers so that, together we reap the rewards of the future.

Corporate Finance Advisory Services

Corporate Finance advisory services are a core focus area for the Group. We have strived hard to establish the Bank's Corporate Finance Advisory Division as a powerhouse and market leader in the equity capital markets and mergers and acquisitions (M&A) scene, with pleasing results. AmMerchant Bank's branding is particularly renowned in this arena, with the Bank leading all other corporate finance advisory houses in initial public offerings (IPOs) across all boards in Malaysia, i.e. the Main Board, Second Board, MESDAQ Market and Labuan Financial Exchange (LFX) this financial year. The Bank was the lead manager for 31 IPOs for FYE 31 March 2004 (excluding IPOs on the LFX); almost double the IPOs lead managed by the second placed merchant bank (15 IPOs).

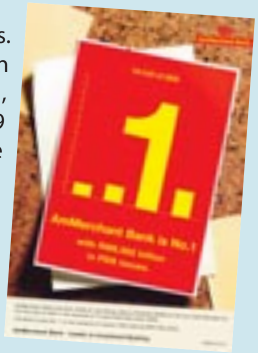
Apart from IPOs, the Bank continued its leadership position in the M&A and restructuring front by advising 29 transactions valued at RM21.0 billion. One notable achievement was that the Bank was the advisor for the first Leveraged Buy-Out (LBO) in Malaysia.

The Secondary Offering market experienced high under-subscription rates for rights issues of about 22.0%, especially in the first half of 2003. Despite the general under-subscription trend, all ten of the rights issues that the Bank advised were fully subscribed.

We expect the corporate financial advisory scene to become even more competitive in the future with new players entering the market. Universal brokers are likely new competitors, placing downward pressure on advisory fees. Additionally, the implementation of a disclosure based regime has 'commoditised' corporate financial advisory services, thereby further squeezing the margins on advisory fees.

In order to remain in the lead, we intend to maintain superior execution and time-to-market levels, enhance distribution capability and introduce innovative new products, primarily equity structured products.

Debt Capital Markets



2003 was a bumper year for the issuance of corporate debt securities. Despite volatile interest rates in the second half of 2003, the Malaysian Private Debt Securities (PDS) market experienced high positive growth, achieving overall market size of RM34.6 billion as compared to RM23.9 billion in the previous year. This is mainly due to the flat interest rate environment in the first half of 2003, which made it attractive for large corporations and investors to lock in long-term funding.

2003 was a notable year for the Bank's debt capital markets (DCM) business. We captured the No. 1 position in the Ratings Agency Malaysia (RAM) 2003 League Table for both PDS and Islamic PDS issues, lead-managing RM8.4 billion worth of debt in 2003, or close to a quarter of total debt raised.

We strive to be innovative in meeting our customers' needs. The Bank lead-arranged the first Repackaged Loan Obligation in Malaysia with Astute Assets Berhad's asset-backed securities issuance of RM698.5 million. Another notable issue was the Bai' Bithaman Ajil Islamic Debt Securities (BaIDS) issuance by New Pantai Expressway Sdn Bhd totalling RM740.0 million, whose dual-tier dual-rating instrument was structured with a project financing structure.

Significant Ringgit Private Debt Securities transactions arranged and managed by the Bank in 2003 were:

No.	Issuer	Value (RM'Mil)	Date Completed
1.	KL International Airport Berhad	4,060	June 2003
2.	Panglima Power Sdn Bhd	1,220	March 2003
3.	Petronas Fertilizer (Kedah) Sdn Bhd	750	April 2003
4.	New Pantai Expressway Sdn Bhd	740	October 2003
5.	Astute Assets Bhd	698	October 2003
6.	Malaysian Industrial Development Finance Berhad	500	January 2003
7.	LaFarge Malayan Cement Berhad	350	April 2003

We will be directing our efforts towards helping our clients achieve optimal cost-efficient funding. We intend to innovate on current debt financing structures, such as by incorporating derivatives or other appropriate instruments, and specifically tailoring the offerings to meet our clients' needs.

With excess liquidity of RM120.0 billion in the market, we expect new debt issues in the pipeline to be strong in the first half of 2004. For the FY2004/2005, we will continue to leverage on our strength as a leading integrated financial institution and maintain our leading market position in the Debt Capital Markets.

Treasury & Derivatives

Despite Bank Negara Malaysia's accommodative interest rate policy which kept short term interest rates flat, the last financial was indeed challenging for our Treasury & Derivatives Division, particularly in Fixed Income activities. The long end of the yield curve reacted to the volatilities of the US markets and tracked the movements of the 10-year US Treasury notes, which experienced a very sharp retracement of close to 150 basis points from its all-time low in 2003. Despite the demanding environment, the Bank still managed to record gains of RM51.4 million in the last financial year.

We are pleased that the Bank and Treasury's continued contributions to the liquidity and development of the bond market was once again given due recognition, with the Bank's reappointment as a Principal Dealer by Bank Negara Malaysia.

The Funding and Liquidity Management units (i.e. Interbank Money Market and Corporate Sales) continued to comply with the Statutory Reserve and Liquidity Framework requirements, while intensifying its efforts to further diversify the Bank's depositor base and reduce its reliance and funding exposure to single depositor groups.

In interest-rate derivatives trading, spearheaded by the Treasury Derivatives Unit, the Bank continued to be in the forefront of the domestic derivatives market; we were actively involved in trading and market making in Interest Rate Swaps, the three-month Kuala Lumpur Inter-Bank Offering Rate (KLIBOR) Futures, and Malaysian Government Securities Bond Futures contracts.

The Islamic Treasury unit continues to contribute to the overall strategy of strengthening capabilities and building franchises in Islamic Banking, and is actively involved in the funding of the Islamic Banking portfolio and trading of Islamic debt securities.

Operational risk management remains a key focus area. Regular drills are conducted to test the Group Treasury Disaster Recovery Site and Business Continuity Plan. As a precautionary measure against the outbreak of SARS in the region, half of AmBank Group's Treasury staff (Treasury Dealing and Treasury Operations) were deployed to operate at the Disaster Recovery site for a period of two months.

Private Banking

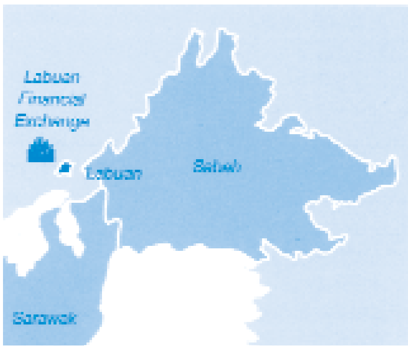
Our private banking business under the label AmPrivate Banking completed its maiden year of operations in March 2004. AmPrivate Banking offers more exclusive and personalised wealth management services to meet the needs of our affluent, financially sophisticated and thus, more demanding clients. We aim to provide our clients with the broadest possible range of investment products and financial planning services tailored exclusively to meet their financial objectives.

As at March 2004, total assets under management stood at RM701.6 million.

We will be focusing on increasing our sales force to further penetrate the wealth management market and also to increase the number of products offered, whether in-house products or products from third-party producers.

Offshore Banking

The Group's offshore banking operations are undertaken through AmMerchant Bank Labuan Branch as well as AmInternational (L) Limited (AmInternational), and encompass the whole spectrum of investment banking, from origination to structuring and finally to distribution. We foresee a high demand for USD capital raising capabilities, as the increasing rate of globalisation spurs more Malaysian companies to venture towards tapping foreign currency-based capital markets for investments and projects overseas.



During the year, the Group's offshore banking operations recorded a pretax profit of US$4.4 million, resulting in a strengthening of our risk weighted capital ratio to 14.4%. This improvement arose mainly from better performing loan assets, in light of improving global and regional economic conditions.

AmInternational maintained its position as a leading listing sponsor on the Labuan International Financial Exchange (LFX) in terms of innovativeness and the number of instruments and amount listed. AMIL successfully listed the Am-Macquarie Sovereign Plus Fund which is the first primary listing of an open-ended fund on LFX. Approval from LFX was also obtained for the secondary listing of three existing international sovereign bonds issued by the Government of Malaysia namely €650.0 million 6.375% Bonds due 2005, US$1.5 billion 8.75% Global Bond due 2009 and US$1.75 billion 7.50% Global Bonds due 2011.

Going forward, we are committed towards the development of the Islamic finance industry, in line with Labuan Offshore Financial Services Authority (LOFSA's) strategy to drive and foster the growth of Islamic finance activities in Labuan IOFC.

Funds Management

AmInvest, the Group's funds management unit, comprising of AmInvestment Services Berhad and AmInvestment Management Sdn Bhd, is a 70:30 joint venture between AmMerchant Bank Berhad and our strategic partner, Macquarie Bank Limited, Australia. AmInvest provides investment management, unit trust management and customised investment solutions for both retail and institutional clients.

AmInvest has retained its top position in the institutional funds segment this year with a market share of 17.5% and third position with a market share of 7.2% in the retail unit trust segment. As at 31 March 2004, the total funds under management grew by 15.0% to RM5.2 billion from RM4.5 billion at 31 March 2003, representing a total market share of 10.8%. We maintained our third position overall in the funds management industry. Of the RM5.2 billion funds under management, 57.0% of the funds are invested in equities and the remaining 43.0% is invested in fixed income securities. AmInvest is the largest fixed income fund manager in Malaysia.

In September 2003, AmInvest launched three new funds. They were AmDynamic Bond, AmBalanced and AmConservative. Subsequently, on 5 January 2004, we launched AmConstant, a closed-ended fixed income fund garnering RM172.0 million in sales within three weeks. Currently AmInvest manages a total 14 unit trust funds.

In February 2004, AmIncome received the inaugural award for the top performer in the Money Market Category in the Malaysia Unit Trust Awards 2003 presentation by The Edge-Lipper. Also in February, AmInvestment Management Sdn Bhd was awarded the 'Best Three-Years Realised Return Manager 2003' by the Employees Provident Fund. This is the second consecutive year that AmInvestment Management was honoured with this prestigious award.

Stockbroking

Turnover in Bursa Malaysia Securities Berhad (Bursa Securities) was suppressed for the first four months of 2003 as a result of the uncertainties surrounding the global economic outlook namely by the Severe Acute Respiratory Syndrome (SARS) outbreak and the invasion of Iraq. However, as stronger corporate earnings and positive news of significant progress on major corporate restructurings as well as the smooth transition of power arising from the succession of our current prime minister along with numerous positive political developments, Bursa Malaysia surged to a four-year high, touching the 919 point mark in late March 2004.

As a consequence of the increased turnover in Bursa Malaysia, AmSecurities Sdn Bhd (AmSecurities) managed to register a 163.0% increase in profit before tax to RM63.0 million for FYE 31 March 2004. In terms of market share, AmSecurities contributed close to 7.0% of the total turnover on Bursa Securities.

AmSecurities operates from a position of strength. Our capital adequacy ratio, measured by liquid capital against total risk requirement, stood at 7.06 times as at 31 March 2004, well above the minimum requirement of 1.2 times. In addition, AmSecurities' research subsidiary, AmResearch Sdn Bhd, was voted **'The Most Improved Local Research House'** by the leading local business weekly, The Edge, reinforcing our philosophy of offering superior research and execution services for our clients.

AmSecurities continues to increase its market share by recruiting and retaining dealers and remisiers to expand our client base, as well as continued expansion of the branch based broking (BBB) business, which although small currently, is profitable. In addition, it will introduce attractive margin financing packages and other innovative products to attract new clients and increase revenue from existing ones.

Futures Broking

The Exchange Traded Derivatives (ETD) industry in Malaysia continues to grow by more than 50.0% as the average monthly volume recorded for last year was more than 180,000 contracts compared to only 120,000 contracts for the previous year. The Crude Palm Oil futures contract (FCPO) remains the most actively traded contract with an average monthly volume of 110,000 contracts per month. A positive development was also the building up of significant interest on the index futures contract (FKLI), as the underlying Kuala Lumpur Composite Index (KLCI) gained momentum and volatility towards the second half of last year.

Bursa Malaysia Derivatives Exchange will be replacing the current derivative trading system with a common trading platform (CTP) that will facilitate trading programs for both the equity and derivatives market. The CTP will be linked to the clearing house and is expected to incorporate an advanced risk management system within the network itself.

AmFutures Sdn Bhd (AmFutures) is one of only two bank-backed futures broking firms with a license to trade all products approved by Bursa Malaysia Derivatives Exchange. We remain as one of the top brokers in the industry especially for the FKLI & FCPO contracts, registering a market share of 18.0% and 12.0% respectively.

Trustee Services

AmTrustee Berhad (AmTrustee) recorded a noteworthy achievement this financial year, as assets held in trust as at 31 March 2004 almost doubled to RM7.1 billion from RM3.8 billion, at the previous year end. AmTrustee's clients are from the various industries including unit trust funds, retirement funds, memorial parks, time-share programmes, golf clubs and resorts.

Property Trust

AmProperty Trust Management Berhad (AmProperty Trust) manages the AmFirst Property Trust (AmFPT or the Trust), which is listed on Bursa Securities. With a Net Asset Value (NAV) of RM192.8 million as at 31 December 2003, AmFPT is the largest property trust in Malaysia.

For the financial year ended 31 December 2003, the net rental income of the Trust was RM11.4 million compared with RM12.1 million in the previous year. The decline of approximately 6.5% was mainly due to higher operating expenses arising from major refurbishment works at AmBank Group Leadership Centre (formerly known as Wisma Kimseah). However, the impact was cushioned by higher write-back of provision for diminution in value of quoted shares. Consequently, the profit before taxation for the year was maintained at RM10.4 million similar to that recorded in the previous financial year.

AmBank Group Leadership Centre was revalued in July 2003 by an independent professional valuer on an open market value basis at RM19.0 million or approximately RM329.0 per square foot (psf), an increase of approximately 5.5% compared with the previous revaluation in July 2000 at RM18.0 million or approximately RM311.0 psf. The Securities Commission subsequently approved the revaluation in December 2003 and the revaluation surplus of RM1.0 million has been incorporated into the accounts with effect from 1 January 2004.

Bangunan AmBank Group had an occupancy rate of approximately 95.0% during the period under review. Tenancies representing approximately 40.0% were successfully renewed during the year. The occupancy in AmBank Group Leadership Centre also improved to 83.0% with approximately 45,577 sq. ft. of office space taken up during the period under review.

AmFPT declared a gross distribution of 7.0 sen per unit for the financial year ended 31 December 2003. The Trust will continue with its intensive property management practices which include measures to control the operational costs without affecting the quality of the building services to ensure that the Trust properties remain competitive in the market.