

Corporate Governance

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

BOARD OF DIRECTORS

Principle 1: Conduct of Affairs

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

The Board's roles and responsibilities include:

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

Principle 2: Chairman and Group Managing Director

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

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

- chairing the meetings of Shareholders and the Board;
- monitoring the performance of the Board and the mix of skills and effectiveness of individual contribution; and
- maintaining on-going dialogue with the Chief Executive Officers of the various major subsidiary companies and providing appropriate mentoring and guidance.

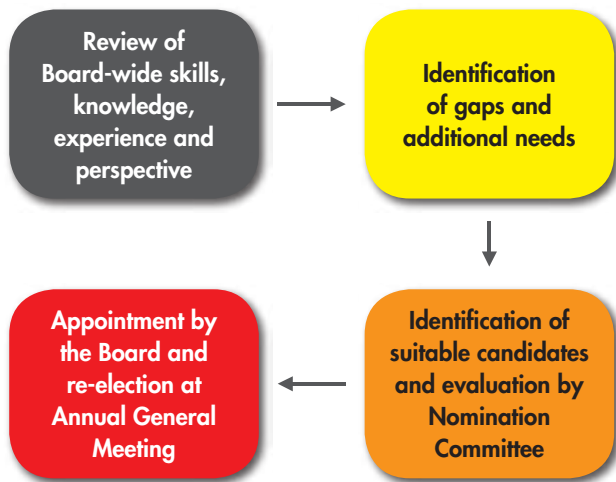
The Board delegates the authority and responsibility for managing the everyday affairs of the Group to the Group Managing Director and through him and subject to his oversight, to other Senior Management. The Board monitors the management and performance of the Group Managing Director on behalf of the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

Principle 3: Board Composition, Selection and Appointment

The Board currently comprises eleven (11) Directors [as at 15 August 2007] of which five (5) are Independent Non-Executive Directors, providing a healthy Board balance. The Board continues to achieve a balance of skills, knowledge, experience and perspective among its Directors.

Appointment and Resignation

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



SELECTION OF DIRECTORS

Principle 4: Board Performance

Board Independence

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

Decision-making on key issues regarding the Company and its subsidiaries are fully deliberated by the Directors. Board decisions are made taking into account the views of the Independent Non-Executive Directors, which carry substantial weight. They fulfill their roles in ensuring that strategies proposed by the management are fully discussed and examined as well as ensuring that the interest of shareholders of the Company are safeguarded.

Independence

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

Senior Independent Non-Executive Director

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

Election at Next Annual General Meeting

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

Tenure

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

Formalisation of Rights, Duties and Obligations

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

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

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

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

Performance Evaluation

Performance evaluations are conducted annually and cover the Board, each Director and the Board Committees. The framework used to assess the Directors is based on the expectation that they are performing their duties in a manner which should create and continue to build sustainable value for shareholders and in accordance with duties and obligations imposed upon them under the law and guidelines issued by the regulatory authorities.

Principle 5: Access to Directors

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

Principle 6: Access to Information

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

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

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

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

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

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

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

Note:

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

Principle 7: Board Committees

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

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

Independent Directors make up the majority of these four main Committees. The criteria for the membership are based on a Director's skills and experience, as well as his ability to add value to the Committee.

The Group Managing Director and the Chief Executive Officers and other senior management staff are invited to attend the relevant Committee meetings.

The Nomination Committee

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

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

The Board of Directors, on the recommendation of the Nomination committee had also approved the mechanism for the formal assessment on the effectiveness of the Board as a whole and Committees as well as the contribution of each Director to the effectiveness of the Board.

Principle 8: Procedures for Developing Remuneration Policies

The Remuneration Committee

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

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

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

Principle 9: Level and Mix of Remuneration

Directors' Remuneration

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

Principle 10: Risk Management

Risk Management Committee

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

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

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

Risk Management Committee

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

Principle 11: Accountability

The Audit and Examination Committee

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

- the Group's financial reporting accounting policies and controls;
- the work of the Group's Internal Audit;
- the AEC Committees of the major subsidiary companies;
- compliance with regulatory requirements; and
- the appointment, evaluation and oversight of the external auditor.

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

Audit and Examination Committee

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

Principle 12: Financial Controls

Responsibility Statement

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

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

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

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

Statement on Internal Control

Responsibility

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

Management of Information

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



Internal Control Environment and Key Processes

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

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

Audit and Examination Committee Report

Terms of Reference

The functions of the Committee are as follows:

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

Summary of Key Activities

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

Internal Audit

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

KEY RISK AREAS & INTERNAL FOCUS



- Monitored the progress of the Internal Audit Department in completing its audit plan and assessed the performance of the Department.
- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas.
- Reviewed reports of the Internal Audit Department (including internal investigations, follow up on resolution of issues raised in reports issued by BNM, external auditors and other external parties) and considered Management’s response and accordingly directed Management to take the necessary remedial action. The Committee also followed-up on resolution of major issues raised in the reports.

External Audit

- Reviewed the appointment of the external auditors and their independence and effectiveness.
- Reviewed their audit plan, annual audit fees and scope of work for audit and non-audit assignments.

Planned audits 1	Systems development life-cycle review of major IT infrastructure projects 2	Special focus reviews 3	Mandatory audits 4	Ad-hoc reviews and special assignments 5
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- Reviewed the external auditor’s results and report as well as the Management’s consequent responses to the findings of the external auditors.

Financial Results

- Reviewed the quarterly results and financial statements of the Group before recommending them for approval to the Board of Directors.
- Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for approval.
- Compliance with the following legislation was ensured:
 - Provisions of the Companies Act 1965, Securities Industry Act 1983, Securities Commission Act 1983 and the Banking and Financial Institutions Act 1989
 - The Listing requirements of Bursa Malaysia Securities Berhad
 - Applicable accounting standards in Malaysia
 - Other relevant regulatory requirements

Related Party Transactions

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

**Principle 13:
Internal Audit**

Internal Audit Function

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

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

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

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

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

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

Principle 14: External Audit

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

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

They are re-appointed by the shareholders of the Company annually.

Non-Audit Services.

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

Specifically the policy:

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

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY 2007 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

Audit Fees

The total of the statutory and non-statutory audit fees for the AHB Group (excluding expenses and service tax) in the financial year ended 31 March 2007 amounted to RM1.41 million [FY2006: RM1.06 million].

Non-Audit Services Fees

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

Principle 15: Communication with Shareholders

Reaching out to all Shareholders and Investors

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



Communication with Shareholders

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

All shareholders are encouraged to attend the meetings and if they are unable to attend a meeting, they can submit their vote or proxies via post. External auditors are also present to assist the Directors in answering questions from shareholders. The auditor can respond on any business item that concerns them in their capacity as auditor.

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

Senior management personnel responsible for Investor Relations activities:

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

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



INVESTOR RELATIONS CALENDAR

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



For your weekend banking convenience,
we're **No.1** in Malaysia.

PERLIS

- ▲ KANGAR – Jln Bukit Legi, Bangunan PKDPh

KEDAH

- ★ ALOR SETAR – Wisma Landak, Jln Kota
- ★ KULIM – Jln Tanqui Putea
- ★ SUNGAI PETANI – Jln Kg Baru

PENANG

- ★ AYER ITAM – Jln Paya Tembong
- ▲ BAGAN AJAM – Jln Bagan Ajam
- ★ BALK PULAU – Main Road
- ★ BAYAN BARU – Jln Mahkota
- ★ BUKIT MERTAJAM – Jln Padang Laling
- ★ GEORGETOWN – Lebuh Bishop
- ▲ MPF TOWER – Jln Sultan Ahmad Shah
- ▲ PULAU TINGI – BELISSA ROW, Jln Burma
- ▲ SEREMANG JAYA – Jln Tadaq 2
- ▲ SUNGAI BAKAP – Main Street

PERAK

- ▲ BATU GAJAH – Jln Kemajuan
- ▲ IPOH – Jln Yang Kabeon
- ★ IPOH GARDEN – Jln Dato' Lee Pak Khuan
- ▲ KUALA SEPETANG – Jln Trump
- ▲ PANGSAPUNTAR – Jln Temenggong
- ▲ SITAWAN – Jln Raja Omar
- ★ TAMPIN – Jln Taming Sari
- ★ TELUK INTAN – Jln Raja

N. SEMBILAN

- ★ BAHALU – Jln Mewah
- ▲ PORT DICKSON – Jln Bandar
- ★ SEREMBAN – Jln Prasar
- ▲ SEREMBAN – Jln Dato' Lee Fong Yee

MELAKA

- ★ MELAKA – Jln Mursidi Abdullah
- ▲ MELAKA – Troi Melaka Raya
- ▲ TAMPIN – Jln Besar

PAHANG

- ▲ KUANTAN – Jln Haji Abdul Aziz
- ★ KUANTAN – Jln Besar
- ★ MENTAKAB – Jln Zaidin
- ▲ TELUK ANSON – Jln Ahmad Shah 1

JOHOR

- ▲ SATU PAVAT – Jln Rahmat
- ★ SATU PAVAT – Jln Raguiah
- ★ JOHOR BAHRU – Jln Wong Ah Fook
- ★ JOHOR BAHRU – Jln Meranti Merah, Melodies Garden
- ▲ JOHOR BAHRU – Metropolis Tower, Jln Abdullah Tahir
- ★ JOHOR JAYA – Jln Pas Merak 2/B
- ★ KLUANG – Jln Dato' Tahir Siam Khor
- ★ KOTA TINGGI – Jln Lambong
- ★ KULN – Lorong Dua
- ★ MGR – Jln Subaman
- ★ PASIR DUNGG – Jln 9/9, Perumahan 9
- ★ PERMAS JAYA – Jln Permas 4/3
- ★ PONTIAN – Jln Taib
- ★ SESAMAT – Jln Abdullah
- ★ SKUDAI – Jln Nakobesi 1

KELANTAN

- KOTA BHARU – Jln Sultan Ibrahim

SELANGOR

- ▲ PETALING JAYA – Ampork Mall, Jln Perisalan Barat
- ★ AMPANG – Ampang Point, Jln Mamanda 7
- ★ SALAKONG – Troi Indah, Babu 11
- ★ BANDAR BARU BANGSAR – Jln Ipoh
- ★ DAMANSARA UTAMA – Jln SS21/35
- ★ PETALING JAYA – Jln SS2/E1
- ★ PUUCHONG – Jln TKJ/11A, Troi Kinrara
- ★ RAWANG – Jln Desa 1/1
- ★ SHAH ALAM – Jln Tangku Ampuan Zabeedah 9/5, Section 9
- ▲ SERI KEMBANGAN – Jln Persekitaan 2
- ▲ SUBANG JAYA – Jln SS15/4D
- ★ USJ – Jln USJ 10/1
- ▲ BANTING – Wisma Mutiara, Jln Sultan Abdul Samad
- ★ KAJANG – Jln S13/1, Section 10
- ★ PORT KLANG – Wisma Palm Base, Persisiran Raja Muda Musa
- ▲ SHAH ALAM – Jln Uluu 9/15B, Section 15

WILAYAH PERSEKUTUAN

- ★ KUALA LUMPUR – BANGSAR BARU – Jln Telawi 3
- ▲ KUALA LUMPUR – MEDAN PASAR – Wisma Mares
- ★ KUALA LUMPUR – JLN IPOH – Babu 3
- ★ KUALA LUMPUR – KEPONG BARU – Jln Anson 2
- ▲ KUALA LUMPUR – KL SENTRAL
- ★ KUALA LUMPUR – OUG – Jln Hujan Emas 4
- ▲ KUALA LUMPUR – PLOU – Wisma AmBank
- ★ KUALA LUMPUR – PLOU – Jln Pasar
- ▲ KUALA LUMPUR – SALAK SOUTH – Jln Besar
- ★ KUALA LUMPUR – SELAYANG – Jln D/3A
- ★ KUALA LUMPUR – SENTUL – Bangunan Dato' H Suhaimi
- ★ KUALA LUMPUR – SETAPAK – Jln 3/30C
- ★ KUALA LUMPUR – SRI PETALING – Jln Raden Tengku
- ★ KUALA LUMPUR – TAMAN CONDOUGHT – Jln Sarjana
- ★ KUALA LUMPUR – TAMAN MALURI – Jln Japaka 2
- ★ KUALA LUMPUR – WINDOSA MAJU – Jln 1/27E
- ▲ PUTRAJAYA – Jln Namanda, Precinct 1

SARAWAK

- ▲ BINTULU – Bangunan BDA, Jln Sonnenville
- ★ KUCHING – Jln Apeit
- ▲ KUCHING – Jln Haji Taha
- ▲ MPK – Beautiful Jade Centre
- ★ SBU – Beckenwith Road
- ▲ SBU – Jln Tanqui Daman

SABAH

- ★ KOTA KINABALU – Jln Segunting
- ▲ KOTA KINABALU – Laying Commercial Centre
- ★ SANDAKAN – Jln Dua
- ▲ TAWAU – Sorindo Square, Jln Duple

▲ SATURDAY BANKING

★ SUNDAY BANKING

○ FRIDAY BANKING



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

For more information, call 03-2178 8888 or log on to ambg.com.my



Compliance with Bursa Securities Listing Requirements

Other Bursa Malaysia Compliance Information

1. Share Buy-back

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

2. Material Contracts

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

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

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

4. Sanctions and/or Penalties

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

5. Profit Guarantees

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

6. Revaluation Policy

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

7. Utilisation of Proceeds Raised from Corporate Proposals

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

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

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

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

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

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

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

8. Options, Warrants or Convertible Securities

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

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

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

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

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

9. Variation in Results

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

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

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

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

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

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

Note:

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

Risk Management

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

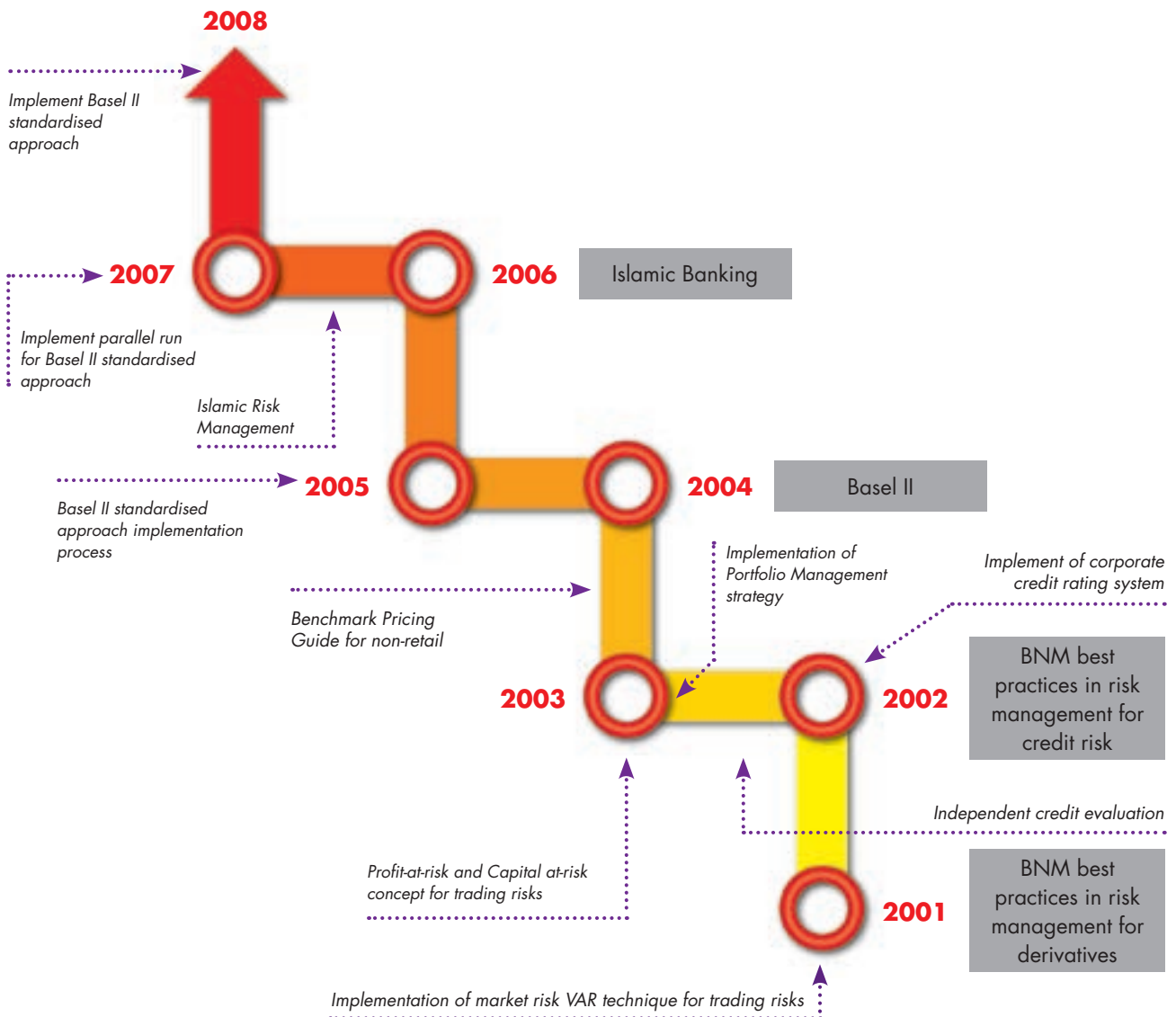
OVERVIEW

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

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

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

RISK MANAGEMENT YEARLY DEVELOPMENTS AND INITIATIVES



RISK MANAGEMENT FRAMEWORK

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

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

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

Risk Management Framework



Risk Management Culture

The risk management culture of the Group encompasses the following:

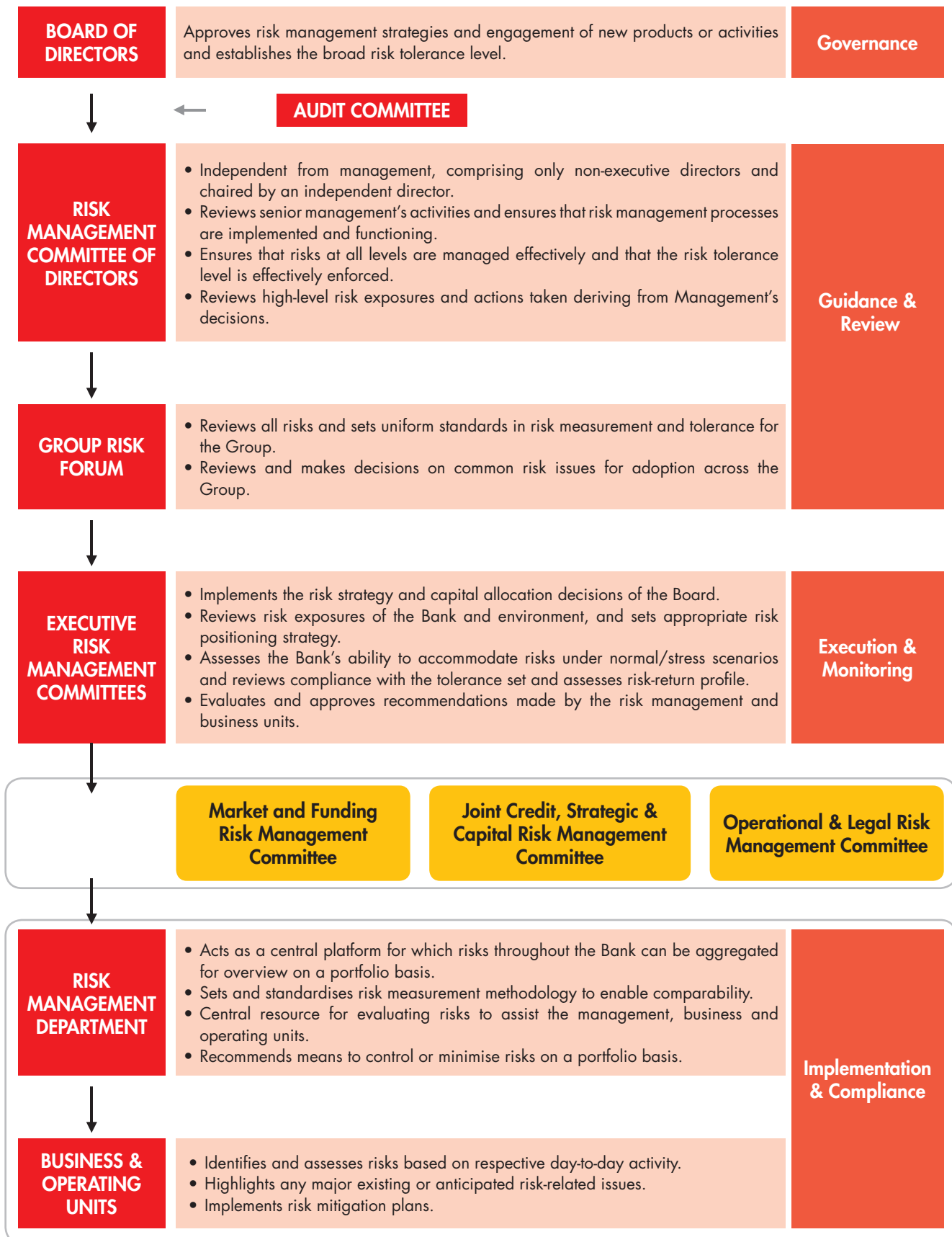
<ul style="list-style-type: none"> Documentation that is approved by the Board which expresses the Group’s risk management strategies and appetite. 	<i>Developing Strategies</i>
<ul style="list-style-type: none"> The capabilities and resources utilised in risk management. 	<i>Adopting Skills</i>
<ul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



Risk Management Governance – Setting Clear Roles & Responsibilities

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

Overall Risk Management Framework



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

Risk Management Goals – aligning the focus

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

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



Risk Management Principles – emphasising the guiding philosophies

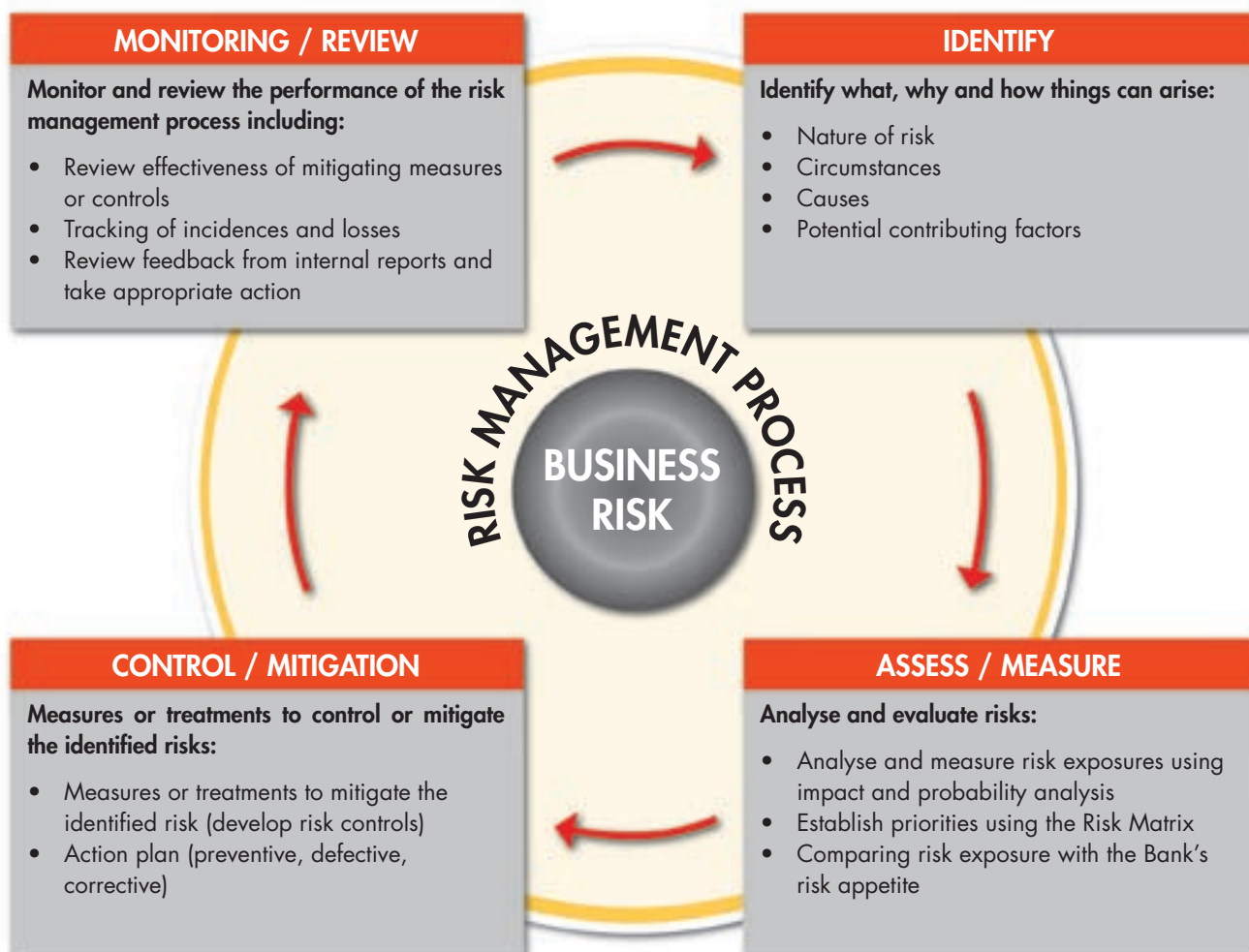
The underlying principles serve to support the implementation of the goals into the processes. The six principles observed are as follows:

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

Risk Management Process – developing key activities

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

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



MANAGEMENT STRUCTURE OF THE RISKS

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

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

RISK MANAGEMENT OBJECTIVES

Joint Credit, Strategic & Capital Risk Management Committee

Strategic Risk

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

Capital Risk

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

Credit Risk

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

Market and Funding Risk Management Committee

Market Risk

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

Funding Risk

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

Operational & Legal Risk Management Committee

Operational Risk

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

Legal and Regulatory Risk

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

RISK MANAGEMENT APPROACH

Strategic Risk

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

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

Capital Risk

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

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

Market Risk Management

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

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

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

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

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

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

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

Market Risk Management Process

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

Funding Risk Management

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

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

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

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

Funding Risk Management Process

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

Credit Risk Management

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

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

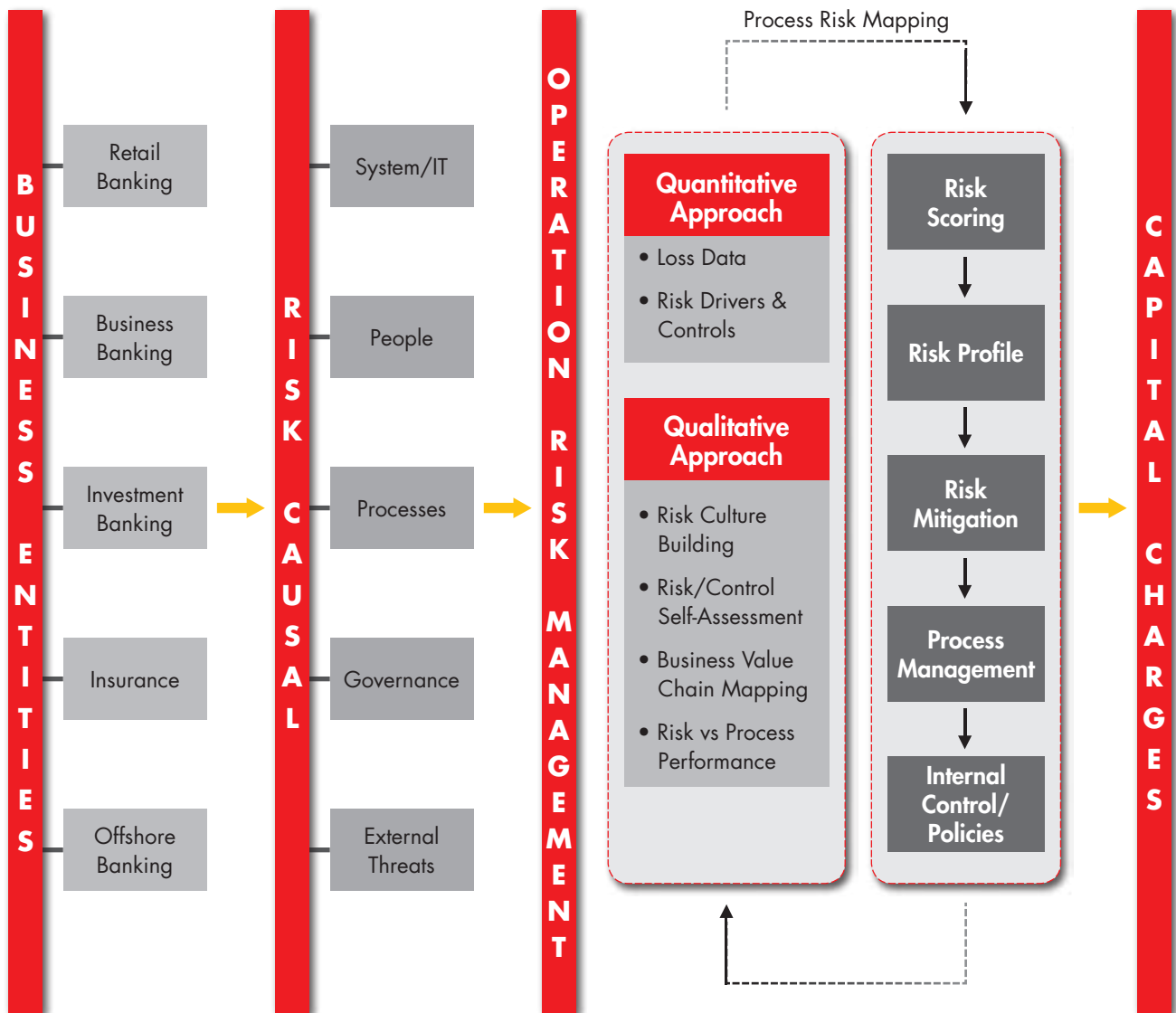
by the Board/Risk committee. Specific procedures for managing credit risks are determined at business levels in specific policies and procedures based on risk environment and business goals.

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

Credit Risk Management Process

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

Operational Risk Management Process



Operational Risk Management

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

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

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

Operational Risk Management Process

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

Business Continuity

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

Legal and Regulatory Risk Management

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

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

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

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

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

Group Compliance also provides advice on regulatory matters and measures to be implemented by the Group to facilitate compliance with rules and regulations. To further promote understanding, the Unit facilitates briefings, disseminates information and leads coordination efforts.

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

Reputational Risk

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

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

KEY INITIATIVES FOR BASEL II

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

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

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

Basel II Implementation

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

The implementation of the project consists of two phases:

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

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



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

PLANS GOING FORWARD

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

Simplicity



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