AMMB HOLDINGS BERHAD

Company Number 223035-V
Incorporated in Malaysia

Financial Statements 2011

Expressed In Ringgit Malaysia
For The Year Ended 31 March 2011

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of **AMMB HOLDINGS BERHAD** for the financial year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiaries, as listed in Note 15 to the financial statements, provide a wide range of retail banking, business banking, investment banking, corporate and institutional banking, Islamic banking and related financial services which also include underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trusts management.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events during the financial year are as disclosed in Note 56 and Note 57 to the financial statements respectively.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	1,865,124	1,696,205
Taxation and zakat	(473,974)	(419,065)
Profit before minority interests	1,391,150	1,277,140
Minority interests	(48,338)	-
Net profit attributable to the equity holders of the Company	1,342,812	1,277,140
Retained earnings at beginning of year	2,556,870	1,491,744
Profit available for appropriation	3,899,682	2,768,884
Effect of adoption of FRS139	(167,961)	-
Transfer to statutory reserve	(39,147)	-
ESS shares vested to employee of subsidiary	-	147
Transfer of ESS shares recharged difference on purchase price for shares vested	(48)	-
Dividends paid	(464,184)	(464,184)
Retained earnings at end of year	**3,228,342**	**2,304,847**

BUSINESS PLAN AND STRATEGY

AmBank Group's Medium Term Aspirations ("MTA") is to be Malaysia's Preferred Banking Group with International Connectivity, as measured by customer satisfaction, sound financial performances, and well diversified and sustainable growth. For FY2012, the Group's strategic priorities focus on profitable growth and rebalancing, diversification and new business development, non-interest income and deposit growth, and customer centricity. To achieve this, the Group will focus on leveraging international connectivity, investing to grow income, increasing customer share of wallet, capitalizing on the Economic Transformation Programme ("ETP"), and upgrading capability and productivity.

The Group will tap on the domestic economic growth agenda, particularly in prime sectors of the ETP initiated by the government. To date, a total of 60 entry point projects have been announced, involving over RM95 billion investments primarily from the private sector. The banking industry is poised to benefit from lending growth, the extension of working capital and bridging financing, and the issuance of new private debt securities that will boost capital market activities.

In the upcoming financial year, Retail Banking division's key agenda is to grow deposits via enlarged distribution channels and enhanced cross-selling, and balanced with assets growth in profitable segments. Additional emphasis will be placed on wealth management initiatives in order to improve revenue diversification and fee income growth.

On the Business Banking front, strategic initiatives are three-pronged : conserving relationship with existing customers, competing for new accounts with good track record and controlling accounts to contain impaired loans. Business Banking continues to generate deposits growth via cash management and transactional banking and increasing fee-based businesses.

Corporate and Institutional Banking's aims to deliver innovative and quality solutions, increase share of wallet, target high-profile and high-value clients. For its lending business, the division aims to widen its clientele and target higher share of project financing with government support in the market.

BUSINESS PLAN AND STRATEGY (cont'd)

Investment Banking's strategic intent is to maintain its leadership position in capital markets, funds management and stockbroking. In order to strengthen its competitive positioning, Investment Banking's unique selling proposition is the delivery of comprehensive, innovative and quality solutions, supported by improved infrastructure and distributional channels.

Since 2008, Markets business has gained good momentum and provided income diversification to the Group. For FY2012, the division will remain focused on building a substantive and integrated client-led business.

The focal point of our general insurance business under AmG Insurance Berhad ("AmG") will encompass motor, commercial and non-motor lines. As part of its initiatives to elevate staff expertise and improve operational efficiency, AmG has been leveraging on its strategic partner, the Insurance Australia Group ("IAG") for capability transfer.

Meanwhile, in the Life Assurance division, priorities encompass customer focus augmentation and scale building. With the participation of Friends Provident Fund PLC ("FP"), AmLife Insurance Berhad's ("AmLife") strategic partner, notable progress has been made in product diversification, strengthening of distribution force and process reengineering.

The Group's Islamic banking continues to function on the shared business model and operating platform of the overall conventional businesses. Capitalising on the sovereign direction and initiatives to catapult Malaysia into becoming a global Islamic financial hub, will accord us the level to drive our Islamic banking business growth.

Enablement functions are critical to the achievement of our MTA, therefore we continuously make inroads in progressing "best in class" practices to provide seamless customer service. Focus areas include the development of leadership and talent, risk management and financial governance framework, and integration of technology, operations and infrastructure.

OUTLOOK FOR NEXT FINANCIAL YEAR

Regional trade is anticipated to continue to provide support to the domestic economic growth, as global economy shifts towards the Asian emerging markets. Nonetheless, recent developments have resulted in global volatilities, including the geo-political turmoils and natural disasters in various parts of the world. Risk of surging inflationary pressures loom in view of the high commodity prices resulting from scarcity and the frequent spate of unfortunate global events.

In Malaysia, the still robust domestic demand and the implementation of the ETP are expected to support gross domestic product ("GDP") growth. For calendar year 2011, current consensus estimate projects the Malaysian GDP to grow, on average, at circa 5.0% to 6.0%.

Looking ahead, the AmBank Group will continue leveraging on The Australia and New Zealand Banking Group's ("ANZ") international connectivity to drive business growth. ANZ's well-established geographical presence throughout Asia Pacific provides the AmBank Group with immediate access to cross-border markets. Plans are in place for higher collaborations in regional structuring and advisory businesses, offshore fund management and Islamic banking, markets, and international trade financing transactions.

AmBank Group is well-positioned to weather economic uncertainties, whilst harnessing on growth opportunities in the market and industry. We are committed and focused on delivering increasing value to our shareholders as outlined in our MTA.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed under significant events in Note 56 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the succeeding twelve months.

DIVIDENDS

During the financial year, the Company paid a first and final dividend comprising gross dividend of 4.4% less tax and single tier tax exempt dividend of 6.1% amounting to RM283,333,355 in respect of the financial year ended 31 March 2010 on 24 September 2010 to shareholders whose names appear in the Record of Depositors on 9 September 2010.

An interim single tier dividend of 6.0% for the current financial year amounting to RM180,851,091 was paid on 15 December 2010 to shareholders whose names appear in the Record of Depositors on 30 November 2010.

The directors now propose the payment of final single tier dividend of 12.0% amounting to RM361,702,181 to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2012.

RESERVES, PROVISIONS AND ALLOWANCES

The following material transfers to or from reserves, provisions and allowances were made during the financial year:

	Note to the Financial Statements	Group RM'000	Company RM'000
(a) Statutory Reserve			
Transfer from unappropriated profits	28	39,147	-
(b) Available-for-Sale Reserve			
Arising from net unrealised loss on revaluation of securities available-for-sale, net of transfer to profit and loss upon disposals	28	(14,353)	-
(c) Exchange Fluctuation Reserve			
Arising from translation of subsidiaries and associate expressed in foreign currency	28	(11,764)	-
(d) Cash Flow Hedging Reserve			
Arising from unrealised gains on cash flow hedges	28	29,489	-
(e) Shares Held-in-Trust for Executives' Share Scheme			
Arising from purchase of shares and vesting of shares pursuant to Executives' Share Scheme	28	(31,172)	(31,172)
(f) Employees' Share Scheme Reserve			
Arising from share-based payment and vesting of shares pursuant to Executives' Share Scheme	28	34,695	34,695
(g) Allowances/(Reversal of Allowances):			
Allowance for losses on loans and financing:			
Individual allowance - net	35	103,855	-
Collective allowance	35	808,818	-
Transfer from profit equalisation reserve	26	(42,444)	-
Provision for foreclosed properties		29,180	-
Provision for commitments and contingencies		22,001	-

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing, and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the Group and the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Company's financial statements misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business of the Group and of the Company.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares and debentures during the financial year.

SHARES OPTIONS

There are no options granted during the financial year by the Company to take up unissued shares of the Company, other than the options granted under the Executives' Share Scheme.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options, other than the options granted under the Executives' Share Scheme.

EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company to establish an Executives' Share Scheme ("ESS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The members of the ESS Committee are duly appointed and authorised by the Board. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the ESS Committee.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with AmTrustee Berhad ("Trustee"). The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The salient features of the ESS are disclosed in Note 29 to the financial statements.

During the financial year, the Trustee had purchased 6,234,700 of the Company's issued ordinary shares from the open market at an average price of RM5.05 per share. The total consideration paid for the purchase including transaction costs amounted to RM31,496,599.

As at 31 March 2011, 77,500 shares have been vested and transferred from the Trustee to certain Eligible Executives of a subsidiary in accordance with the terms under the ESS. The Trustee held 11,620,000 ordinary shares representing 0.39% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM48,686,818.

DIRECTORS

The directors who served on the Board since the date of the last report are:

- Tan Sri Azman Hashim
- Dato' Azlan Hashim
- Tun Mohammed Hanif Omar
- Tan Sri Datuk Dr Aris Osman @ Othman
- Tan Sri Datuk Clifford Francis Herbert
- Tan Sri Dato' Mohd Ibrahim Mohd Zain (resigned w.e.f. 16.4.2011)
- Dato' Izham Mahmud
- Alexander Vincent Thursby
- Dr Robert John Edgar
- Mark David Whelan
- Cheah Tek Kuang
- Soo Kim Wai
- Wayne Hugh Stevenson (Alternate Director to Dr Robert John Edgar) (ceased w.e.f. 15.4.2011)
- Alistair Marshall Bulloch (Alternate Director to Alexander Vincent Thursby and Mark David Whelan) (appointed w.e.f. 15.7.2010)
- Mark Timothy Robinson (Alternate Director to Dr Robert John Edgar) (appointed w.e.f. 15.4.2011)

In accordance with Article 89 of the Company's Articles of Association, Tan Sri Datuk Dr Aris Osman @ Othman, Mr Cheah Tek Kuang and Dr Robert John Edgar retire, and being eligible, offer themselves for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Tan Sri Azman Hashim, Tun Mohammed Hanif Omar and Dato' Izham Mahmud retire at the forthcoming Annual General Meeting ("AGM") and offer themselves for re-appointment to hold office until the conclusion of the next AGM.

DIRECTORS' INTERESTS

Under the Company's Articles of Association, the directors are not required to hold shares in the Company.

The interests in shares and options in the Company, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

DIRECT INTERESTS

In the Company

	Number of Ordinary Shares of RM1.00 each ("shares")			
Shares	**Balance at 1.4.2010**	**Bought**	**Sold**	**Balance at 31.3.2011**
Dato' Azlan Hashim	218,000	-	-	218,000
Tan Sri Dato' Mohd Ibrahim Mohd Zain	200,000	-	-	200,000
Dato' Izham Mahmud	24,000	-	-	24,000
Cheah Tek Kuang	78,800	-	-	78,800

	Number of shares pursuant to the Company's Executives' Share Scheme			
Scheme Shares*	**Balance at 1.4.2010**	**Granted**	**Vested**	**Balance at 31.3.2011**
Cheah Tek Kuang	110,000	192,200	-	302,200

	Number of shares pursuant to the Company's Executives' Share Scheme			
Shares under Options*	**Balance at 1.4.2010**	**Granted**	**Vested**	**Balance at 31.3.2011**
Cheah Tek Kuang	672,400	227,300	-	899,700

DIRECTORS' INTERESTS (cont'd)

INDIRECT INTERESTS

In the Company

		Number of Ordinary Shares of RM1.00 each ("shares")			
Shares	**Name of Company**	**Balance at 1.4.2010**	**Bought**	**Sold**	**Balance at 31.3.2011**
Tan Sri Azman Hashim	Amcorp Group Berhad	503,853,918	1,926,636	-	505,780,554

Note:
* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of service condition and the performance targets of the Group, and all other conditions as set out in the By-Laws of the Company's Executives' Share Scheme.

By virtue of Tan Sri Azman Hashim's shareholding in the Company, he is deemed to have interests in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares and options in the Company or shares in its subsidiaries during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 38 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, except for the related party transactions as shown in Note 37 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

(i) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group. Since the Company is a holding company, its major business activities are conducted through its various subsidiaries. The Board complies with the best practices in corporate governance as set out in the Malaysian Code on Corporate Governance.

The Board supervises the management of the Group's businesses, policies and affairs with the goal of enhancing shareholders' value. The Board meets ten (10) times per year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholders' meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises eleven (11) directors with wide skills and experience, of which four (4) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Group Managing Director.

The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Group Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

CORPORATE GOVERNANCE (cont'd)

(ii) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to Board Committees. These committees, which were created to assist the Board in certain areas of deliberation are:

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

The roles and responsibilities of each committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

The attendance of Board members at the meetings of the Board and the various Board Committees is as set out below:

Number of Meetings attended in Financial Year ("FY") 2011

	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Group Risk Management Committee	Group Information Technology Committee
Tan Sri Azman Hashim	10 (chairman)	3	4	N/A	N/A	N/A
Dato' Azlan Hashim	9	N/A	N/A	6	N/A	4 (chairman)
Tun Mohammed Hanif Omar	10	3 (chairman)	N/A	N/A	N/A	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	10	3	4	7 (chairman)	5	N/A
Tan Sri Datuk Clifford Francis Herbert	10	3	N/A	6	5 (chairman)	N/A
Tan Sri Dato' Mohd Ibrahim Mohd Zain (resigned w.e.f. 16.4.2011)	7	N/A	N/A	N/A	N/A	3
Dato' Izham Mahmud	9	N/A	4 (chairman)	7	N/A	N/A
Alexander Vincent Thursby	10	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar	10	3	4	7	N/A	N/A
Mark David Whelan	9	N/A	N/A	N/A	4	N/A
Cheah Tek Kuang	9	N/A	N/A	N/A	N/A	3
Soo Kim Wai	8	N/A	4	N/A	N/A	N/A
Number of meetings held in FY 2011	**10**	**3**	**4**	**7**	**5**	**4**

Notes:
1) All attendances reflect the number of meetings attended during the Directors' tenure of service.
2) N/A represents non-committee member.

Group Nomination Committee

The Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors. The Committee is responsible for regularly reviewing the board structure, size and composition, as well as making recommendations to the Board of the Company, AmInvestment Bank Berhad ("AmInvestment Bank") and AmBank (M) Berhad ("AmBank") respectively with regard to any changes that are deemed necessary. It also recommends the appointment of Directors to the Board and Committees of the Board as well as annually reviews the mix of skills, experience and competencies that Non-Executives and Executive Directors should bring to the Board.

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

The Committee met three (3) times during the financial year 2011.

CORPORATE GOVERNANCE (cont'd)

(ii) COMMITTEES OF THE BOARD (cont'd)

Group Remuneration Committee

The Committee comprises five (5) members, all of whom are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board of the Company, AmInvestment Bank and AmBank the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff, benchmarked against the industry.

Remuneration is determined at levels, which enable the Group to attract and retain the Directors, Chief Executive Officers and Senior Management staff with the relevant experience and expertise needed to assist in managing the Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

The Committee met four (4) times during the financial year 2011.

Audit And Examination Committee

The Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors.

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investments.

The AEC met seven (7) times during the financial year 2011 to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The consolidated financial statements of the Group and its subsidiaries were reviewed by the AEC prior to their submission to the Board of the Company for adoption.

In addition, the AEC has reviewed the procedures set up by the Group to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed the related party transactions.

Group Risk Management Committee

Risk management is an integral part of the Group's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level; and approves activities after considering the risk bearing capacity and readiness.

The Risk Management Committees have also been established at AmInvestment Bank, AmBank and AmIslamic Bank Berhad ("AmIslamic Bank") to oversee the overall management of credit, market, liquidity, operational, legal and capital risks impacting the Group.

The Committee is independent from management and comprises three (3) members, all of whom are Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced, the risk management process is in place and functioning; and reviews high-level risk exposures to ensure that they are within the overall interests of the Group. It also assesses the ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Group. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodologies, and formulation of risk strategies.

There were five (5) meetings held during the financial year 2011.

Group Information Technology Committee

The Group Information Technology Committee ("GITC") comprises three (3) members, two (2) of whom are Non-Executive Directors. The Committee is responsible to provide governance for Information Technology and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy. GITC key responsibilities include to provide strategic direction for IT development within the Group and ensuring that IT strategic plans are aligned with the Group's business objectives and strategy, to ensure the establishment of Group-wide IT policy, procedures and frameworks including IT security and IT risk management, to provide oversight of the Group's long term IT strategic plans and budget, to establish and monitor the overall performance, efficiency and effectiveness of IT services including performance metrics and to review the adequacy and utilisation of the Group's IT resources including computer hardware, software, personnel and other IT related investments.

There were four (4) meetings held during the financial year 2011.

CORPORATE GOVERNANCE (cont'd)

(ii) COMMITTEES OF THE BOARD (cont'd)

Internal Audit And Internal Control Activities

The Head of the Group Internal Audit Department reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Group. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meeting are formally tabled to the Board for notation and action, where necessary. The Chief Internal Auditor and the external auditors also attend the AEC meetings by invitation and the AEC holds separate meetings with the Chief Internal Auditor and external auditors whenever necessary.

The scope of internal audit covers review of the adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations, lending practices and information technology, including the various application systems in production, data centres and network security.

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

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

(iii) MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Company and its subsidiaries that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Group, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued giving sufficient time before the meeting to enable the Directors to be prepared and to obtain further explanations, where necessary, and provides input on Group policies.

RATINGS BY EXTERNAL AGENCIES

AmBank's international ratings were upgraded to BBB/A-2/Stable by Standard & Poor's Ratings Service ("S&P") and BBB/A3/Stable by Capital Intelligence Ltd. This was complemented by the reaffirmed international ratings of BBB/F3/Stable by Fitch Ratings Ltd ("Fitch") and Baa2/P-3/Stable by Moody's Investors Services ("Moody's"). Additionally, AmBank's long-term rating and short-term rating were reaffirmed at AA3/P1/Stable by RAM Rating Services Berhad ("RAM").

AmBank's RM7.0 billion Senior Notes Issuance Programme ("SNP") and RM1.0 billion Negotiable Instruments of Deposits have been reaffirmed a long-term rating of AA3/Stable by RAM. The long-term rating of AmBank's RM2.0 billion Medium Term Notes Programme was reaffirmed at A1/Stable by RAM. Both RM500 million Non-Cumulative Perpetual Capital Securities ("NCPCS") and RM500 million Innovative Tier-1 Capital Securities Programme were reaffirmed at A2/Stable by RAM.

AmBank's NCPCS was stapled to Subordinated Notes ("Sub-Notes") issued by its wholly-owned subsidiary, AmPremier Capital Berhad ("AmPremier"). AmPremier's issuance of RM500.0 million Sub-Notes has been reaffirmed with a long-term rating of A2/Stable by RAM.

The Tier-1 Hybrid Securities of USD200.0 million issued by AmBank (via its wholly-owned subsidiary, AMBB Capital (L) Ltd) has been upgraded to BB+ by S&P whilst reaffirmed at BB+ by Fitch and B2/Stable by Moody's.

AmInvestment Bank's international ratings were upgraded to BBB/A-2/Stable by S&P whilst reaffirmed at BBB/F3/Stable by Fitch. This was complemented by the reaffirmed long-term and short-term ratings at AA3/P1/Stable by RAM. AmInvestment Bank's rating was also rated with a positive outlook at AA-/MARC-1/Positive by Malaysian Rating Corporation Berhad ("MARC").

RAM has reaffirmed the financial institution ratings of AmIslamic Bank at AA3/P1/Stable. The long-term rating of AmIslamic Bank's RM400.0 million Subordinated Sukuk Musyarakah was reaffirmed at A1/Stable by RAM. The RM3.0 billion Senior Sukuk Musyarakah Programme was assigned a rating of AA3/Stable by RAM.

Directors' Report (cont'd)

SHARIAH COMMITTEE

A Shariah Committee comprises three (3) advisors has been established under AmIslamic Bank Berhad ("AmIslamic Bank") pursuant to Bank Negara Malaysia ("BNM") "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1). The role of the Shariah Committee is to advise and provide guidance to AmIslamic Bank/other entities within AmBank Group on all matters pertaining to Shariah in order to ensure the Islamic business operations comply with Shariah principles. This includes providing Shariah opinions and validation on relevant documentation to be used.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

TAN SRI AZMAN HASHIM

CHEAH TEK KUANG

Kuala Lumpur, Malaysia
Date: 16 May 2011

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI AZMAN HASHIM** and **CHEAH TEK KUANG**, being two of the directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 114 to 274 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2011 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

TAN SRI AZMAN HASHIM

CHEAH TEK KUANG

Kuala Lumpur, Malaysia
Date: 16 May 2011

Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **ARUNASALAM MUTHUSAMY**, being the officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 114 to 274 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act,1960.

Subscribed and solemnly declared by the abovenamed **ARUNASALAM MUTHUSAMY** at Kuala Lumpur in the Wilayah Persekutuan on 16 May 2011

ARUNASALAM MUTHUSAMY

Before me,

PESURUHJAYA SUMPAH
W 325
TAN BOON CHUA
MALAYSIA

COMMISSIONER FOR OATHS

20th Floor, Ambank Group Building
No. 55, Jalan Raja Chulan,
50200 Kuala Lumpur.

Independent Auditors' Report to the Members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of **AMMB HOLDINGS BERHAD**, which comprise the statements of financial position as at 31 March 2011 of the Group and of the Company, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the financial year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 114 to 273.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2011 and of their financial performance and cash flows for the financial year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

(c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 60 on page 274 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

ERNST & YOUNG
AF :0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 16 May 2011

Statements of Financial Position

AS AT 31 MARCH 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ASSETS					
Cash and short-term funds	5	13,502,567	11,627,452	98,249	403,457
Securities purchased under resale agreements	6	289,731	16,992	-	-
Deposits and placements with banks and other financial institutions	7	3,613,482	1,831,505	7,028	8,962
Derivative financial assets	8	398,797	343,643	-	-
Financial assets held-for-trading	9	5,173,737	1,713,441	-	20,000
Financial investments available-for-sale	10	8,073,935	9,093,856	447,947	55,856
Financial investments held-to-maturity	11	175,431	562,743	-	575,000
Loans, advances and financing	12	69,378,824	64,425,920	-	-
Other assets	13	2,206,656	1,988,973	4,561	2,331
Statutory deposits with Bank Negara Malaysia	14	145,842	167,623	-	-
Deferred tax assets	41	559,964	262,760	-	-
Investments in subsidiaries	15	-	-	8,182,034	6,204,678
Investment in associate	16	1,101	1,301	-	-
Investment in jointly controlled entity	17	-	-	-	-
Property and equipment	18	248,090	235,899	1,324	1,630
Life fund assets	54.3	2,634,838	2,382,703	-	-
Intangible assets	19	1,833,210	1,825,492	-	-
TOTAL ASSETS		**108,236,205**	**96,480,303**	**8,741,143**	**7,271,914**
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	20	4,271,656	4,315,276	-	-
Securities sold under repurchase agreements	6	30,465	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	21	1,018,043	135,689	-	-
Derivative financial liabilities	8	435,108	392,977	-	-
Deposits from customers	22	74,566,962	68,874,112	-	-
Term funding	23	4,746,878	1,902,107	206,000	206,000
Bills and acceptances payable	24	1,867,911	1,399,572	-	-
Debt capital	25	3,598,394	3,747,347	-	-
Deferred tax liabilities	41	35,323	8,582	-	-
Other liabilities	26	4,463,581	3,477,951	679,178	26,575
Life fund liabilities	54.3	174,393	200,357	-	-
Life policyholders' funds	54.3	2,460,445	2,182,346	-	-
Total Liabilities		97,669,159	86,636,316	885,178	232,575
Share capital	27	3,014,185	3,014,185	3,014,185	3,014,185
Reserves	28	7,294,739	6,623,528	4,841,780	4,025,154
Equity attributable to equity holders of the Company		10,308,924	9,637,713	7,855,965	7,039,339
Minority interests	30	258,122	206,274	-	-
Total Equity		10,567,046	9,843,987	7,855,965	7,039,339
TOTAL LIABILITIES AND EQUITY		**108,236,205**	**96,480,303**	**8,741,143**	**7,271,914**
COMMITMENTS AND CONTINGENCIES	**48**	**100,176,794**	**62,260,673**	**-**	**-**
NET ASSETS PER SHARE (RM)	**52**	**3.42**	**3.20**	**2.61**	**2.34**

The accompanying notes form an integral part of the financial statements.

Income Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating revenue	53	7,110,740	6,828,945	1,710,898	39,337
Interest income	31	4,070,370	3,624,019	32,459	27,807
Interest expense	32	(1,955,778)	(1,730,467)	(9,594)	(8,358)
Net interest income		2,114,592	1,893,552	22,865	19,449
Net income from Islamic banking business	59(xxii)	719,743	775,509	-	-
Net income from insurance business	54	171,972	123,687	-	-
Other operating income	33	906,871	785,034	1,678,439	11,530
Share in result of jointly controlled entity		-	(745)	-	-
Share in result of associate		(200)	-	-	-
Net income		3,912,978	3,577,037	1,701,304	30,979
Other operating expenses	34	(1,561,927)	(1,501,356)	(5,099)	(5,220)
Operating profit		2,351,051	2,075,681	1,696,205	25,759
Allowances for impairment on loans and financing	35	(475,445)	(568,893)	-	-
Impairment (loss)/writeback on:					
Financial investment	36	(2,921)	(103,770)	-	-
Doubtful sundry receivables - net		1,176	(7,894)	-	-
Foreclosed properties		(29,180)	(22,457)	-	-
Provision for commitments and contingencies		(22,001)	(8,866)	-	-
Transfer from profit equalisation reserve	26	42,444	12,858	-	-
Profit before taxation and zakat		1,865,124	1,376,659	1,696,205	25,779
Taxation and zakat	40	(473,974)	(334,051)	(419,065)	(4,406)
Profit for the year		**1,391,150**	**1,042,608**	**1,277,140**	**21,353**
Attributable to:					
Equity holders of the Company		1,342,812	1,008,618	1,277,140	21,353
Minority interests		48,338	33,990	-	-
Profit for the year		**1,391,150**	**1,042,608**	**1,277,140**	**21,353**
EARNINGS PER SHARE (SEN)	44				
Basic		44.70	34.71	42.51	0.73
Fully diluted		44.70	34.71	42.51	0.73

The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit for the year		1,391,150	1,042,608	1,277,140	21,353
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations		(11,764)	(8,783)	-	-
Net movement on cash flow hedges		39,319	127,182	-	-
Net (loss)/gain on financial investments available-for-sale		(6,833)	164,086	-	-
Income tax relating to the components of other comprehensive income	42	(16,228)	(57,068)	-	-
Other comprehensive income for the year, net of tax		4,494	225,417	-	-
Total comprehensive income for the year		**1,395,644**	**1,268,025**	**1,277,140**	**21,353**
Total comprehensive income for the year attributable to:					
Equity holders of the Company		1,346,184	1,234,035	1,277,140	21,353
Minority interests		49,460	33,990	-	-
		1,395,644	**1,268,025**	**1,277,140**	**21,353**

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

		Attributable to Equity Holders of the Company							
		Non-Distributable				Distributable			
	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group									
At 1 April 2009		2,722,970	1,986,836	1,210,128	(7,064)	1,823,223	7,736,093	175,462	7,911,555
Effect of first time adoption of RBC framework		-	-	-	-	(3,502)	(3,502)	(3,365)	(6,867)
At 1 April 2009, as restated		2,722,970	1,986,836	1,210,128	(7,064)	1,819,721	7,732,591	172,097	7,904,688
Profit for the year		-	-	-	-	1,008,618	1,008,618	33,990	1,042,608
Other comprehensive income, net		-	-	225,417	-	-	225,417	-	225,417
Total comprehensive income for the year		-	-	225,417	-	1,008,618	1,234,035	33,990	1,268,025
Issue of ordinary share capital pursuant to:									
- conversion of unsecured exchangeable bonds		194,915	380,085	-	-	-	575,000	-	575,000
- special issue shares to eligible Bumiputera		96,300	170,451	-	-	-	266,751	-	266,751
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		-	-	-	(10,477)	-	(10,477)	-	(10,477)
Share-based payment under ESS		-	-	14,860	-	-	14,860	-	14,860
ESS shares vested to employee of subsidiary		-	-	-	26	-	26	-	26
Transfer from unappropriated profits		-	-	96,396	-	(96,396)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd		-	-	-	-	-	-	187	187
Dividend paid	43	-	-	-	-	(175,073)	(175,073)	-	(175,073)
At 31 March 2010		**3,014,185**	**2,537,372**	**1,546,801**	**(17,515)**	**2,556,870**	**9,637,713**	**206,274**	**9,843,987**

Statements of Changes in Equity (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (cont'd)

		Attributable to Equity Holders of the Company							
		Non-Distributable				Distributable			
	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
Group									
At 1 April 2010		3,014,185	2,537,372	1,546,801	(17,515)	2,556,870	9,637,713	206,274	9,843,987
Effect of adoption of FRS139		-	-	(46,303)	-	(167,961)	(214,264)	5,876	(208,388)
At 1 April 2010, as restated		3,014,185	2,537,372	1,500,498	(17,515)	2,388,909	9,423,449	212,150	9,635,599
Profit for the year		-	-	-	-	1,342,812	1,342,812	48,338	1,391,150
Other comprehensive income, net		-	-	3,372	-	-	3,372	1,122	4,494
Total comprehensive income for the year		-	-	3,372	-	1,342,812	1,346,184	49,460	1,395,644
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^^		-	-	-	(31,497)	-	(31,497)	-	(31,497)
Share-based payment under ESS		-	-	34,854	-	-	34,854	-	34,854
ESS shares vested to employee of subsidiary		-	-	(159)	325	-	166	-	166
Transfer of ESS shares recharged difference on purchase price for shares vested		-	-	-	-	(48)	(48)	-	(48)
Transfer from unappropriated profits		-	-	39,147	-	(39,147)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd		-	-	-	-	-	-	5,080	5,080
Dividend paid	43	-	-	-	-	(464,184)	(464,184)	(8,568)	(472,752)
At 31 March 2011		**3,014,185**	**2,537,372**	**1,577,712**	**(48,687)**	**3,228,342**	**10,308,924**	**258,122**	**10,567,046**

Statements of Changes in Equity (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (cont'd)

		Attributable to Equity Holders of the Company					
		Non-Distributable				Distributable	
	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total Equity RM'000
Company							
At 1 April 2009		2,722,970	1,985,529	-	(7,064)	1,645,464	6,346,899
Profit for the year		-	-	-	-	21,353	21,353
Other comprehensive income, net		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	21,353	21,353
Issue of ordinary share capital pursuant to:							
- conversion of unsecured exchangeable bonds		194,915	380,085	-	-	-	575,000
- special issue shares to eligible Bumiputera		96,300	170,451	-	-	-	266,751
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		-	-	-	(10,477)	-	(10,477)
Share-based payment under ESS		-	-	14,860	-	-	14,860
ESS shares vested to employee of subsidiary		-	-	-	26	-	26
Dividends paid	43	-	-	-	-	(175,073)	(175,073)
At 31 March 2010		**3,014,185**	**2,536,065**	**14,860**	**(17,515)**	**1,491,744**	**7,039,339**
At 1 April 2010		3,014,185	2,536,065	14,860	(17,515)	1,491,744	7,039,339
Effect of adoption of FRS139		-	-	-	-	-	-
At 1 April 2010, as restated		3,014,185	2,536,065	14,860	(17,515)	1,491,744	7,039,339
Profit for the year		-	-	-	-	1,277,140	1,277,140
Other comprehensive income, net		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	1,277,140	1,277,140
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^^		-	-	-	(31,497)	-	(31,497)
Share-based payment under ESS		-	-	34,854	-	-	34,854
ESS shares vested to employee of subsidiary		-	-	(159)	325	147	313
Dividend paid	43	-	-	-	-	(464,184)	(464,184)
At 31 March 2011		**3,014,185**	**2,536,065**	**49,555**	**(48,687)**	**2,304,847**	**7,855,965**

^ Represent the purchase of 2,574,800 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM4.07 per share.

^^ Represent the purchase of 6,234,700 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM5.05 per share.

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	1,865,124	1,376,659	1,696,205	25,759
Add/(Less) adjustments for:				
Allowance for losses on loans and financing, net	475,445	568,893	-	-
Gain on revaluation of securities held-for-trading	(11,395)	(9,702)	-	-
Impairment loss on financial investments	2,921	103,770	-	-
Interest suspended	-	90,459	-	-
Depreciation of property and equipment	53,975	54,982	306	316
Amortisation of computer software	33,836	30,790	-	-
(Writeback)/Allowance for doubtful sundry receivables, net	(1,176)	7,894	-	-
Provision for commitments and contingencies	22,001	8,866	-	-
Sundry receivables written off	272	40	-	-
Provision for foreclosed properties	29,180	22,457	-	-
Gain from assets securitisation	(2,930)	(2,405)	-	-
Scheme shares and options grants under Executives' Share Scheme ("ESS")	34,695	14,860	34,695	14,860
Property and equipment written off	34	59	-	-
Computer software written off	1	2	-	-
Gain from sale of financial assets held-for-trading	(71,282)	(51,788)	-	-
Net gain on redemption of financial investment held-to-maturity	(7,431)	(29,479)	-	-
Gain on redemption of structured product	(144)	(3)	-	2
Gross dividend income from investments	(44,304)	(35,069)	(1,678,377)	(10,988)
Gain on revaluation of derivatives	(20,795)	(18,406)	-	-
Net gain from sale of financial investment available-for-sale	(64,919)	(47,215)	(2)	-
Transfer from profit equalisation reserve	(42,444)	(12,858)	-	-
Accretion of discount less amortisation of premium on money market securities, net	(65,148)	(13,467)	-	-
Gain on disposal of property and equipment	(1,568)	(527)	-	(77)
Share in results of jointly controlled company and associate	200	745	-	-
Operating profit before working capital changes	2,184,148	2,059,557	52,827	29,872
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreements	(289,731)	-	-	-
Deposits and placements with banks and other financial institutions	(1,781,977)	(1,785,479)	1,934	8,024
Securities held-for-trading	(3,360,033)	(233,671)	-	-
Loans, advances and financing	(5,594,165)	(8,137,441)	-	-
Other assets	198,396	15,166	(2,230)	26,827
Statutory deposits with Bank Negara Malaysia	21,781	349,955	-	-
Deposits and monies held in trust with financial institutions	(22,110)	(7,673)	-	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	5,692,994	4,742,609	-	-
Deposits and placements of banks and other financial institutions	(43,620)	(1,820,133)	-	-
Bills and acceptances payable	468,339	(720,675)	-	-
Term funding	2,844,771	1,550,247	-	-
Recourse obligation on loans sold to Cagamas Berhad	882,355	(19,349)	-	-
Other liabilities	283,077	527,310	658,179	17,419
Cash generated from/(used in) operations	1,484,225	(3,479,577)	710,710	82,142
Taxation paid	(506,282)	(249,617)	(7,154)	(487)
Net cash generated from/(used in) operating activities	977,943	(3,729,194)	703,556	81,655

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal/(Purchase) of financial investments - net	1,543,978	(2,125,131)	(383,660)	(626,878)
Dividends received from other investments	33,228	26,302	-	539
Proceeds from disposal of property and equipment	1,859	6,197	-	175
Purchase of property and equipment	(80,659)	(122,199)	-	-
Purchase of computer software	(28,095)	(46,915)	-	-
Dividends received from subsidiaries	-	-	1,252,461	7,702
Purchase of AmInvestment Bank Berhad from	-	-	-	-
AmInvestment Group Berhad	-	-	(639,658)	-
Purchase of AmIslamic Bank Berhad from AmBank (M) Berhad	-	-	(1,337,698)	-
Arising from subscription of shares in AmKonzen Water Investments Management Pte Ltd	-	(365)	-	-
Net cash generated from/(used in) investing activities	1,470,311	(2,262,111)	(1,108,555)	(618,462)
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of unsecured exchangeable bonds	-	(575,000)	575,000	-
Issuance of new ordinary share capital of the Company pursuant to exchange of unsecured subordinated exchangeable bonds	-	575,000	-	575,000
Issuance of new ordinary share capital of the Company pursuant to Bumiputera issue exercise	-	266,751	-	266,751
Proceeds from medium term notes	-	97,800	-	-
Proceeds from issuance of innovative Tier 1 capital securities	-	485,000	-	-
Proceeds from issue of shares by subsidiaries to minority shareholders	5,080	187	-	-
Redemption of unsecured bonds	(115,000)	-	20,000	-
Dividends paid by Company to its shareholders	(464,184)	(175,073)	(464,184)	(175,073)
Arising from purchase/vesting of shares for ESS by the appointed trustee	(31,497)	(10,451)	(31,497)	(10,451)
ESS shares vested to eligible employees	325	-	325	-
Transfer of ESS shares recharged difference on purchase price for shares vested	(48)	-	147	-
Dividends paid to minority interests by subsidiaries	(8,568)	-	-	-
Net cash (used in)/generated from financing activities	(613,892)	664,214	99,791	656,227
Net increase/(decrease) in cash and cash equivalents	1,834,362	(5,327,091)	(305,208)	119,420
Cash and cash equivalents at beginning of year	11,400,435	16,727,526	403,457	284,037
Cash and cash equivalents at end of year (Note 1)	**13,234,797**	**11,400,435**	**98,249**	**403,457**

Note 1: Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust, net of bank overdrafts. Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and short-term funds	13,502,567	11,627,452	98,249	403,457
Less: Cash and bank balances and deposits held in trust (Note 5)	(266,022)	(226,920)	-	-
	13,236,545	11,400,532	98,249	403,457
Effect of exchange rates changes	(1,748)	(97)	-	-
Cash and cash equivalents	13,234,797	11,400,435	98,249	403,457

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

AS AT 31 MARCH 2011

1. CORPORATE INFORMATION

AMMB Holdings Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal activity of the Company is that of investment holding.

The subsidiaries, as listed in Note 15 to the financial statements, provide a wide range of retail banking, business banking, investment banking, corporate and institutional banking, Islamic banking and related financial services which also include underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trusts management.

The financial statements also incorporate those activities relating to the Islamic banking business, which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits, dealing in Islamic securities, granting of financing, capital market and treasury activities under the Shariah Principles.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The financial statements of the Group and of the Company have been approved and authorised for issue by the Board of Directors on 21 April 2011.

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs")

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following FRSs, amendments to FRSs, IC Interpretations and Technical Release:

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 8, Operating Segments
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 132, Financial Instruments: Presentation and FRS 101, Presentation of Financial Statements
  - Puttable Financial Instruments and Obligations Arising on Liquidation
  - Separation of Compound Instruments
- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
  - Reclassification of Financial Assets
  - Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
- TR i – 3, Presentation of Financial Statements of Islamic Financial Institutions

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (cont'd)

Standards affecting presentation and disclosure

(i) FRS 101, Presentation of Financial Statements (revised)

FRS 101 (revised) introduces changes in the presentation and disclosures of financial statements. FRS 101 (revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. FRS 101 (revised) also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has opted for the two statements approach. The adoption of FRS 101 (revised) did not impact the financial position or results of the Group as the changes introduced are presentational in nature.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements.

The revised FRS 101 also required the Group to make new disclosures to enable user of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see note 55).

The Group has adopted FRS 101 (revised) retrospectively.

(ii) FRS 4, Insurance Contracts

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts (insurers). In particular, it requires disclosures that identify and explain the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts. The adoption of FRS 4 did not have any significant impact on the financial statements of the Group other than expanded disclosure requirements. Certain disclosure and comparative figures have been restated to comply with FRS 4.

(iii) FRS 117, Leases

he amendments to FRS 117 require leasehold land which is in substance finance leases to be classified as Property, Plant and Equipment or Investment Property as appropriate. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified all leasehold land to Property, Plant and Equipment. The change in accounting policy has been applied retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

(iv) FRS 7, Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132, Financial instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, market risk and sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, FRS 7 disclosures have not been applied to the comparatives but have been included throughout the Group's and the Company's financial statements for the year ended 31 March 2011.

(v) FRS 8, Operating Segments

FRS 8, which replaces FRS 114, Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. FRS 8 also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 53 to the financial statements.

(vi) IC Interpretation 13, Customer Loyalty Programmes

IC Interpretation 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The Group's AmBonus Rewards Program, operated for the benefit of the Group's credit card customers, falls within the scope of IC Interpretation 13. Under the AmBonus Rewards Program, credit card customers are entitled to bonus points that can be used to redeem gifts and vouchers. The accounting treatment adopted by the Group for customer loyalty programmes is consistent with IC Interpretation 13, except that the Group recorded the expense of the AmBonus points as a set off against interest income in the past. The Group has applied IC Interpretation 13 retrospectively in accordance with the transitional provisions of IC Interpretation 13 and has reclassified the expense of the AmBonus points from interest income to fee income to reflect the multiple element arrangement. This reclassification did not affect earnings per ordinary share for the current and prior periods.

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (cont'd)

Standards and Interpretations affecting the reported results or financial position

FRS 139, Financial Instruments: Recognition and Measurement
FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The Group has adopted FRS 139 prospectively. The effects arising from the adoption of FRS 139 has been accounted for by adjusting the opening balance of retained earnings and reserves as at 1 April 2010. Comparatives are not restated.

(i) Impairment of Loans, Advances and Financing

The adoption of FRS 139 changes the accounting policy relating to the assessment for impairment of financial assets, particularly loans, advances and financing. The existing accounting policies on the assessment of impairment of other financial assets of the Group are in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. On adoption of FRS 139, the Group assesses, at the end of each reporting period, whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics for purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Group is currently reporting under the BNM's transitional arrangement as prescribed in its guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and as allowed by the MASB in its Amendments to FRS 139 issued on the same date. Pursuant to this transitional arrangement, banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

The changes in accounting policies above have been accounted for prospectively, in line with the transitional provisions in paragraph 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting profit or loss as at the beginning of the current financial period being adjusted to opening retained earnings as tabulated in item (iv) below.

(ii) Interest Income Recognition

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. On adoption of FRS 139 on 1 April 2010, interest income on loans, advances and financing is no longer recognised based on contractual interest rates but the effective interest rate is applied instead. Effective interest rate refers to the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

This change in accounting policy has been accounted for prospectively in line with the transitional provisions in paragraph 103AA of FRS 139 and the resulting opening retained earnings adjustment is tabulated in item (iv) below.

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. On adoption of FRS 139, once a loan has been written down for impairment loss, subsequent interest income thereafter is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The opening retained earnings adjustment as a result of this change in accounting policy is presented in item (iv) below.

(iii) Recognition of Embedded Derivatives

On adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured.

The Group has assessed the impact of this requirement on adoption of FRS 139 on 1 April 2010 and concluded that there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (cont'd)

Standards and Interpretations affecting the reported results or financial position (cont'd)

(iv) Opening Retained Earnings Adjustments

The application of the above new accounting policies has the following effects on the Group:

	As previously reported RM'000	Effects of adoption of FRS 139 RM'000	As restated RM'000
Effects on retained earnings as at 1 April 2010	2,556,870	(167,961)	2,388,909
Effects on other reserves as at 1 April 2010	1,546,801	(46,303)	1,500,498
Effects on minority interest as at 1 April 2010	206,274	5,876	212,150

The adoption of FRS 139 and its related amendments did not impact earnings per ordinary share.

Standards and interpretations in issue but not yet adopted

The Group has not yet adopted the following accounting standards and interpretations that have been issued but are not yet effective:

a FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- Amendments to FRS 127, Consolidated and Separate Financial Statements
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 12, Service Concession Arrangements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners

b Technical Release effective for annual periods ending on or after 31 December 2010

TR 3, Guidance on Disclosures of Transition to IFRSs

c FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
  - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
  - Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers
- TR i – 4, Shariah Compliant Sale Contracts

d FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

e FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- Amendment to IC Interpretation 15, Agreements for the Construction of Real Estate
  Except for the changes in accounting policies arising from the adoption of FRS 3 (revised) and the Amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other accounting standards and interpretations above will not have material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 3 (revised) and the Amendments to FRS 127 are described below.

FRS 3, Business Combinations (revised)

FRS 3 (revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2010. The changes in FRS 3 (revised) is summarised as follows:

- FRS 3 (revised) allows a choice on a transaction-by-transaction basis for the measurement minority interests either at fair value or at the minority interests' share of the fair value of the identifiable net assets of the acquiree. Consequently, the goodwill arising from the acquisition reflects the impact of the difference between the fair value of the minority interests and their share of the fair value of the identifiable net assets of the acquiree;

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (cont'd)

Standards and interpretations in issue but not yet adopted (cont'd)

e FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2012 (cont'd)

- FRS 3 (revised) changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the "measurement period" (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;

- FRS 3 (revised) requires that a settlement gain or loss be recognised where a business combination in effect settles a pre-existing relationship between the Group and the acquire; and

- FRS 3 (revised) requires that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Amendments to FRS 127, Consolidated and Separate Financial Statements
The amendments to FRS 127 are likely to affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed off was recognised in profit or loss.

Under the amended FRS 127, all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the amended Standard requires that the Group derecognises all assets, liabilities and minority interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

Other consequential amendments arising from FRS 3 (revised) and the amendments to FRS 127 have been made to FRS 107, Statement of Cash Flows, FRS 112, Income Taxes, FRS 121, The Effects of Changes in Foreign Exchange Rates, FRS 128, Investments in Associates and FRS 131, Interests in Joint Ventures. The changes from FRS 3 (revised) and the Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Insurance Act, 1996 and Financial Reporting Standards in Malaysia as modified by BNM Guidelines and Circulars.

Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities including special purpose entities, controlled by the Company and/or its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries acquired or disposed off during the year are included in the consolidated financial statements from the effective date of acquisition and up to the effective date of disposal, as appropriate. On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation (cont'd)

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

a **Investment in subsidiaries**

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses.

b **Investment in associates**

An associate is an entity, not being a subsidiary or joint venture, in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies. An associate is accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in associates is accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associates' identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associates' profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investment in associates is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

c **Joint venture**

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Interest in jointly controlled entities is accounted for using the equity method. Under the equity method, the interest in a jointly controlled entity is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interest in jointly controlled entities. The Group determines at each reporting date whether there is any objective evidence that the interest in jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the jointly controlled entities are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, interest in jointly controlled entities is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

d **Changes in group composition**

The Group treats all changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation (cont'd)

e Minority interests

Minority interests in subsidiaries are identified separately from the Group's equity therein. The interests of minority shareholders are initially measured at the minority interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of minority interests is the amount of those interests at initial recognition plus the minority interests' share of subsequent changes in equity.

Where losses applicable to the minority interest exceed the minority interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority interest has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the controlling interest's share of losses previously absorbed by the Group has been recovered.

f Transactions eliminated on consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

Acquisitions of subsidiaries are accounted for by applying the purchase method and the merger method (or "pooling of interests" method), as appropriate. The merger method is adopted in respect of transfers of subsidiaries pursuant to schemes of arrangement under the Group restructuring exercises. The purchase method is adopted for all other business combinations.

Under the purchase method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group and the Company, plus any costs directly attributable to the business combination. Any excess of the cost of acquisition of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combined entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The income statements reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Foreign currency

a Functional and presentation currency

The individual financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in RM, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

b Foreign currency transactions

In preparing the financial statements of the individual Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency (cont'd)

b Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for:

- exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Please refer to the note on foreign operations below.
- exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income and accumulated in equity under exchange fluctuation reserve.

c Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RM using the rates of exchange ruling at the reporting date. Income and expense items are translated into RM at the average exchange rates for the period, which approximates the exchange rates at the dates of the transactions. Exchange differences arising are recognised in other comprehensive income and accumulated in equity under exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under exchange fluctuation reserve relating to that particular foreign operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated into RM at the closing rate at the reporting date.

Property, plant and equipment

a Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

b Subsequent costs

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are recognised in profit or loss as incurred.

c Depreciation

Freehold land has an unlimited life and therefore, is not depreciated. Leasehold building is amortised over the shorter of the lease period or fifty years. Depreciation of other property and equipment is computed on a straight-line basis over the estimated useful lives of the assets.

The annual depreciation rates for the various classes of property, plant and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
Leasehold improvements	20%
Motor vehicles	20%
Computer hardware	20%
Office equipment, furniture and fittings	20% - 25%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

c Depreciation (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment property is computed on a straight-line basis over the estimated useful lives of the assets.

Investment properties belonging to the life insurance fund of the Group are stated at cost, including transaction costs. Subsequent to initial recognition, these investment properties are measured at fair value which reflects market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

In the absence of current prices in an active market, alternative valuation methods are used such as recent prices on less active markets or discounted cash flow valuations. Discounted cash flow valuations are prepared by considering the aggregate of the estimated cash flow expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flow then is applied to the net annual cash flows to arrive at the property valuation.

Gains or losses arising from changes in the fair values of investment properties are recognised in the revenue account of the life insurance fund in the year in which they arise.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Leased payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

a Goodwill

Goodwill on consolidation of subsidiaries is included in intangible assets on the statement of financial position. Premium on consolidation of associates is included in investment in associates. On disposal of a subsidiary or an associate, the attributable amount of goodwill on consolidation is included in the determination of the gain or loss on disposal.

Goodwill on consolidation for acquisitions prior to 1 January 2006 represents the excess of the purchase consideration over the Group's share in the fair values of the identifiable net assets of the subsidiary or associate recognised at the date of acquisition. Goodwill on consolidation for acquisitions on or after 1 January 2006 represents the excess of the purchase consideration over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition.

Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. The measurement of impairment is in accordance with the policy note on impairment of goodwill.

b Computer software

Purchased computer software that is not integral to the functionality of the related equipment is capitalised on the basis of the costs incurred to acquire and bring the software application to use. Costs associated with maintaining computer software applications are recognised as expense when incurred. Costs that are directly associated with the software application development stage are recognised as intangible assets. Costs directly associated with software application development include employee payroll and payroll related costs.

Subsequent to initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

Computer software is amortised on a straight-line basis over the estimated useful lives of 3 to 7 years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Financial assets and financial liabilities (excluding derivatives)

Financial assets and financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group classifies its financial assets into the following measurement categories:

a) financial assets held at fair value through profit or loss;
b) loans and receivables;
c) held-to-maturity investments, and
d) available-for-sale investments.

Financial liabilities are classified as either held:
a) at fair value through profit or loss, or
b) at amortised cost i.e., included as other financial liabilities.

Management determines the classification of its financial assets and financial liabilities at initial recognition or, where appropriate, at the time of reclassification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities (excluding derivatives) (cont'd)

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

a **Financial assets and liabilities held at fair value through profit or loss**
This category comprises two sub-categories: financial assets and financial liabilities held for trading, and those designated by Management as at fair value through profit or loss on inception.

(i) Financial assets held for trading
A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the near term.

(ii) Financial assets and financial liabilities designated at fair value through profit or loss
Financial assets and financial liabilities may be designated at fair value through profit or loss when the following criteria are met, and designation is determined on an instrument by instrument basis:
- the application of the fair value option eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- the financial assets and/or liabilities are part of a portfolio of financial instruments which is managed and its performance evaluated on a fair value basis; or
- the assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately.

b **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

c **Held-to-maturity investments**
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold the investment to maturity.

d **Available-for-sale investments**
Available-for-sale investments are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

Available-for-sale investments refer also to assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

Unquoted shares in organisations which are set up for specific socio-economic reasons and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities available-for-sale.

e **Initial recognition**
Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

Purchases and sales of financial assets and financial liabilities held at fair value through profit or loss, financial assets held-to-maturity and available-for-sale are initially recognised on trade date.

Loans and receivables are recognised when cash is advanced to the borrowers.

Financial assets and financial liabilities are initially recognised at fair value plus, for those financial assets and financial liabilities not carried at fair value through profit or loss, directly attributable transaction costs. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss. The difference is amortised to profit or loss until the inputs become observable, or the transaction matures or is terminated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities (excluding derivatives) (cont'd)

f **Subsequent measurement**

(i) **Fair value through profit or loss**

Financial assets held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

(ii) **Loans and receivables**

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) **Held-to-maturity investments**

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iv) **Available-for-sale investments**

Available-for-sale investments are subsequently carried at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income and accumulated in equity under available-for-sale reserve is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

g **Sell and buy back agreements**

These are obligations of the Group to perform its commitment to buy back specified Islamic securities at maturity. Gains and losses are recognised upon sale and shown as trading gain or loss from securities held-for-trading.

h **Other financial liabilities**

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest method. Financial liabilities measured at amortised cost are deposits from customers or banks, debt securities in issue for which the fair value option is not applied, bonds, subordinated debts, borrowings, bills and acceptances payable, trade and other payables.

i **Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes from Bloomberg, Bond Pricing Agency Malaysia and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, KLIBOR/LIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities (excluding derivatives) (cont'd)

i Determination of fair value (cont'd)

The Group uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Group's credit spreads widen, the Group recognises a gain on these liabilities because the value of the liabilities has decreased. When the Group's credit spreads narrow, the Group recognises a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The measurement of asset-backed securities that are included in the available-for-sale and held-to-maturity portfolios is partly based on generally accepted valuation models and partly based on indicative prices given the absence of such models. Such indicative prices are first validated against other source of price data. In addition, the Group's analysis takes into account factors such as tranche-specific collateralisation status and collateral structures; analyses of underlying receivables ("look-through" analysis of Asset-Backed Securities), primarily regarding redemption schedules and (payment) defaults of securitised receivables; and trigger events and rating changes.

The fair value of over-the-counter derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates. Structured interest rate derivatives are measured using appropriate option pricing models (e.g., the Black-Scholes model) or other procedures such as Monte Carlo simulation.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

j Recognition of day-one profit or loss

The best evidence of fair value at initial recognition is the transaction price (that is, the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Group has entered into transactions where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such financial instruments are initially recognised at the transaction price, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss", is not recognised immediately in profit or loss.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the profit or loss without immediate reversal of deferred day one profits and losses.

k Reclassifications

Reclassifications of financial assets, other than as set out below, or of financial liabilities between categories are not permitted following their initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loans and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets can only be transferred out of the available-for-sale category to the loans and receivables category, where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities (excluding derivatives) (cont'd)

k Reclassifications (cont'd)

Held-to-maturity investments must be reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity investments prior to their maturity.

Where the banking subsidiaries had previously classified as held-to-maturity investments in equity holdings in organisations which are set up for specific socio-economic reasons or equity instruments received as a result of loan restructuring or loan conversion, the subsequent reclassification of these instruments to available-for-sale shall not be subject to the tainting rules when the requirements of FRS 139, Financial Instruments: Recognition and Measurement are first applied as provided for by BNM in its Guidelines on Financial Reporting for Banking Institutions.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in other comprehensive income and accumulated under available-for-sale reserve prior to the date of reclassification is amortised to profit or loss over the remaining life of the financial asset, using the effective interest method.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Derecognition

a Financial assets

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the asset continues to be recognised to the extent of the Group's continuing involvement.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

b Securitisation

The Group securitises various consumer and commercial financial assets, which is achieved via the sale of these assets to a Special Purpose Vehicle ("SPV"), which in turn issues securities to investors. The transferred assets may qualify for derecognition in full or in part, under the policy on derecognition of financial assets. Synthetic securitisation structures typically involve derivative financial instruments for which the accounting policies in the "Derivative financial instruments and hedge accounting" section would apply. Those transfers that do not qualify for derecognition may be reported as secured financing or result in the recognition of continuing involvement liabilities. The investors and the securitisation vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets.

Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as "retained interests"). Provided the Group's retained interests do not result in consolidation of a SPV, nor in continued recognition of the transferred assets, these interests are typically recorded in financial assets at fair value through profit or loss and carried at fair value. Consistent with the valuation of similar financial instruments, fair value of retained tranches or the financial assets is initially and subsequently determined using market price quotations where available or internal pricing models that utilise variables such as yield curves, prepayment speeds, default rates, loss severity, interest rate volatilities and spreads. The assumptions used for pricing are based on observable transactions in similar securities and are verified by external pricing sources, where available.

Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer.

c Financial liabilities

Financial liabilities are derecognised when they are extinguished. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:
- whether the counterparty is in default of principal or interest payments
- a counterparty files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation
- the Group files to have the counterparty declared bankrupt or files a similar order in respect of a credit obligation
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments
- the Group sells a credit obligation at a material credit-related economic loss; or
- there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

a **Assets carried at amortised cost**

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan and receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

b **Available-for-sale investments**

A significant or prolonged decline in the fair value of an equity security below its cost is considered, amongst other factors in assessing objective evidence of impairment for equity securities. Where objective evidence of impairment exists for available-for-sale investments, the cumulative loss (measured as the difference between the acquisition cost/amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) that had been recognised in other comprehensive income is reclassified from equity to profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets (cont'd)

c **Trade and other receivables**

Prior to 1 April 2010, trade and other receivables were stated at nominal value as reduced by allowances for estimated irrecoverable amounts. Allowance for doubtful debts was made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Upon adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default of receivables.

The amount of impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate.

The carrying amount of the receivable is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it Is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the receivable does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

As at 1 April 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

The investment banking subsidiary's stock and share-broking operations' policies for the suspension of interest in respect of bad and doubtful accounts and the provision of individual impairment are in accordance with Schedule 7 of the Rules of Bursa Malaysia and are as follows:

i. Individual impairment is made against bad and doubtful receivables at rates of 100% (bad) and 50% (doubtful), respectively, after deduction of interest-in-suspense, the value of collateral held and the deposit of and all amounts due to the Dealer's Representative having charge of or assigned to the said account.

ii. Interest income accrued on these accounts is suspended when they are considered impaired in accordance with Schedule 7 of Bursa Malaysia Business Rules.

In accordance with the Bursa Malaysia Business Rules, clients' accounts are classified as non-performing (doubtful and bad) under the following circumstances:

	Criteria for classification of accounts as impaired	
Types of Accounts	**Doubtful**	**Bad**
Contra losses	When the account is in default for 16 to 30 calendar days.	When the account is in default for more than 30 calendar days.
Overdue purchase Contracts	When the account is in default from T*+5 market days to 30 calendar days.	When the account is in default for more than 30 calendar days.
Margin accounts	Not applicable.	When the equity has fallen below 130% of the outstanding balance, as determined in accordance with Rule 703 of Bursa Malaysia Business Rules.

* T refers to the contract date

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets

a Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. Each CGU represents the lowest level at which the goodwill is monitored and is not larger than a segment based on either the Group's primary reporting format. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operation disposed off and the portion of the cash-generating unit retained.

An impairment loss is recognised in the income statements when the carrying amount of the asset (or CGU) exceeds the recoverable amount of the asset (or CGU).

b Other non-financial assets

The carrying values of the Group's other non-financial assets, other than deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed for impairment when there is an indication that the asset might be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Derivative financial instruments and hedge accounting

The Group uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

The Group makes use of derivative instruments to manage exposures to interest rates, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

The Group designates certain derivatives as either:

a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or
c) hedges of the net investment of a foreign operation (net investment hedges).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a Fair value hedge

The change in fair value of a hedging derivative is recognised in profit or loss. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss.

The Group applies fair value hedge accounting for hedging fixed interest rate risk on borrowings. The gain or loss relating to the effective portion of the interest rate swap is recognised in profit or loss within finance costs as part of the overall interest costs.

If the criteria for hedge accounting are no longer met, or if the Group revokes the designation, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity.

b Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in other comprehensive income and accumulated in equity under cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

c Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the exchange fluctuation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed off.

d Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "securities sold under repurchase agreements", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in the statement of financial position to "Financial assets held-for-trading pledged as collateral" or to "Financial investments available-for-sale pledged as collateral", as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within "securities purchased under resale agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "net interest income" and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "Financial liabilities held-for-trading" and measured at fair value with any gains or losses included in "Net trading income".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment losses. The policy for the measurement of impairment is in accordance with previous note on impairment of non-financial assets.

Cash and cash equivalents

Cash and cash equivalents as referred to in the statements of cash flows comprise cash and short term funds, excluding deposits and monies held in trust, net of bank overdrafts.

Hybrid capital

Hybrid capital is classified as liabilities in the statement of financial position as there is a contractual obligation by the Group to make cash payments of either principal or interest or both to holders of the instruments and the Group is contractually obliged to settle the financial instrument in cash or through another financial instrument.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Specific provisions for commitments and contingencies are made in the event of a call or potential liability and there is a shortfall in the security value supporting these instruments.

Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the statements of financial position but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the statement of financial position (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in profit or loss in "Credit loss expense". The premium received is recognised in profit or loss in "Net fees and commission income" on a straight line basis over the life of the guarantee.

Profit equalisation reserve

Profit equalisation reserve is the amount appropriated out of the total Islamic banking gross income in order to maintain a certain level of return to depositors which is as stipulated by BNM's Circular on "Framework of Rate of Return". Profit equalisation reserve is deducted from the total Islamic banking gross income in deriving the net distributable gross income at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. The amount appropriated is shared by the depositors and the Group/Bank. Profit equalisation reserve is maintained up to the maximum of 30% of total Islamic banking capital fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue

a Interest and financing income and expense

Interest and financing income and expense is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument except for future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where the estimates of cash flows have been revised, the carrying amount of the financial asset or financial liability is adjusted to reflect the actual and revised estimated cash flows, discounted at the financial instrument's original effective interest rate. The adjustment is recognised as interest income or expense in profit or loss.

If the financial asset has been reclassified, subsequent increases in the estimates of future cash receipts as a result of increased recoverability are recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statements over the tenor of the loan and is set off against interest income recognised on the hire purchase loans.

b Fees and commissions

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements.

Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportionment basis.

Loan commitment fees for loans/financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan/financing. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

c Dividend income

Dividend income is recognised when the right to receive the payment is established.

d Rental income

Rental of properties are recognised on an accrual basis.

e Investment and trading income

Results arising from investments and trading activities include all gains and losses from trading, changes in fair value and dividends. This includes any ineffectiveness recorded in hedging transactions.

f Sale of trust units

Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold.

g Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration in respect of the initial sale is allocated between the award credits and the other components of the sale. The cost of providing the loyalty points is set off against fee income. The fair values of the points earned by the credit card customer are recognised as revenue when the Group fulfils its obligations in respect of the awards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee benefits

a Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

b Defined contribution pension plan

As required by law, companies within the Group make contributions to the state pension scheme. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

c Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

d Share-based payment transactions

The Company operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of the Company are granted to eligible directors and employees of the Group based on the financial and performance criteria and such conditions as it may deem fit.

Where the Group pays for services of its employees using share options or via grant of shares, the fair value of the transaction is recognised as an expense in the income statements over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options or shares granted at the date of the grant and the number of share options or shares granted to be vested by the vesting date, taking into account, if any, the market vesting conditions upon which the options or shares were granted but excluding the impact of any non-market vesting conditions. At the reporting date, the Group revises its estimate of the number of share options or shares granted that are expected to vest by the vesting date. Any revision of this estimate is included in the income statements and a corresponding adjustment to equity over the remaining vesting period.

Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group and the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group and the Company.

Dividends for the reporting period that are approved after the reporting date are disclosed as an event after the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

a Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

b Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and tax losses, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Segment reporting

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

All transactions between business segments are conducted on arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with FRS 8, the Group has the following business segments: retail banking, business banking, investment banking, corporate and institutional banking, insurance, treasury and markets with minor segments aggregated under group functions and others.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all the liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

Treasury shares and contracts on own shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable unappropriated profits, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

When the Group entities hold own equity instruments on behalf of their clients, those holdings are not included in the Group entities' statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in profit or loss in 'Net trading income'.

Equity reserves

The reserves recorded in equity on the Group and the Company's statements of financial position include:

a "Share premium" is used to record premium arising from new shares issued in the Company.

b "Statutory reserve" is maintained by the investment banking, commercial banking and Islamic banking subsidiaries in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and the Islamic Banking Act 1983. The statutory reserve is not distributable as cash dividends.

c "Available-for-sale reserve" comprises changes in fair value of available-for-sale investments.

d "Cash flow hedging reserve" comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

e "Exchange fluctuation reserve" is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

f "Executives' share scheme reserve" represents the equity settled share options/shares granted to employees as mentioned in Note 29. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity settled share options/shares, and is reduced by the expiry or vesting of the share options/shares.

g "Shares held in trust for ESS" represent shares purchased under the Executives' Share Scheme as mentioned in Note 29.

During the financial period, the trustee of the Executives' Share Scheme ("ESS") had purchased 6,234,700 of the Company's issued ordinary shares from the open market at an average price of RM5.05 per share. The total consideration paid for the purchase including transaction costs amounted to RM31,496,599.

As at 31 March 2011, the trustee of the ESS held 11,620,000 ordinary shares (net of ESS shares vested to employees) representing 0.39% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM48,686,818.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of their clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Product classification

The insurance subsidiaries issue contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the insurance subsidiaries determine whether they have significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed to the policyholders and the shareholders respectively. The life insurance subsidiary has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation and unbundling is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

The insurance subsidiaries define insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in-force. Based on this definition, all policy contracts issued by the insurance subsidiaries are considered insurance contracts as at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reinsurance

The insurance subsidiaries cede insurance risk in the normal course of business for all its business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiaries from the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurers.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairments occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiaries may not receive all outstanding amounts due under the terms of the contract and the event has a reliable measurable impact on the amounts that the insurance subsidiaries will receive from the reinsurer. The impairment loss is recorded in profit or loss.

The insurance subsidiaries also assume reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, unearned premiums and claims incurred.

a **General insurance gross premiums**
Gross premiums are recognised in a financial period in respect of risks assumed during the particular financial period.

b **General insurance reinsurance premiums**
Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risk assumed during the particular financial period, as the case of direct policies, following individual risks' inception dates.

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

c **Unearned premium reserve**
Unearned premium reserve ("UPR") represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at the reporting date, the method that must accurately reflects the actual unearned premium used is described in following note.

d **Claims and expenses**
A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the reporting date, using a mathematical method of estimation.

e **Acquisition costs**
The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

a **General insurance claims liabilities**
Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated by a qualified actuary at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that includes a Provision of Risk Margin for Adverse Deviation ("PRAD") at 75% confidence level on an overall entity level. The liability is discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

b **General insurance premium liabilities**
The premium liabilities represent premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

In accordance with the Risk Based Capital ("RBC") framework, premium liabilities are recorded at higher of the:
- Aggregate of the Unearned Premium Reserve ("UPR") for all lines of business.
- Best estimate of the Unexpired Risk Reserve ("URR") and the PRAD at a 75% confidence level on an overall entity level.

Unearned premium reserve

UPR represents the unearned/unexpired portion of the premium.

In determining UPR at reporting date, the method that most accurately reflects the actual unearned premium used is as follows:

i. 25% method for marine cargo, aviation cargo and transit.
ii. All other classes are daily time-apportioned over the period of the risks.
iii. 1/24th method for inward treaty business.

The above computed amount reduced by corresponding percentage of accounted gross direct business commissions not exceeding the limits specified by BNM except for 25% method for marine cargo, aviation cargo and transit.

Unexpired risk reserve

URR represents the expected future payments arising from future events expected to be incurred during the unexpired period from policies in force as at the valuation date.

In estimating URR, the "Proportional" approach is adopted by assuming the best estimate of URR is proportional to UPR by taking into account all potential future payments including but not limited to future claims payments, claims handling expenses and on-going policy administrations cost arising from the unearned portion of premium collected. In order to arrive at 75% confidence level of URR, the proportionate PRAD is added with adjustment depending on the tail of each line of business.

Life Insurance Business

The Life Insurance Business is conducted within a separate statutory fund as required by the Insurance Act, 1996. The assets of the Life Business are allocated between policyholder and shareholder funds in accordance with the requirements of the Insurance Act, 1996. Accordingly, the Group's financial statements include both policyholder and shareholder's funds.

Assets held in the policyholder funds can only be used to meet the liabilities and expenses of that fund, or to make profit distributions when solvency and capital adequacy requirements are met. Accordingly, with the exception of permitted profit distributions, the assets held in the policyholder's fund are not available for use by other parties of the Group.

a **Life insurance underwriting results**
The surplus transferable from the life fund to the income statements is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the life insurance subsidiary's appointed actuary.

b **Life insurance gross premiums**
Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due. At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Life Insurance Business (cont'd)

c Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

d Benefits, claims and expenses

Benefits and claims that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified. Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on participating policy upon its declaration.

e Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to income statements in the period in which they are incurred.

f Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the life insurance subsidiary.

Adjustments to the liabilities at each reporting date are recorded in income statements. Profits originated from margins of adverse deviations on run-off contracts, are recognised in income statements over the life of the contract, whereas losses are fully recognised in income statements during the first year of run-off. The liability is derecognised when the contract expires, is discharged.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, Management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgement and estimates are as follows:

a Impairment losses on loans, advances and financing

The Group reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios), and judgements to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

b Impairment of goodwill

The Group tests goodwill for impairment periodically in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The recoverable amounts of cash generating unit are determined based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by Management, particularly the discount rate and growth rate, may significantly affect the results of the impairment test (Note 19).

c Deferred tax and income taxes

The Group and Company are subject to income taxes in different jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax laws for which the final outcome will not be established until sometime later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the difference will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies (Note 41).

d Consolidation of SPV

The Group sponsors the formation of SPVs, which may or may not be directly or indirectly owned subsidiaries. The Group consolidates those SPVs that it controls. In assessing and determining if the Group has control over the SPVs, judgement is made to determine whether the activities of the SPVs are being conducted on behalf of the Group to obtain benefits from the SPVs' operations; whether the Group has the decision-making powers to control or to obtain control of the SPVs or their assets; whether the Group has rights to obtain the majority of the benefits of the SPVs' activities; and whether the Group retains the majority of the risks related to the SPVs or its assets in order to obtain benefits from its activities.

e Fair value of financial assets determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.

Option pricing models incorporate all factors that market participants would consider and are based on observable market data when available. These models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions.

The valuation techniques described above are calibrated annually.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

f Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140, Investment Property, in making judgement whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under finance lease), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purpose.

g Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of liability reported on the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that an entity's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

h Claim liabilities – case estimates

For claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with BNM guidelines. As and when more information becomes available regarding a claim, the reserve is updated accordingly.

i Pipeline premium

In respect of pipeline premiums, the management of the general insurance subsidiary has recognised gross pipeline premium of RM6.5 million in respect of the current financial year based on actual pipeline trend during the year.

5. CASH AND SHORT-TERM FUNDS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	609,018	604,230	383	7,739
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	-	97,866	395,718
Others	2,575,908	1,321,088	-	-
Licensed investment banks:				
Others	-	100,000	-	-
Bank Negara Malaysia	10,294,040	9,592,900	-	-
Other financial institutions	23,601	9,234	-	-
	13,502,567	**11,627,452**	**98,249**	**403,457**

Included in the above are interbank lendings of RM12,701,131,000 (2010: RM10,916,061,000) for the Group and short-term deposits and money held on behalf of remisiers and clients amounting to approximately RM266,022,000 (2010: RM226,920,000) for the Group.

5. CASH AND SHORT-TERM FUNDS (cont'd)

As at 31 March 2011, the net interbank borrowing and lending position of the Group is as follows:

	Group	
	2011 RM'000	2010 RM'000
Interbank lendings		
Cash and short-term funds	12,701,131	10,916,061
Deposits with financial institutions (Note 7)	3,434,300	1,728,501
	16,135,431	12,644,562
Interbank borrowings (Note 20)	(1,624,775)	(96,730)
Net interbank lendings	**14,510,656**	**12,547,832**

6. SECURITIES PURCHASED UNDER RESALE AND SOLD UNDER REPURCHASE AGREEMENTS

	Group	
	2011 RM'000	2010 RM'000
Assets		
Licensed banks:		
Others	289,731	16,992
Liabilities		
Licensed banks:		
Others	30,465	-

As part of the securities purchased under resale agreements, the Group received securities that it is allowed to sell or repledge in the absence of default by their owner. At 31 March 2011, the Group held securities with a fair value of RM296 million (2010: RM NIL) on such terms. Of these, securities with a fair value of RM296 million (2010: RM NIL) have been pledged or otherwise transferred to satisfy commitments under short sale transactions. The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

The carrying amount of securities sold under repurchase agreements at 31 March 2011 was RM30 million (2010: RM NIL) of which securities with a fair value of RM30 million (2010: RM NIL) were classified as held-for-trading (Note 9). The counterparty is allowed to sell or repledge those securities in the absence of default by the Group.

Securities purchased under resale agreements in the previous financial year were in respect of money held on behalf of remisiers and clients.

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks:				
Subsidiary	-	-	7,028	8,962
Others	1,613,382	330,398	-	-
Bank Negara Malaysia	2,000,100	1,500,100	-	-
Other financial institutions	-	1,007	-	-
	3,613,482	**1,831,505**	**7,028**	**8,962**

Included in the above is an amount of RM200,000 (2010: RM200,000) made in favour of the Accountant General pursuant to Section 3(f) of the Trust Companies Act, 1949.

Included in the above are interbank lendings of RM3,434,300,000 (2010: RM1,728,501,000) for the Group.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	2011 Contract/ Notional Amount RM'000	2011 Positive Fair Value RM'000	2011 Negative Fair Value RM'000	2010 Contract/ Notional Amount RM'000	2010 Positive Fair Value RM'000	2010 Negative Fair Value RM'000
Trading derivative						
Interest rate related contracts:	26,102,681	127,097	135,044	21,600,650	177,020	188,058
Less than one year	4,490,000	6,134	5,670	4,260,000	6,183	10,166
One to three years	11,050,922	55,698	46,516	16,142,526	128,210	78,033
More than three years	10,561,759	65,265	82,858	1,198,124	42,627	99,859
Foreign exchange related contracts:	29,667,757	107,067	145,052	4,273,584	47,108	87,311
Less than one year	28,586,642	83,235	89,974	3,792,088	40,382	47,941
One to three years	344,633	10,278	9,635	318,398	2,840	36,112
More than three years	736,482	13,554	45,443	163,098	3,886	3,258
Credit related contracts:	328,907	5,495	5,495	-	-	-
Less than one year	76,474	131	131	-	-	-
One to three years	252,433	5,364	5,364	-	-	-
Equity related contracts:	1,138,784	35,164	124,311	522,014	9,348	36,408
Less than one year	604,233	26,136	111,123	58,694	-	10,952
One to three years	312,355	3,775	3,771	341,478	6,698	1,481
More than three years	222,196	5,253	9,417	121,842	2,650	23,975
Commodity related contracts:	147,703	1,812	1,810	151,000	3,461	3,458
One to three years	147,703	1,812	1,810	83,142	812	810
More than three years	-	-	-	67,858	2,649	2,648
	57,385,832	276,635	411,712	26,547,248	236,937	315,235
Hedging derivative						
Interest rate related contracts:	10,925,060	122,162	23,396	9,732,400	106,706	77,742
Less than one year	1,380,000	38	6,036	40,000	-	279
One to three years	7,120,000	45,109	13,376	7,485,000	42,344	35,627
More than three years	2,425,060	77,015	3,984	2,207,400	64,362	41,836
Total	**68,310,892**	**398,797**	**435,108**	**36,279,648**	**343,643**	**392,977**

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (cont'd)

Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivative is one of the financial instruments engaged by the Group both for client solutions generating revenue for future as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focused on interest rate, equity and foreign exchange rate derivatives.

The principal foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. A foreign exchange options is a financial derivatives that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

An Interest Rate Options ("IRO") is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified underlying interest rate related asset e.g. the KLIBOR index at a nominated strike rate during a certain period of time or on a specific date. Basic IRO includes interest rate cap and interest rate floor.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

The principal equity contracts used are equity option and equity futures. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future. During the year, the Group offered Equity Swaps to expand its product range to generate income. Equity Swaps are one of the most basic equity derivatives products and are usually traded over-the-counter ("OTC") with financial institutions and corporates. It is a contractual agreement between parties to exchange two stream of payments, one based on a pre-determined index or equity price, and the other based on a reference interest rate (ie KLIBOR or LIBOR). The underlying reference for Equity Swaps is usually to an index, a basket of stocks or a single underlying stock.

The Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate, equity and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

Risk associated with financial derivatives

As derivatives are contracts that transfer risks, they expose the holder to the same types of market and credit risk as other financial instruments, and the Group manages these risks in a consistent manner under the overall risk management framework.

Market risk of derivatives used for trading purposes

Market risk arising from the above interest rate-related, foreign exchange-related and equity-related derivatives contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measure that estimates the potential changes in portfolio value that may occur, brought about by daily changes in market rates over a specified holding period at a specific confidence level under normal market condition.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (cont'd)

General disclosure for derivatives and counterparty credit risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest rates, foreign exchange, credit default swaps and equities.

For counterparty credit risk, the general approach is to calculate the exposure as the sum of the mark-to-market value of the exposure, plus the sum of the notional principal multiplied by the potential credit risk exposure ("PCRE") factor for the exposure.

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the value used in calculation is zero.
- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

Exposure to the counterparty risk is governed by setting a credit limit to manage such exposure. This limit is governed under the Group Risk Appetite Framework approved by the Board.

Other than credit limit setting, the Group's primary tool to mitigate counterparty credit risk is by having collateral arrangement with the counterparty. Standard market documentation governs the amount of collateral required and the re-margining frequency between counterparties. Some of the standard market documentation has links between the amount of collateral required and external ratings, as well as minimum transfer amounts. This means that if the Group's or a counterparty's external rating was downgraded, the Group or the counterparty would likely to be required to place additional collateral. The amount required to be placed would depend upon the underlying instruments and the state of the markets, so it would be different at each re-margining interval.

Liquidity risk of derivatives

Two types of liquidity risk are associated with derivatives: market liquidity risk and funding risk.

Market liquidity risk arises when a position cannot be sold or closed out quickly or risk is eliminated by entering into an offsetting position. In general, an OTC market tends to offer less liquidity than an exchange market due to the customized nature of some OTC contracts. OTC contracts include foreign exchange contracts, cross currency swaps, interest rate swaps and FX options while interest rate futures, equity futures and equity options are examples of exchange traded derivatives. The liquidity risk of a position can be estimated by the notional amount of contracts held and the market value of the contract position. Both the OTC and exchange markets have liquid and illiquid contracts.

Funding risk is the risk of derivative activities placing an adverse funding and cash flow pressure on the Group, arising from the need to post collateral (i.e. a margin call due to mark-to-market valuations) to compensate for an existing out of the money position. (Note: if collateral is not posted, the counterparty can close out their position and claim such mark-to-market loss from the Group. This would also result in the Group no longer being hedged).

Generally, the Group measures and monitors funding risk through the cash flow gap analysis according to specified time intervals. The Group's access to deposits and funding markets is dependent on its credit rating. A downgrading in the credit rating could adversely affect its access to liquidity, as well as the competitive position, and could increase the cost of funding.

The primary objective of funding risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due under normal market condition and on contingency basis.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value upon inception in the statements of financial position, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statements. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (cont'd)

Derivative Financial Instruments and Hedge Accounting (cont'd)

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(i) Fair Value Hedge

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instrument hedged for interest rate risk consists of the Hybrid Securities and loans sold to Cagamas Berhad.

	Group	
	2011 RM'000	2010 RM'000
Gain/(Loss) arising from fair value hedges:		
Hedged item (attributable to hedged risk only)	(9,185)	30,668
Hedging instruments	11,490	(29,633)
	2,305	**1,035**

(ii) Cash Flow Hedge

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on variable rate interest incurring liabilities. This hedging strategy is applied towards treasury fixed deposits and short term treasury deposits. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio on the basis of their contractual terms and other relevant factors, including estimates of early withdrawal. The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to the profit or loss when the forecast cash flows affect the profit or loss.

All underlying hedged cash flows are expected to be recognised in the profit or loss in the period in which they occur, which is anticipated to take place over the next 5 years (2010: 12 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in the profit or loss. Ineffectiveness recognised in the profit or loss in respect of cash flow hedges amounted to a gain of RM22,253,000 (2010: loss of RM6,415,000) for the Group. During the financial year, the Group recognised a loss of RM20,244,000 (2010: RM NIL) arising from unwinding of hedges beyond 5 years' duration in order to align with the Group's macro cash flow hedging strategy.

9. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At Fair Value				
Money Market Securities:				
Treasury bills	49,046	19,551	-	-
Islamic Treasury bills	23,661	39,141	-	-
Malaysian Government Securities	160,285	154,746	-	-
Malaysian Government Investment Certificates	771,473	452,188	-	-
Bank Negara Malaysia Monetary Notes	2,449,627	306,008	-	-
Sukuk Bank Negara Malaysia	1,469	14,990	-	-
	3,455,561	986,624	-	-
Quoted Securities:				
In Malaysia:				
Shares	292,024	86,852	-	-
Warrants	2,835	1,934	-	-
Trust units	81,773	5,303	-	-
Outside Malaysia:				
Shares	7,331	4,239	-	-
Trust units	1,688	-	-	-
	385,651	98,328	-	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds	264,590	-	-	20,000
Corporate notes	355,478	191,407	-	-
Islamic corporate bonds	236,221	100,441	-	-
Islamic corporate notes	476,236	322,009	-	-
Outside Malaysia:				
Corporate bonds	-	14,632	-	-
	1,332,525	628,489	-	20,000
	5,173,737	**1,713,441**	**-**	**20,000**

As at the end of the financial year, securities with a carrying value of RM30 million (2010: RM NIL) relate to securities sold under repurchase agreements.

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At Fair Value, or cost less impairment losses for certain unquoted securities				
Money Market Securities:				
Malaysian Government Securities	266,267	427,258	-	-
Malaysian Government Investment Certificates	284,875	76,005	-	-
Negotiable instruments of deposits	1,748,816	2,579,057	-	-
Negotiable Islamic debt certificates	1,134,325	577,330	-	-
Islamic Khazanah Bonds	-	37,890	-	-
	3,434,283	3,697,540	-	-
Quoted Securities:				
In Malaysia:				
Shares	44,307	136,378	-	-
Trust units	900,571	1,149,180	444,599	53,273
Outside Malaysia:				
Shares	26,356	21,847	-	-
Trust units	-	1,754	-	-
	971,234	1,309,159	444,599	53,273
Unquoted Securities:				
In Malaysia:				
Shares	135,931	21,476	3,348	2,583
Outside Malaysia:				
Shares	23,960	17,848	-	-
	159,891	39,324	3,348	2,583
Quoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	11,809	14,380	-	-
Loan stocks	-	2,326	-	-
Loan stocks - collateralised	22,270	-	-	-
Collateralised corporate bonds	33,610	332	-	-
Outside Malaysia:				
Shares	93	104	-	-
	67,782	17,142	-	-
Unquoted Debt Equity Converted Securities:				
In Malaysia:				
Loan stocks	58,563	-	-	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds	932,200	929,520	-	-
Islamic corporate bonds	596,725	785,785	-	-
Corporate notes	263,149	166,319	-	-
Islamic corporate notes	1,383,139	1,699,005	-	-
Outside Malaysia:				
Corporate bonds	1,458	7,941	-	-
Islamic corporate bonds	23,768	16,943	-	-
	3,200,439	3,605,513	-	-

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unquoted Guaranteed Private Debt Securities:				
In Malaysia:				
Corporate bonds	181,743	342,452	-	-
Islamic corporate bonds	-	82,726	-	-
	181,743	425,178	-	-
	8,073,935	9,093,856	447,947	55,856

Included in trust units of the Group and the Company are units managed by a subsidiary amounting to RM869 million (2010: RM850 million) and RM445 million (2010: RM50 million) respectively.

AmBank (M) Berhad and AmIslamic Bank Berhad, the wholly owned subsidiaries of the Company, were appointed Principal Dealer ("PD") and Islamic Principal Dealer ("i-PD") respectively by Bank Negara Malaysia ("BNM") for Government/Islamic Government, BNM and BNM Sukuk Berhad issuances with effect from 1 July 2009 until 31 December 2012.

As PD and i-PD, the Group is required to undertake certain obligations as well as accorded certain incentives in the appointment period. One of the incentives accorded is the eligibility to maintain 1% Statutory Reserve Requirement ("SRR") in the form of Malaysian Government Securities ("MGS") and/or Government Investment Certificate ("GIC") holdings instead of cash. As at 31 March 2011, the nominal values of MGS and GIC holdings maintained for SRR purpose amounted to RM540,260,000 for the Group (2010: RM425,260,000).

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Quoted Securities:				
In Malaysia:				
Shares	-	2	-	-
Unquoted Securities:				
In Malaysia:				
Shares	-	103,118	-	-
Corporate bonds	959	100	-	-
Outside Malaysia:				
Shares	-	2,247	-	-
	959	105,465	-	-
Quoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	-	40	-	-
Loan stocks - collateralised	-	41,915	-	-
Corporate bonds - collateralised	-	33,172	-	-
	-	75,127	-	-
Unquoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	-	3,027	-	-
Loan stocks	-	41,419	-	-
Loan stocks - collateralised	971	314,279	-	-
Corporate bonds - collateralised	265,881	149,200	-	-
Corporate bonds	75,723	45,300	-	-
	342,575	553,225	-	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds and notes denominated in USD	-	4,961	-	-
Corporate notes	-	30,370	-	-
Islamic corporate bonds	29,672	139,435	-	-
Corporate bonds	-	-	-	575,000
	29,672	174,766	-	575,000
Unquoted Guaranteed Private Debt Securities:				
In Malaysia:				
Corporate bonds	10,000	10,000	-	-
	383,206	918,585	-	575,000
Less: Accumulated impairment losses	(207,775)	(355,842)	-	-
	175,431	**562,743**	**-**	**575,000**

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Market/Indicative value				
Unquoted Securities:				
In Malaysia:				
Shares	-	87,663	-	-
Outside Malaysia:				
Shares	-	86	-	-
Quoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	-	22	-	-
Loan stocks - collateralised	-	80,591	-	-
Loan stocks - with options	-	9,890	-	-
Corporate bonds - collateralised	-	19,186	-	-
Unquoted Debt Equity Converted Securities:				
In Malaysia:				
Corporate bonds - collateralised	71,198	-	-	-
Corporate bonds	4,248	-	-	-
Unquoted Private Debt Securities:				
In Malaysia:				
Islamic corporate bonds	29,640	142,666	-	-
Unquoted Guaranteed Private Debt Securities:				
In Malaysia:				
Corporate bonds	10,050	10,000	-	-

Impairment allowance

A reconciliation of the allowance for impairment losses (relating to unquoted debt securities) is as follows :

	2011	
	Group RM'000	Company RM'000
At 1 April	355,842	-
Effect arising from adoptions of FRS139	(144,528)	-
Charge for the year	7,119	-
Recoveries/reversal	(7,949)	-
Amounts written off	(1,777)	-
Exchange differences	(932)	-
At 31 March	**207,775**	**-**

12. LOANS, ADVANCES AND FINANCING

	Group	
At amortised cost:	**2011 RM'000**	**2010 RM'000**
Loans and financing:		
Term loans and revolving credit	29,552,920	23,874,032
Housing loans	12,629,029	11,750,125
Staff loans	167,496	167,526
Hire-purchase receivables	30,252,309	30,875,449
Credit card receivables	1,805,185	1,782,020
Lease receivables	1,806	1,142
Overdrafts	2,365,167	1,934,446
Claims on customers under acceptance credits	3,175,549	2,788,014
Trust receipts	660,754	387,309
Block discount receivables	60,293	57,928
Factoring receivables	51,018	57,143
Bills receivable	390,546	115,140
	81,112,072	73,790,274
Unearned interest and income	(7,526,637)	(7,161,411)
	73,585,435	66,628,863
Islamic financing sold to Cagamas Berhad	(1,700,034)	(345,738)
Gross loans, advances and financing	71,885,401	66,283,125
Allowance for impairment on loans and financing:		
Collective allowance	(2,135,148)	-
Individual allowance	(371,429)	-
General allowance	-	(1,003,472)
Specific allowance	-	(853,733)
	(2,506,577)	(1,857,205)
Net loans, advances and financing	**69,378,824**	**64,425,920**

* Included in term loans and revolving credit of the Group are loans amounting to RM202,955,000 (2010: RM210,619,000) which are exempted from collective allowance by Bank Negara Malaysia.

12. LOANS, ADVANCES AND FINANCING (cont'd)

(a) The maturity structure of loans, advances and financing is as follows:

	Group 2011 RM'000	Group 2010 RM'000
Maturing within one year	15,661,854	11,785,670
One to three years	8,240,649	6,886,454
Three to five years	11,174,708	11,232,791
Over five years	36,808,190	36,378,210
	71,885,401	**66,283,125**

(b) Loans, advances and financing analysed by sectors are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Agriculture	2,176,666	1,542,566
Mining and quarrying	727,193	441,170
Manufacturing	6,072,622	4,966,074
Electricity, gas and water	2,403,849	2,292,627
Construction	3,442,555	3,759,983
Wholesale, retail, restaurant and hotel	3,694,982	3,594,540
Transport, storage and communication	3,039,423	3,012,306
Finance, insurance, real estate and business activities	7,914,588	5,417,211
Education and health	1,013,023	819,295
Household	41,839,781	39,877,984
of which:		
Purchase of residential properties	11,903,778	11,372,657
Purchase of transport vehicles	23,571,034	23,504,635
Others	6,364,969	5,000,692
Others	1,260,753	905,107
	73,585,435	66,628,863
Islamic financing sold to Cagamas Berhad	(1,700,034)	(345,738)
	71,885,401	**66,283,125**

(c) Loans, advances and financing analysed by type of customers are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Domestic:		
Other non-bank financial institutions	2,594,135	1,315,435
Business enterprises:		
Small and medium enterprises	7,474,065	7,220,784
Others	20,775,251	17,484,714
Government and statutory bodies	333,174	253,528
Individuals	40,223,109	39,476,916
Other domestic entities	3,645	3,021
Foreign entities	482,022	528,727
	71,885,401	**66,283,125**

12. LOANS, ADVANCES AND FINANCING (cont'd)

(d) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group	
	2011 RM'000	2010 RM'000
Variable rate:		
Base lending rate plus	20,904,588	17,433,703
Cost plus	13,792,343	10,548,022
Other variable rates	2,022,274	1,323,736
	36,719,205	29,305,461
Fixed rate:		
Housing loans/financing	2,241,900	2,356,514
Hire purchase receivables	22,566,305	25,475,862
Other loans/financing	10,357,991	9,145,288
	35,166,196	36,977,664
	71,885,401	**66,283,125**

(e) Loans, advances and financing analysed by geographical distribution are as follows:

	Group	
	2011 RM'000	2010 RM'000
In Malaysia	71,015,830	65,854,288
Outside Malaysia	869,571	428,837
	71,885,401	**66,283,125**

(f) Movements in impaired loans, advances and financing are as follows:

	Group	
	2011 RM'000	2010 RM'000
Gross		
Balance at beginning of year	1,865,758	2,426,458
Effect of adopting FRS139	673,015	-
Balance at beginning of year, as restated	2,538,773	2,426,458
Impaired during the year	1,311,149	1,030,338
Reclassification to non-impaired loans and financing	(384,996)	(452,389)
Recoveries	(337,124)	(198,611)
Amount written-off	(682,359)	(940,038)
Repurchase of loans	4,142	-
Balance at end of year	**2,449,585**	**1,865,758**
Ratio of impaired loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	3.3%	2.8%
Loan loss coverage excluding collateral values	102.3%	99.5%

12. LOANS, ADVANCES AND FINANCING (cont'd)

(g) Impaired loans, advances and financing analysed by sectors are as follows:

	Group	
	2011 RM'000	2010 RM'000
Agriculture	38,785	2,747
Mining and quarrying	461	1,028
Manufacturing	273,295	101,638
Electricity, gas and water	288,509	649
Construction	289,257	296,615
Wholesale, retail, restaurant and hotel	82,308	63,010
Transport, storage and communication	21,276	19,278
Finance, insurance, real estate and business activities	119,704	124,633
Education and health	43,171	46,244
Household	1,275,779	1,194,188
of which:		
Purchase of residential properties	649,725	634,064
Purchase of transport vehicles	380,876	399,828
Others	245,178	160,296
Others	17,040	15,728
	2,449,585	**1,865,758**

(h) Impaired loans, advances and financing analysed by geographical distribution are as follows:

	Group	
	2011 RM'000	2010 RM'000
In Malaysia	2,449,585	1,865,758

12. LOANS, ADVANCES AND FINANCING (cont'd)

(i) Movements in allowances for impaired loans, advances and financing are as follows:

	Group	
	2011 RM'000	2010 RM'000
Collective allowance		
Balance at beginning of year	-	-
Effects of adopting FRS 139	1,803,552	-
Balance at beginning of year, as restated	1,803,552	-
Allowances made during the year, net	808,818	-
Amounts written-off	(480,862)	-
Repurchase of loans	4,142	-
Exchange fluctuation adjustments	(502)	-
Balance at end of year	**2,135,148**	**-**
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less individual allowance	2.9%	-
Individual allowance		
Balance at beginning of year	-	-
Effects of adopting FRS 139	458,225	-
Balance at beginning of year, as restated	458,225	-
Allowance made during the year, net	103,855	-
Transfer from debt converted instruments	12,356	-
Amounts written off	(203,007)	-
Balance at end of year	**371,429**	**-**
General allowance		
Balance at beginning of year	1,003,472	899,517
Effects of adopting FRS 139	(1,003,472)	-
Balance at beginning of year, as restated	-	899,517
Allowance made during the year	-	104,924
Exchange fluctuation adjustments	-	(969)
Balance at end of year	**-**	**1,003,472**
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less specific allowance	-	1.5%
Specific allowance		
Balance at beginning of year	853,733	921,611
Effects of adopting FRS 139	(853,733)	-
Balance at beginning of year, as restated	-	921,611
Net charge to income statements:		
Allowances made during the year	-	1,205,040
Amounts written back in respect of recoveries and reversals	-	(336,980)
Adjustment to deferred asset account	-	588
Amounts written off	-	(936,526)
Balance at end of year	**-**	**853,733**

13. OTHER ASSETS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables, net of allowance for impairment of RM48,963,000 (2010: RM56,748,000) (Note a)	1,034,909	864,046	-	-
Other receivables, deposits and prepayments, net of allowance for impairment for the Group of RM16,673,000 (2010: RM21,759,000) (Note c)	525,122	571,737	4,561	1,200
Interest receivables on treasury assets, net of allowance for impairment for the Group of RM4,008,000 (2010: RM2,607,000) (Note c)	362,023	278,917	-	1,131
Fee receivables, net of allowance for impairment of RM1,335,000 (2010: RM694,000) (Note c)	41,496	40,261	-	-
Amount due from Originators	19,583	22,793	-	-
Amount due from agents, brokers and reinsurers, net of allowance of RM7,672,000 (2010: RM7,321,000) (Note c)	76,636	24,553	-	-
Foreclosed properties, net of allowance for impairment of RM138,157,000 (2010: RM116,913,000) (Note b)	112,143	151,922	-	-
Deferred assets (Note d)	34,744	34,744	-	-
	2,206,656	**1,988,973**	**4,561**	**2,331**

Trade receivables mainly relate to the stock and share-broking operations of the Group and represent amount outstanding in purchase contracts net of allowances.

Amount due from originators represents housing loans, hire purchase and leasing receivables acquired from the originators for onward sale to Cagamas Berhad as mentioned in Note 21.

(a) Trade receivables

The movement in allowance for impairment is as follows:

	2011	
	Group RM'000	Company RM'000
Balance at beginning of year	56,748	-
Effect of adopting FRS139	(3,786)	-
Balance at beginning of year, as restated	52,962	-
Charge for the year	(1,583)	-
Amount written-off	(2,428)	-
Exchange differences	12	-
Balance at end of year	**48,963**	**-**

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Foreclosed properties

The movement in allowance for impairment is as follows:

	2011	
	Group RM'000	Company RM'000
Balance at beginning of year	116,913	-
Charge for the year	29,180	-
Amount written-off	(7,936)	-
Balance at end of year	**138,157**	**-**

13. OTHER ASSETS (cont'd)

(c) Others

The movement in allowance for impairment is as follows:

	2011	
	Group RM'000	Company RM'000
Balance at beginning of year	32,381	-
Charge for the year	3,634	-
Recoveries/reversal	(5,919)	-
Amount written-off	(414)	-
Exchange differences	6	-
Balance at end of year	**29,688**	**-**

(d) Deferred Assets

	Group	
	2011 RM'000	2010 RM'000
Arising from takeover of Kewangan Usahasama Makmur Berhad	34,744	34,744

In 1988, AmBank took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co-operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434.0 million, subsequently adjusted to RM426.7 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operatives. The tax benefit is a fixed monetary sum and is not dependant on any changes in tax rates.

The net tax benefit is shown as a deferred asset and the utilisation of the deferred tax benefit is based on the receipt of notices of assessment and subsequent remission of the tax liabilities by the relevant authority net of the amount payable to the tax authorities for purpose of Section 108 tax credit.

Amount due from agents, brokers and reinsurers, net of allowance for insurance business

(i) Reinsurance assets

	Group	
	2011 RM'000	2010 RM'000
Reinsurance of insurance contracts	133,835	156,217

The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

(ii) Insurance receivables

	Group	
	2011 RM'000	2010 RM'000
Due premiums including agents/brokers and co-insurers balances	28,940	24,935
Due from reinsurers and cedants	3,553	4,751
	32,493	29,686
Allowance for impairment	(7,672)	(7,321)
	24,821	**22,365**

14. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit with Bank Negara Malaysia is in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities and is not available for use in the Group's day-to-day operations.

15. INVESTMENTS IN SUBSIDIARIES

	Group	
At cost	**2011 RM'000**	**2010 RM'000**
In Malaysia		
Unquoted shares	8,182,034	6,204,678

The subsidiaries, all incorporated in Malaysia, except for PT. AmCapital Indonesia and PT. AMCI Manajemen Investasi Indonesia which are incorporated in Indonesia, AmSecurities (HK) Limited and AmTrade Services Limited which are incorporated in Hong Kong, AmCapital (B) Sdn Bhd which is incorporated in Brunei, AmWater Investments Management Pte. Ltd. (formerly known as AmKonzen Water Investments Management Pte. Ltd.), AmFraser International Pte. Ltd. and its subsidiaries which are incorporated in Singapore and AmAsia Water Management (GP) Limited which is incorporated in Cayman Islands, are as follows:

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
	Principal Activities	**2011 RM'000**	**2010 RM'000**	**2011 %**	**2010 %**
Direct Subsidiaries: Unquoted					
AmInvestment Group Berhad ("AIGB")	Investment holding	820,000	173,200	100.00	100.00
AMFB Holdings Berhad ("AMFB")	Investment holding	821,516	821,516	100.00	100.00
AMAB Holdings Sdn Bhd ("AMAB Holdings")	Investment holding	264,000	264,000	100.00	100.00
AmInvestment Bank Berhad ("AmInvestment Bank")△	Investment banking	200,000	200,000	100.00	100.00
AmIslamic Bank Berhad ("AmIslamic Bank")△	Islamic banking	403,038	403,038	100.00	100.00
Indirect Subsidiaries: Unquoted					
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	10,000	10,000	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	670,364	670,364	100.00	100.00
Arab-Malaysian Credit Berhad	Asset Financing Agency	288,500	288,500	100.00	100.00
AmLife Insurance Berhad	Life assurance	100,000	100,000	70.00	70.00
AmG Insurance Berhad ("AmG")	General assurance	230,000	230,000	51.00	51.00
AmFamily Takaful Berhad ("AFTB")^	Takaful operator	-*****	-	70.00	-
AMSEC Holdings Sdn Bhd	Dormant	100,000	100,000	100.00	100.00
AmInvestment Services Berhad ("AIS")	Managing unit trust funds	5,539	5,539	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management	2,000	2,000	100.00	100.00
AmIslamic Funds Management Sdn Bhd ("AIFM")	Islamic funds management	3,000	3,000	100.00	100.00
AMMB Consultant Sdn Bhd ##	Ceased operations	500	500	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100.00	100.00
AmProperty Trust Management Berhad ("AmPTMB")	Dormant	500	500	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding	10	6	80.00	80.00
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100.00	100.00
AMCB Mezzanine Sdn Bhd#	Dormant	-	400	-	100.00
AmTrustee Berhad ("AmTrustee")	Trustee services	500	500	80.00	80.00
Arab-Malaysian Services Berhad (wound up during the year)	Dormant	-	6,000	-	70.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	100.00	100.00

15. INVESTMENTS IN SUBSIDIARIES (cont'd)

	Principal Activities	Issued and Paid-up Ordinary Capital 2011 RM'000	Issued and Paid-up Ordinary Capital 2010 RM'000	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %
Indirect Subsidiaries: Unquoted (cont'd)					
South Johor Securities Nominees (Tempatan) Sdn Bhd#	Dormant	-	-*	-	100.00
South Johor Securities Nominees (Asing) Sdn Bhd#	Dormant	-	-*	-	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	100.00	100.00
AmFutures Sdn Bhd ("AmFutures")	Futures broking	15,000	15,000	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")	Investment research	500	500	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-*	-*	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	-*	-*	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Provision of fund management and consultancy services	3,500	500	100.00	100.00
Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings")	Investment holding	1,000	1,000	70.00	70.00
Am ARA REIT Managers Sdn Bhd ("Am ARA REIT Managers")	Management of real estate investment trusts	1,000	1,000	70.00	70.00
Everflow Credit & Leasing Corporation Sdn Bhd	Dormant	684	684	100.00	100.00
MBf Information Service Sdn Bhd	Property investment	27,500	27,500	100.00	100.00
MBf Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
MBf Trustees Berhad	Trustee services	250	250	60.00	60.00
AmProperty Holdings Sdn Bhd	Property investment	500	500	100.00	100.00
Teras Oak Pembangunan Sendirian Berhad	Dormant	4,700	4,700	100.00	100.00
AmCredit & Leasing Sdn Bhd	Dormant	3,892	3,892	100.00	100.00
Bougainvillaea Development Sdn Bhd	Property investment	11,000	11,000	100.00	100.00
Malco Properties Sdn Bhd	Dormant	417	417	81.51	81.51
Komuda Credit & Leasing Sdn Bhd	Dormant	14,259	14,259	100.00	100.00
Natprop Sdn Bhd#	Dormant	-	72,010	-	100.00
AmPremier Capital Berhad ("AmPremier")	Issue of subordinated securities	-*	-*	100.00	100.00
Economical Enterprises Sendirian Berhad	Dormant	535	535	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	1	1	100.00	100.00
		BND'000	BND'000	%	%
AmCapital (B) Sdn Bhd	Asset management and investment advisory services	1,500	1,000	100.00	100.00
		USD'000	USD'000	%	%
AMMB Labuan (L) Ltd	Dormant	200	200	100.00	100.00
AmInternational (L) Ltd ("AMIL")	Offshore banking	10,000	10,000	100.00	100.00
AmCapital (L) Inc	Dormant	-**	-**	100.00	100.00
AMBB Capital (L) Ltd	Issue of Hybrid capital securities	-**	-**	100.00	100.00
AmAsia Water Management (GP) Limited^	Fund management	-****	-	100.00	-

15. INVESTMENTS IN SUBSIDIARIES (cont'd)

	Principal Activities	Issued and Paid-up Ordinary Capital 2011 IDR'000	Issued and Paid-up Ordinary Capital 2010 IDR'000	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %
Indirect Subsidiaries: Unquoted (cont'd)					
PT. AmCapital Indonesia^ ("AMCI")	Stock-broking and underwriting	146,186,000	146,186,000	99.00	99.00
PT. AMCI Manajemen Investasi Indonesia^	Dormant	25,000	-	100.00	-
		HKD$000	HKD$000	%	%
AmSecurities (HK) Limited^^	Dormant	33,000	33,000	100.00	100.00
AmTrade Services Limited^^	Trade finance services	-***	-***	100.00	100.00
		SGD'000	SGD'000	%	%
AmFraser International Pte. Ltd. ^^	Investment holding	18,910	18,910	100.00	100.00
AmFraser Securities Pte. Ltd. ^^	Stock and share broking	32,528	32,528	100.00	100.00
AmGlobal Investments Pte. Ltd. (formerly known as Fraser Financial Planners Pte. Ltd.) ^^	Dormant	1,000	1,000	100.00	100.00
Fraser Financial Services Pte. Ltd. ^^	Dormant	200	200	100.00	100.00
Fraser-AMMB Research Pte. Ltd. ^^	Dormant	500	500	100.00	100.00
AmFraser Nominees Pte. Ltd. ^^	Nominee services	1	1	100.00	100.00
AmWater Investments Management Pte Ltd (formerly known as AmKonzen Water Investments Management Pte. Ltd.) ("AmKonzen")^	(i) Asset/Portfolio Management (ii) Business and management consultancy services	100	100	100.00	50.00

△ Previously indirect subsidiaries.
^ Subsidiaries not audited by Ernst & Young, Malaysia.
^^ Subsidiaries audited by a firm affiliated with Ernst & Young, Malaysia.
* Subsidiaries with an issued and paid-up ordinary capital of RM2.00.
** Subsidiaries with an issued and paid-up ordinary capital of USD3.00.
*** Subsidiary with an issued and paid-up ordinary capital of HKD$2.00.
**** Subsidiary with an issued and paid-up ordinary capital of USD1.00.
***** Subsidiary with an issued and paid-up ordinary capital of RM10.00.
# Subsidiaries struck off from Register of Companies Commission of Malaysia and dissolved pursuant to Section 308 of the Companies Act, 1965 during the financial year.
Subsidiary under application for strike off from the Register of Companies Commission of Malaysia.

16. INVESTMENT IN ASSOCIATE

	Group 2011 RM'000	Group 2010 RM'000
Share in net post acquisition profit of associate	1,101	1,301
Group's share of aggregate net tangible assets	1,101	1,301

The associate, unquoted and held through AmInvestment Bank is as follows:

	Principal Activities	Issued and Paid-up Ordinary Capital 2011 RM'000	Issued and Paid-up Ordinary Capital 2010 RM'000	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %
Incorporated in Malaysia					
Malaysian Ventures (Two) Sdn Bhd (under members' voluntary liquidation)	Ceased operations	19	19	34.67	34.67

17. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Group 2011 RM'000	Group 2010 RM'000
Unquoted shares, at cost	-	958
Share in net post acquisition loss of jointly controlled entity	-	(958)
	-	-

The jointly controlled entity, unquoted and held through Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") is as follows:

	Principal Activities	Issued and Paid-up Ordinary Capital 2011 SGD'000	Effective Equity Interest 2011 %	Issued and Paid-up Ordinary Capital 2010 SGD'000	Effective Equity Interest 2010 %
Incorporated in Singapore					
AmWater Investments Management Pte Ltd (formerly known as AmKonzen Water Investments Management Pte. Ltd.)	(i) Asset/Portfolio Management (ii) Business and management consultancy services	100*	100.00	100	100.00

The Group has not recognised losses relating to the company where its share of losses exceeds the Group's interest in this jointly controlled company. The Group's cumulative share of unrecognised losses at the reporting date was RM710,000 (2010: RM230,000), of which RM480,000 (2010: RM230,000) was the share of the current year's unrecognised losses.

* During the current financial year, the Group acquired the remaining issued and paid-up ordinary capital of the jointly controlled entity and it is now a wholly owned subsidiary of the Group.

18. PROPERTY AND EQUIPMENT

2011 Group	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Cost							
At beginning of year	12,394	75,310	16,017	112,417	475,859	159,258	851,255
Additions	-	-	3,103	9,543	60,512	7,501	80,659
Disposals	(310)	-	(3,499)	(10)	(8,179)	(9)	(12,007)
Write off	-	-	-	(72)	(280)	(553)	(905)
Reclassification/Transfer	(213)	213	-	2,034	(111,581)	(37,141)	(146,688)
Exchange adjustments	-	(30)	(2)	(1)	142	(8)	101
At end of year	11,871	75,493	15,619	123,911	416,473	129,048	772,415
Accumulated Depreciation							
At beginning of year	625	19,076	9,658	80,161	367,641	135,705	612,866
Depreciation for the year	404	1,105	1,731	14,107	28,510	8,118	53,975
Disposals	(72)	-	(3,499)	-	(8,140)	(5)	(11,716)
Write off	-	-	-	(63)	(277)	(531)	(871)
Reclassification/Transfer	(44)	44	-	1,021	(98,694)	(34,828)	(132,501)
Exchange adjustments	-	(9)	2	(15)	121	(17)	82
At end of year	913	20,216	7,892	95,211	289,161	108,442	521,835
Accumulated Impairment Loss							
At beginning of year	1,350	1,140	-	-	-	-	2,490
At end of year	1,350	1,140	-	-	-	-	2,490
Net Book Value							
As at 31 March 2011	9,608	54,137	7,727	28,700	127,312	20,606	248,090
Property and equipment that have been fully depreciated which are still in use,							
At cost	-	-	4,428	57,271	230,298	88,392	380,389

18. PROPERTY AND EQUIPMENT (cont'd)

2010 Group	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Cost							
At beginning of year	12,394	67,250	17,392	219,188	526,195	182,230	1,024,649
Effect of adoption of amendments to FRS117	-	8,436	-	-	-	-	8,436
At beginning of year, as restated	12,394	75,686	17,392	219,188	526,195	182,230	1,033,085
Additions	-	-	1,574	6,371	107,273	6,981	122,199
Disposals	-	-	(1,967)	(5)	(8,426)	(3,516)	(13,914)
Written off	-	-	(962)	(112,729)	(88,315)	(25,647)	(227,653)
Reclassification/Transfer	-	(327)	-	(469)	(60,744)	(594)	(62,134)
Exchange adjustments	-	(49)	(20)	61	(124)	(196)	(328)
At end of year	12,394	75,310	16,017	112,417	475,859	159,258	851,255
Accumulated Depreciation							
At beginning of year	243	16,384	10,753	178,478	434,289	153,867	794,014
Effect of adoption of amendments to FRS117	-	1,832	-	-	-	-	1,832*
At beginning of year, as restated	243	18,216	10,753	178,478	434,289	153,867	795,846
Depreciation for the year	382	922	1,760	14,808	25,738	11,214	54,824
Disposals	-	-	(1,869)	(5)	(3,515)	(3,134)	(8,523)
Written off	-	-	(962)	(112,713)	(88,308)	(25,611)	(227,594)
Reclassification/Transfer	-	(49)	-	(460)	(427)	(435)	(1,371)
Exchange adjustments	-	(13)	(24)	53	(136)	(196)	(316)
At end of year	625	19,076	9,658	80,161	367,641	135,705	612,866
Accumulated Impairment Loss							
At beginning of year	1,350	886	-	-	-	-	2,236
Effect of adoption of amendments to FRS117	-	254	-	-	-	-	254
At end of year	1,350	1,140	-	-	-	-	2,490
Net Book Value							
As at 31 March 2010	10,419	55,094	6,359	32,256	108,218	23,553	235,899
Property and equipment that have been fully depreciated which are still in use,							
At cost	-	-	5,020	43,601	321,118	106,914	476,653

* Included in the amount is RM158,000 depreciation charged for the year in respect of prepaid land lease payments reclassed.

18. PROPERTY AND EQUIPMENT (cont'd)

Company	Motor vehicles RM'000	Total RM'000
2011		
Cost		
At beginning and end of year	2,099	2,099
Accumulated Depreciation		
At beginning of year	469	469
Depreciation for the year	306	306
At end of year	775	775
Net book value		
As at 31 March 2011	1,324	1,324
2010		
Cost		
At beginning of year	2,686	2,686
Disposals	(587)	(587)
At end of year	2,099	2,099
Accumulated Depreciation		
At beginning of year	642	642
Depreciation for the year	316	316
Disposals	(489)	(489)
At end of year	469	469
Net book value		
As at 31 March 2010	1,630	1,630

19. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Group	
	2011 RM'000	2010 RM'000
(a) Goodwill	1,734,365	1,732,500
(b) Computer software	98,845	92,992
	1,833,210	**1,825,492**

The movements in intangible assets are as follows:

(a) Goodwill

	Group	
	2011 RM'000	2010 RM'000
At beginning of year	1,732,500	1,730,935
Adjustment to goodwill of AmLife	-	1,565
Arising from acquisition of remaining ordinary shares in AmKonzen	1,865	-
At end of year	**1,734,365**	**1,732,500**

Impairment tests for goodwill

Goodwill is reviewed for impairment annually or when there are indications of impairment. At the date of acquisition, goodwill is allocated to the Group's cash generating units ("CGU") for impairment testing purposes, identified according to business segments expected to benefit from the synergies as follows:

	Group	
	2011 RM'000	2010 RM'000
Investment banking	557,931	557,931
Commercial and retail	1,105,598	1,105,598
Islamic banking	53,482	53,482
Insurance	15,489	15,489
Equity fund management	1,865	-
	1,734,365	**1,732,500**

The recoverable amount of the CGU, which are the reportable business segments, is based on their value in use, computed by discounting the expected future cash flows of the units. The key assumptions for the computation of value in use include the discount rates and growth rates applied. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. The discount rates applied for the financial year ranged from 7.5% to 17.4%. Cash flow projection is based on the most recent five-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the sixth to tenth years are extrapolated using the growth rate of 3.0% to extrapolate cash flows beyond the projected years. The growth rate does not exceed the long-term average growth rate for the market in which the businesses operate. Impairment is recognised in the income statements when the carrying amount of a cash-generating unit exceeds its recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the cash generating units.

19. INTANGIBLE ASSETS (cont'd)

(b) Computer software

	Group 2011 RM'000	Group 2010 RM'000
Cost		
At beginning of year	281,672	255,415
Additions	28,095	46,915
Disposals	-	(597)
Reclassification/Transfer	143,768	260
Written off	(45)	(20,380)
Exchange adjustments	(18)	59
At end of year	453,472	281,672
Accumulated Amortisation		
At beginning of year	188,680	178,249
Amortisation for the year	33,836	30,790
Disposals	-	(317)
Reclassification/Transfer	132,167	311
Written off	(44)	(20,378)
Exchange adjustments	(12)	25
At end of year	354,627	188,680
Net book value	**98,845**	**92,992**

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2011 RM'000	Group 2010 RM'000
Deposits from:		
Licensed banks	288,018	411,440
Licensed investment banks	442,342	512,060
Bank Negara Malaysia	2,247,278	902,577
Other financial institutions	1,294,018	2,489,199
	4,271,656	**4,315,276**

Included under deposits and placements of banks and other financial institutions of the Group are the following:

	Group 2011 RM'000	Group 2010 RM'000
Negotiable instruments of deposits	602,272	873,509
Interbank borrowings (Note 5)	1,624,775	96,730

Included in deposits from BNM of the Group are long-term deposits amounting to RM135,000,000 (2010: RM135,000,000) bearing interest at 1.0% (2010: 1.0%) per annum and interest free loans amounting to RM493,000,000 (2010: RM493,000,000) placed with the commercial banking subsidiary in connection with the transfer of assets and liabilities of KUMB as mentioned in Note 13(d).

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from AmBank's ("the Bank") loans sold directly and indirectly or those acquired from the Originators (as disclosed in Note 13) (excluding Islamic financing) to Cagamas Berhad with recourse. Under this arrangement for loans sold by the Bank, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria with recourse to the Bank. Under the back to back arrangement with the Originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the Originators.

During the financial year, the Group has undertaken a fair value hedge on the interest rate risk of loans sold directly to Cagamas Berhad amounting to RM300,000,000. The fair value gain on the loans sold to Cagamas Berhad arising from the fair value hedge amounted to RM1,540,000 (2010: RM Nil) at the reporting date.

22. DEPOSITS FROM CUSTOMERS

	Group	
	2011 RM'000	2010 RM'000
Term/Investment deposits	63,955,874	59,883,117
Savings deposits	4,263,507	3,985,055
Demand deposits	5,660,101	4,386,833
Negotiable instruments of deposits	250,280	447,757
Other deposits	437,200	171,350
	74,566,962	**68,874,112**

Included in deposits from customers of the Group are deposits of RM1,488.4 million (2010: RM1,288.0 million) held as collateral for loans and financing.

The maturity structure of deposits from customers is as follows:

	Group	
	2011 RM'000	2010 RM'000
Due within six months	63,455,715	57,920,834
Six months to one year	7,191,919	7,116,698
One to three years	1,974,353	2,213,203
Three to five years	1,944,975	1,623,377
	74,566,962	**68,874,112**

The deposits are sourced from the following types of customers:

	Group	
	2011 RM'000	2010 RM'000
Business enterprises	27,358,336	29,588,517
Individuals	29,704,689	26,828,735
Government and statutory bodies	16,274,261	11,240,282
Others	1,229,676	1,216,578
	74,566,962	**68,874,112**

23. TERM FUNDING

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Term loans and revolving credit	(a)	1,111,232	482,107	206,000	206,000
Senior Notes	(b)	3,460,527	1,420,000	-	-
Credit-Linked Notes	(c)	175,119	-	-	-
		4,746,878	**1,902,107**	**206,000**	**206,000**

(a) The salient terms of the term loans and revolving credit are as follows:

(i) The Company's short term loans/revolving credit obtained from financial institutions bear interests at rates ranging from 3.67% to 5.22%,

(ii) AmBank's USD20 million unsecured term loan which bears interest at 0.7% per annum above LIBOR was obtained for working capital purposes. This term loan is for a tenor of one year from the drawdown date and repayable in full on maturity date. The facility has been repaid in full upon maturity on 13 January 2011.

(iii) AmBank's USD30 million unsecured term loan which bears interest at 0.75% per annum above the lender's cost of funds was obtained for working capital purposes. This term loan was initially repayable in full on 26 March 2011; subsequently repayment date was revised to 26 March 2012.

(iv) AmBank's USD30 million revolving credit which bears interest at 1.0% per annum above the lender's cost of funds was obtained for working capital purposes. This revolving credit is for the tenor of one year from drawdown date of 1 September 2009 and repayable in full on maturity date. This revolving credit has been prepaid on 6 June 2010.

(v) AmBank's USD30 million unsecured term loan was obtained from Australia and New Zealand Singapore, a branch of ANZ during the financial year for working capital purpose. This term loan bears interest at 0.75% per annum above LIBOR. This term loan shall be repaid in full by earlier of 12 months from the initial drawdown date or 15 March 2011; subsequently the repayment period was revised to 13 months from the initial drawdown date or 15 April 2011.

(vi) AmBank's USD30 million term loan was drawn on 10 June 2010 for working capital purpose. This term loan bears interest at 1.10% per annum above LIBOR. This term loan shall be due and payable in full 2 years after the drawdown date.

(vii) AmBank's USD210 million syndicated term loan was drawn on 31 March 2011 for working capital purpose. This term loan was obtained from five banking institutions out of which USD50 million was from ANZ. This term loan which bears interest at 0.9% per annum above LIBOR is transferable without the consent of Ambank. This term loan shall be due and payable in full 3 years after the drawdown date.

(viii) A wholly owned subsidiary, AmFraser Securities Pte Ltd obtained SGD1 million term loan carrying 2.75% fixed rate SGD bank loan secured by a charge over all the assets of the subsidiary and is fully repayable on 1 April 2011.

(b) AmBank during the current financial year had issued RM1.6 billion (2010: RM1.42 billion) Senior Notes under its programme of up to RM7.0 billion nominal value. The proceeds from the issuance of the Senior Notes shall be utilised for AmBank's general working capital requirements. During the financial year, Senior Notes amounting to RM101.25 million was repaid upon maturity.

The Senior Notes Programme ("SNP") have a tenor of up to thirty (30) years from the date of first issuance under the programme. Under the SNP, AmBank may issue Senior Notes with a tenure of more than one (1) year and up to ten (10) years provided that the Senior Notes mature prior to the expiry of the SNP. Unless previously redeemed or purchased and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of AmBank. RAM has assigned a long-term rating of AA3 to the SNP. The Senior Notes issued has a fixed interest rate ranging from 3.6% to 5.25% (2010: 3.2% to 4.95%) per annum and is payable semi annually. As at 31 March 2011, the Senior Notes issued are repayable between 2 to 7 years.

(c) AmIslamic Bank during the current financial year had issued RM550 million senior sukuk under its programmes of up to RM3 billion in nominal value. The senior sukuk bears profit rate at 4.3% per annum and has a tenor of seven years. The RM3.0 billion Senior Sukuk Musyarakah Programme was assigned a rating of AA3/Stable by RAM.

(d) The credit-linked notes is a structured investment product issued and subscribed during the financial year at nominal value totalling RM178.4 million and will mature between 1 to 3 years after the subscription date. The credit-linked notes has a fixed interest rate ranging from 4.1% to 6% per annum and is payable quarterly.

24. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the investment banking and commercial banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

25. DEBT CAPITAL

		Group	
	Note	2011 RM'000	2010 RM'000
Non-Cumulative Non-Voting Guaranteed Preference Shares	(a)	655,594	689,547
Medium Term Notes	(b)	1,557,800	1,557,800
Subordinated Sukuk Musyarakah	(c)	400,000	400,000
Redeemable Unsecured Subordinated Bonds	(d)	-	115,000
Non-Innovative Tier 1 Capital Securities	(e)	500,000	500,000
Innovative Tier 1 Capital Securities	(f)	485,000	485,000
		3,598,394	**3,747,347**

(a) Non-Cumulative Non-Voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued USD200,000,000 Hybrid Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are guaranteed by AmBank on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Securities were on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank's working capital requirements.

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, at a floating rate equal to three (3) months US dollar LIBOR plus 2.90% if not redeemed on 27 January 2016. The non-cumulative dividends are payable on semi-annual basis.

(ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia. The Hybrid Securities qualify as Tier I capital under BNM's capital adequacy framework.

(b) Medium Term Notes

In the financial year 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme whereby the proceeds raised from the MTN Programme had been and will be utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenor of up to 20 years from the date of the first issuance under the MTN programme. The MTN shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTN issued under the MTN Programme was included as Tier II capital under BNM's capital adequacy framework.

The salient features of the MTNs issued are as follows:

(i) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23% per annum.

(ii) Tranche 2 and 3 totalling RM240 million was issued on 14 March 2008 as follows:
- Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
- Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

25. DEBT CAPITAL (cont'd)

(b) Medium Term Notes (cont'd)

(iii) Tranches 4 and 5 totalling RM120 million were issued on 28 March 2008 as follows:
- Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
- Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iv) Tranche 6 amounting to RM600 million issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25% per annum.

(v) Tranche 7 amounting to RM97.8 million issued on 10 December 2009 is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.75% per annum.

The interest rate of the MTN will step up by 0.5% per annum as follows:

(i) at the beginning of the 5th year for Tranche 1
(ii) at the beginning of the 6th year for Tranche 2
(iii) at the beginning of the 8th year for Tranche 3
(iv) at the beginning of the 6th year for Tranche 4
(v) at the beginning of the 8th year for Tranche 5
(vi) at the beginning of the 11th year for Tranche 6
(vii) at the beginning of the 6th year for Tranche 7

and every anniversary thereafter, preceding the maturity date of the MTN.

(c) Subordinated Sukuk Musyarakah

On 21 December 2006, AmIslamic Bank issued RM400 million Subordinated Sukuk Musyarakah in one lump sum in the form of a 10 year Non-Call 5 year. Subject to the prior approval of BNM, AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Subordinated Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

The Subordinated Sukuk Musyarakah bears an expected profit rate of 4.80% per annum for the first 5 years and commencing from the beginning of the 6th year from the issue date and at the beginning of every subsequent year thereafter, the expected profit rate shall be stepped up by 0.5% per annum to legal maturity date.

The Subordinated Sukuk Musyarakah which has been awarded a long term rating of A1 by RAM is not listed on Bursa Securities Malaysia Berhad or on any other stock exchange but is traded and prescribed under the Scripless Securities Trading System maintained by BNM.

The Subordinated Sukuk Musyarakah qualify as Tier II capital under BNM's capital adequacy framework.

(d) Redeemable Unsecured Subordinated Bonds

Pursuant to a Trust Deed dated 27 October 2005, AmInvestment Bank issued RM200,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("SubBonds III") for the purpose of redemption of RM200,000,000 nominal amount of unsecured subordinated certificates of deposits. The unsecured subordinated certificates of deposits was redeemed on 1 March 2006.

The salient features of the SubBonds III are as follows:

(i) The SubBonds III bear interest at 4.75% per annum for the first five years and at 5.25% to 7.25% per annum between years 6 to 10. The interest is payable on a semi-annual basis.

(ii) The SubBonds III are redeemable on 31 October 2010 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.

(iii) The SubBonds III are for a period of ten (10) years maturing on 31 October 2015. However, subject to the prior approval of BNM, AmInvestment Bank may redeem the SubBonds III on 31 October 2010 or on each anniversary date thereafter.

During the year, AmInvestment Bank had redeemed the SubBonds III.

25. DEBT CAPITAL (cont'd)

(e) Non-Innovative Tier I Capital Securities

In financial year 2009, AmBank issued up to RM500 million Non-Innovative Tier I Capital ("NIT1") under its programme of up to RM500 million in nominal value comprising :

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and

(ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank.

(collectively known as "Stapled Capital Securities")

The SubNotes has a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of AmBank on the 20th interest payment date or 10 years from the issuance date of the SubNotes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The SubNotes have a tenure of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of assignment events as stipulated under the terms of the Stapled Capital Securities.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier I capital instruments.

(f) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (noncumulative) rate at issuance date (interest rate is 8.25% per annum) and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

26. OTHER LIABILITIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	1,019,344	766,418	-	-
Other payables and accruals	1,422,538	1,294,522	36,503	22,425
Interest payable on deposits and borrowings	750,939	539,841	468	340
Lease deposits and advance rentals	58,634	64,720	-	-
General insurance business (i)	746,120	665,032	-	-
Provision for commitments and contingencies	157,627	21,916	-	-
Amount due to subsidiaries	-	-	642,207	1,401
Profit equalisation reserve (ii)	6,854	49,298	-	-
Tax payable	301,525	76,204	-	2,409
	4,463,581	**3,477,951**	**679,178**	**26,575**

Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiaries and represent contra gains owing to clients and amount payable in outstanding sales contracts.

26. OTHER LIABILITIES (cont'd)

(i) General insurance business

(a) Insurance contract liabilities

2011 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	376,380	(45,233)	331,147
Provision for incurred but not reported claims ("IBNR")	65,835	951	66,786
Provision for risk margin for adverse deviations ("PRAD")	44,700	(4,315)	40,385
Provision for outstanding claims (I)	486,915	(48,597)	438,318
Provision for unearned premiums (II)	360,227	(85,238)	274,989
	847,142	**(133,835)**	**713,307**
(I) Provision for outstanding claims			
At 1 April	455,024	(77,844)	377,180
Effect of adopting FRS 4	(26,669)	9,050	(17,619)
At 1 April, as restated	428,355	(68,794)	359,561
Claims incurred in the current accident year	414,887	(39,418)	375,469
Movements in claims incurred in prior accident years	(28,413)	32,550	4,137
Claims paid during the year	(327,914)	27,065	(300,849)
At 31 March	**486,915**	**(48,597)**	**438,318**
(II) Provision for unearned premiums			
At 1 April	331,048	(78,373)	252,675
Premiums written in the year	652,365	(86,034)	566,331
Premiums earned during the year	(623,186)	79,169	(544,017)
At 31 March	**360,227**	**(85,238)**	**274,989**

2010 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	328,511	(49,295)	279,216
Provision for incurred but not reported claims ("IBNR")	82,632	(17,204)	65,428
Provision for risk margin for adverse deviations ("PRAD")	43,881	(11,345)	32,536
Provision for outstanding claims (I)	455,024	(77,844)	377,180
Provision for unearned premiums (II)	331,048	(78,373)	252,675
	786,072	**(156,217)**	**629,855**
(I) Provision for outstanding claims			
At 1 April	463,420	(100,655)	362,765
Claims incurred in the current accident year	374,672	(27,068)	347,604
Movements in claims incurred in prior accident years	(543)	11,701	11,158
Claims paid during the year	(382,525)	38,178	(344,347)
At 31 March	**455,024**	**(77,844)**	**377,180**
(II) Provision for unearned premiums			
At 1 April	277,691	(49,980)	227,711
Premiums written in the year	624,397	(105,201)	519,196
Premiums earned during the year	(571,040)	76,808	(494,232)
At 31 March	**331,048**	**(78,373)**	**252,675**

26. OTHER LIABILITIES (cont'd)

(i) General insurance business (cont'd)

(b) Insurance payable

	Group 2011 RM'000	Group 2010 RM'000
Due to agents and intermediaries	14,073	13,306
Due to reinsurers and cedants	18,740	21,871
	32,813	**35,177**

(ii) Profit equalisation reserve

The movements in profit equalisation reserve relating to the Islamic banking business are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Balance at beginning of year	49,298	62,162
Transfer to income statements	(42,444)	(12,858)
Exchange fluctuation adjustments	-	(6)
Balance at end of year	**6,854**	**49,298**

27. SHARE CAPITAL

	Group and Company 2011 RM'000	Group and Company 2010 RM'000
Authorised:		
Shares of RM1.00 each	5,000,000	5,000,000
Converting preferences shares of RM1.00 each	200,000	200,000
Balance at the end of year	5,200,000	5,200,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at beginning of year	3,014,185	2,722,970
Effect of ordinary shares issued pursuant to:		
- Conversion of unsecured exchangeable bonds	-	194,915
- Special issue shares to eligible Bumiputera shareholders	-	96,300
Balance at end of year	**3,014,185**	**3,014,185**

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

The Company has an Executives' Share Scheme under which options to subscribe for the Company's ordinary shares have been granted to certain employees of the Group.

28. RESERVES

Reserves as at 31 March are analysed as follows:

	Group 2011 RM'000	Group 2010 RM'000	Company 2011 RM'000	Company 2010 RM'000
Share premium	2,537,372	2,537,372	2,536,065	2,536,065
Other reserves (Note a)	1,577,712	1,546,801	49,555	14,860
Shares held in trust for ESS	(48,687)	(17,515)	(48,687)	(17,515)
Retained earnings	3,228,342	2,556,870	2,304,847	1,491,744
	7,294,739	**6,623,528**	**4,841,780**	**4,025,154**

(a) The other reserves and its movements are further analysed as follows:

Group	Statutory reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Exchange fluctuation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2009	1,323,767	(41,744)	(91,486)	19,591	-	1,210,128
Other comprehensive income:						
Financial investments available-for-sale:						
Net gain on fair value changes	-	186,028	-	-	-	186,028
Transfer to profit or loss upon disposals	-	(47,215)	-	-	-	(47,215)
Net unrealised gains on cash flow hedges	-	-	95,387	-	-	95,387
Foreign currency translation	-	-	-	(8,783)	-	(8,783)
	-	138,813	95,387	(8,783)	-	225,417
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	14,860	14,860
Transfer from retained earnings	96,396	-	-	-	-	96,396
	96,396	-	-	-	14,860	111,256
At 31 March 2010	**1,420,163**	**97,069**	**3,901**	**10,808**	**14,860**	**1,546,801**
At 1 April 2010	1,420,163	97,069	3,901	10,808	14,860	1,546,801
Effects of adopting FRS 139	-	(46,303)	-	-	-	(46,303)
At 1 April 2010, as restated	1,420,163	50,766	3,901	10,808	14,860	1,500,498
Other comprehensive income:						
Financial investments available-for-sale:						
Net gain on fair value changes	-	50,566	-	-	-	50,566
Transfer to profit or loss upon disposals	-	(64,919)	-	-	-	(64,919)
Net unrealised gains on cash flow hedges	-	-	29,489	-	-	29,489
Foreign currency translation	-	-	-	(11,764)	-	(11,764)
	-	(14,353)	29,489	(11,764)	-	3,372
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	34,854	34,854
ESS shares vested to employee of subsidiary	-	-	-	-	(159)	(159)
Transfer from retained earnings	39,147	-	-	-	-	39,147
	39,147	-	-	-	34,695	73,842
At 31 March 2011	**1,459,310**	**36,413**	**33,390**	**(956)**	**49,555**	**1,577,712**

28. RESERVES (cont'd)

(a) The other reserves and its movements are further analysed as follows: (cont'd)

Company	Statutory reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Exchange fluctuation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2009	-	-	-	-	-	-
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	14,860	14,860
At 31 March 2010	**-**	**-**	**-**	**-**	**14,860**	**14,860**
At 1 April 2010	-	-	-	-	14,860	14,860
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	34,854	34,854
ESS shares vested to employee of subsidiary	-	-	-	-	(159)	(159)
	-	-	-	-	34,695	34,695
At 31 March 2011	**-**	**-**	**-**	**-**	**49,555**	**49,555**

Note:
(a) Share premium is used to record premium arising from new shares issued in the Company.
(b) The statutory reserves of the investment banking and commercial banking subsidiaries are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and Islamic Banking Act 1983 and are not distributable as cash dividends.
(c) Available-for-sale reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.
(d) The cash flow hedging reserve is in respect of unrealised fair value gains and losses on cash flow hedging instruments.
(e) Exchange differences arising on translation of foreign subsidiaries and associates are taken to exchange fluctuation reserve, as described in the accounting policies.
(f) Executives' Share Scheme reserve represents the equity-settled scheme share and option granted to employees (Note 29). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the scheme shares and options.
(g) Shares held in trust for ESS represent shares purchased under the Executives' Share Scheme as mentioned in Note 29.

29. EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company to establish an Executives' Share Scheme ("ESS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an Executives' Share Scheme Committee ("ESS Committee"), in accordance with the By-Laws. The members of the ESS Committee are duly appointed and authorised by the Board. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise of shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the ESS Committee.

The awards included in the "ESS" are :

(i) Short Term Incentive ("STI") Award

The STI Award is a share incentive scheme for the selected executives in recognition of their services as an important contribution to the current on-going development, growth and success of the Group. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon the fulfilment of the service period and such other conditions (if any) imposed by the ESS Committee.

(ii) Long Term Incentive ("LTI") Award

The LTI Award is a share incentive scheme for the selected executives in motivating attainment of higher performance goals and exceptional achievements by selected executives. Under the Award, a selected executive is granted a specified number of shares and share options which will be vested in him upon fulfilment of the service period as well as fulfilment of certain performance targets and such other conditions (if any) imposed by the ESS Committee.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with an appointed Trustee. The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The Executives' Share Scheme ("ESS") is implemented wherein shares ("Scheme Shares") and/or options to subscribe for shares ("Option") are granted to eligible directors and executives of the Company and its subsidiaries based on the financial and performance targets/criteria and such other conditions as it may deem fit.

The salient features of the ESS are as follows:

(i) Any executive director or executive of a corporation in the Group, subject to the discretion of the ESS Committee, shall be eligible to participate in the ESS, if the executive director or executive meets the following criteria ("Eligible Executives"):

(a) has attained the age of eighteen (18) years and is not an undischarged bankrupt;

(b) employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice of resignation or received a notice of termination;

(c) employment has been confirmed in writing;

(d) in the case of an executive director of the Company, the specific allocation of shares made available to him and options to subscribe for shares by the Company to him in his capacity as an executive director under the ESS has been approved by the shareholders at a general meeting;

(e) if he is serving in a specific designation under an employment contract for a fixed duration but not merely employed for a specific project;

(f) is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the ESS Committee shall so determine; and

(g) fulfils any other criteria and/or falls within such category as may be set by the ESS Committee from time to time.

29. EXECUTIVES' SHARE SCHEME (cont'd)

(ii) The maximum number of shares which may be made available under the ESS shall not exceed in aggregate fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point of time during the tenure of the ESS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to executive directors and senior management. In addition, not more than ten percent (10%) of the shares available under the ESS shall be allocated to any Eligible Executive who, either individually or collectively through persons connected to him/her, holds twenty percent (20%) or more of the issued and paid-up ordinary share capital of the Company.

(iii) The Share Grant Price (being the reference price which is used to determine the number of Scheme Shares to be granted under the awards) and Option Price (being the share price to be paid for subscription or acquisition of each Scheme Share pursuant to the exercise of the option) may be at a discount (as determined by the ESS Committee) of not more than ten percent (10%) of the five (5) days weighted average market price of the Company's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or the par value of the shares at the material time, whichever is higher.

(iv) The Scheme Shares to be allotted and issued or transferred to Scheme Participant pursuant to the By-Laws are not subjected to any retention period unless otherwise stipulated by the ESS Committee in the offer.

(v) The ESS Committee may in its discretion decide that the Scheme Shares be satisfied either by way of issuance of new ordinary shares, acquisition of existing ordinary shares or a combination of both issuance of new ordinary shares and acquisition of existing ordinary shares.

(vi) The Company established a Trust administered by a Trustee for the purposes of subscribing for new ordinary shares of the Company and/or acquiring existing ordinary shares of the Company and transferring them to the Scheme Participants. For this purpose and to pay expenses in relation to the administration of the Trust, the Trustee is entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The following shares were granted under STI Award:

(a) Share Grants

	Share Grants				
	Number of Shares				
	Movements During the Year				
Group	Balance at 1.4.2010 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31.3.2011 '000
2010 ESS	-	4,293	(4)	(218)	4,071

The following shares and options were granted under LTI Award:

(a) Share Grants

	Share Grants				
	Number of Shares				
	Movements During the Year				
Group	Balance at 1.4.2010 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31.3.2011 '000
2008 ESS	2,611	-	(13)	(178)	2,420
2009 ESS	2,695	-	(10)	(242)	2,443
2010 ESS	-	2,389	(1)	(119)	2,269
	5,306	**2,389**	**(24)**	**(539)**	**7,132**
Company					
2008 ESS	55	-	-	-	55
2009 ESS	100	-	-	-	100
	155	**-**	**-**	**-**	**155**

29. EXECUTIVES' SHARE SCHEME (cont'd)

(b) Share Options

Group	Balance at 1.4.2010 '000	Granted '000	Exercised '000	Forfeited '000	Balance at 31.3.2011 '000
	Share Options				
	Number of Options				
	Movements During the Year				
2008 ESS	9,421	-	(35)	(591)	8,795
2009 ESS	8,984	-	(24)	(681)	8,279
2010 ESS	-	9,355	(2)	(444)	8,909
	18,405	**9,355**	**(61)**	**(1,716)**	**25,983**
WAEP* (RM)	2.61	4.73	2.62	3.19	3.34
Company					
2008 ESS	342	-	-	-	342
2009 ESS	596	-	-	-	596
	938	**-**	**-**	**-**	**938**
WAEP* (RM)	2.74	-	-	-	2.74

* WAEP : Weighted average exercise price

Number of options exercisable at the end of the financial year for the Group and Company amounted to 10,000 (2010: NIL) and NIL (2010: NIL) respectively.

(vii) Details of share options and share grants at the end of the financial year:

(a) 2008 ESS
The exercise price of the 2008 share options is RM2.20. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2008 to 31 March 2011, upon fulfilment of the conditions stipulated.

(b) 2009 ESS
The exercise price of the 2009 share options is RM3.05. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2009 to 31 March 2012, upon fulfilment of the conditions stipulated.

(c) 2010 ESS
The exercise price of the 2010 share options is RM4.73. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2010 to 31 March 2013, upon fulfilment of the conditions stipulated.

The weighted average remaining contractual life of the above options at end of financial year is 4.4 years (2010: 3.6 years).

(viii) Share options and share grants vested/exercised during the year

The weighted average share price at the date of vesting and exercise of share options and share grants were RM5.88 and RM6.24 respectively.

29. EXECUTIVES' SHARE SCHEME (cont'd)

(ix) Fair value of share options and share grants awarded at end of financial year:

The fair value of share options granted was estimated using the trinomial valuation model, taking into account the terms and conditions upon which the options/shares were granted. The fair value of share options measured at grant date based on the following assumptions:

	2010 ESS	2009 ESS	2008 ESS
Fair value of shares as at grant dates (RM)			
- 10 April 2009	-	-	2.76
- 21 July 2009	-	3.78	-
- 21 July 2010	5.12	-	-
Fair value of share options as at grant dates (RM)			
- 10 April 2009	-	-	1.06
- 21 July 2009	-	1.48	-
- 21 July 2010	1.81	-	-
Weighted average share price (RM)	4.98	3.39	2.44
Weighted average exercise price (RM)	4.73	3.05	2.20
Expected volatility (%)	40.00	40.00	38.00
First possible exercise date	31 Mar 2013	25 June 2012	11 Mar 2012
Option expiry date	31 Mar 2016	23 June 2015	11 Mar 2015
Average risk free rate (%)	4.23	4.50	3.30
Average expected dividend yield (%)	3.66	2.40	2.02

The expected life of the share options is based on the exercisable period of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility used was based on the historical volatility of the share price over a period equivalent to the expected life of the options prior to its date of grant, which assumed that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option share option/share award were incorporated into the measurement of fair value.

The fair value of shares granted under the ESS is measured at grant date, using the closing price of AMMB's shares.

30. MINORITY INTERESTS

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary companies attributable to shares owned, directly or indirectly other than by the Company or subsidiary companies.

The movements in minority interests in subsidiaries are as follows:

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of year	206,274	175,462
Effects of the first time adoption of RBC frawework	-	(3,365)
Effects of adoption of FRS139	5,876	-
Balance at beginning of year, as restated	212,150	172,097
Share in net results of subsidiaries	49,460	33,990
Subscription of shares in AmPrivate Equity	5,080	187
Dividends received	(8,568)	-
Balance at end of year	**258,122**	**206,274**

31. INTEREST INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short-term funds and deposits with financial institutions	232,628	205,865	5,678	7,874
Financial assets held-for-trading	98,393	42,839	-	950
Financial investments available-for-sale	276,060	274,628	552	-
Financial investments held-to-maturity	15,356	22,151	26,229	18,983
Loans, advances and financing	3,425,601	3,076,242	-	-
Interest income on impaired loans	13,157	-	-	-
Others	9,175	2,294	-	-
	4,070,370	**3,624,019**	**32,459**	**27,807**

32. INTEREST EXPENSE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits from customers	1,452,104	1,256,819	-	-
Deposits and placements of banks and other financial institutions	33,471	121,289	-	-
Senior notes	143,606	3,289	-	-
Credit-Linked Notes	7,988	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	19,801	4,379	-	-
Bank borrowings:				
Term loans	13,233	10,835	9,594	8,358
Subordinated deposits and term loan	25,832	31,201	-	-
Interest on bonds	18,133	36,249	-	-
Medium term notes	88,294	84,396	-	-
Net interest rate swaps expense	64,121	106,273	-	-
Hybrid securities	80,885	71,033	-	-
Others	8,310	4,704	-	-
	1,955,778	**1,730,467**	**9,594**	**8,358**

33. OTHER OPERATING INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fee income:				
Fees on loans, financing and securities	190,518	165,970	-	-
Corporate advisory	30,124	21,158	-	-
Guarantee fees	38,479	36,463	-	133
Underwriting commissions	16,591	8,598	-	-
Portfolio management fees	21,121	14,616	-	-
Unit trust management fees	72,286	57,490	-	-
Brokerage rebates	589	390	-	-
Property trust management fees	4,968	5,205	-	-
Brokerage fees and commissions	115,626	118,889	-	-
Bancassurance commission	31,580	34,404	-	-
Net income from asset securitisation	822	1,004	-	-
Other fee income	72,934	70,474	65	328
	595,638	534,661	65	461
Investment and trading income:				
Net gain from sale of financial assets held-for-trading	71,282	51,788	-	-
Net gain from sale of financial investments available-for-sale	64,919	47,215	-	-
Net gain on redemption of financial investments held-to-maturity	7,431	29,479	-	-
Gain on revaluation of financial assets held-for-trading	15,613	5,484	-	-
Foreign exchange[1]	64,875	42,973	-	-
Gain/(Loss) on redemption of structured products	144	3	3	(2)
Gain on derivatives	20,099	17,371	-	-
Gain on revaluation of fair value hedge[2]	696	1,035	-	-
Gross dividend income from:				
Subsidiaries	-	-	1,669,948	10,269
Financial assets held-for-trading	7,152	3,276	-	-
Financial investments available-for-sale	34,250	24,622	8,429	719
Financial investments held-to-maturity	2,902	7,171	-	-
	289,363	230,417	1,678,380	10,986
Other income:				
Non-trading foreign exchange	4,618	3,685	(6)	-
Gain on disposal of property and equipment, net	1,568	527	-	77
Rental income	3,866	3,978	-	-
Other operating income	11,818	11,766	-	6
	21,870	19,956	(6)	83
	906,871	**785,034**	**1,678,439**	**11,530**

1 Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.
2 Arising from changes in fair value of interest rate swaps (hedging instrument) and Hybrid Securities (hedged item) relating to the hedged risk.

34. OTHER OPERATING EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Personnel costs:				
Salaries, allowances and bonuses	694,954	677,461	-	-
Shares/options granted under Group Executives' Share Scheme	34,854	14,860	626	626
Others	216,521	205,284	173	51
	946,329	897,605	799	677
Establishment costs:				
Depreciation (Note 18)	53,975	54,982	306	316
Amortisation of computer software (Note 19)	33,836	30,790	-	-
Computerisation costs	122,817	103,229	-	-
Rental	85,231	81,034	-	-
Cleaning and maintenance	24,691	22,351	2	-
Others	26,233	31,341	-	-
	346,783	323,727	308	316
Marketing and communication expenses:				
Sales commission	13,666	22,225	-	-
Advertising, promotional and other marketing activities	52,281	63,052	490	324
Telephone charges	17,580	18,506	-	-
Postage	12,228	8,525	1	34
Travel and entertainment	16,633	14,645	51	26
Others	22,268	22,595	38	150
	134,656	149,548	580	534
Administration and general expenses:				
Professional services	85,087	86,335	945	538
Donations	587	151	-	-
Administration and management expenses	687	1,377	-	-
Others	47,798	42,613	2,467	3,155
	134,159	130,476	3,412	3,693
	1,561,927	**1,501,356**	**5,099**	**5,220**
The above expenditure includes the following statutory disclosure:				
Directors' remuneration (Note 38)	8,334	8,063	2,429	2,450
Computer software written off (Note 19)	1	2	-	-
Property and equipment written off (Note 18)	34	59	-	-
Hire of motor vehicles and office equipment	11,548	15,099	-	-
Auditors' remuneration:				
Parent auditor				
Audit	2,384	2,090	60	60
Assurance related	1,346	4,287	-	-
Other services	15	-	5	5
Firms affiliated with parent auditor				
Audit	160	155	-	-
Other services	-	1,901	-	-
Other auditors				
Audit	37	18	-	-
Rental of premises	85,229	80,825	-	-
Sundry receivables written off	274	40	-	-

Personnel cost include salaries, bonuses, contributions to defined contribution plan and all other staff related expenses. Contributions to defined contribution plan of the Group amounted to RM112,201,000 (2010: RM106,611,000) of which RM110,973,000 (2010: RM105,570,000) was contributed to the state pension scheme Employees' Provident Fund, a substantial shareholder of the Company.

35. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	Group	
	2011 RM'000	2010 RM'000
Allowance for bad and doubtful debts and financing:		
Individual allowance, net	103,855	-
Collective allowance, net	808,818	-
Specific allowance:		
Allowance during the year	-	1,205,040
Amount written back in respect of recoveries and reversals	-	(336,980)
General allowance	-	104,924
Recoveries of value impairment on amount recoverable from Danaharta	(2,025)	(4,430)
Bad debts and financing:		
Written off	37	-
Recovered	(435,240)	(399,661)
	475,445	**568,893**

36. IMPAIRMENT LOSSES/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Group	
	2011 RM'000	2010 RM'000
Financial investments available-for-sale	(4,198)	69,177
Financial investments held-to-maturity	7,119	34,593
	2,921	**103,770**

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operational decisions, vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Company are:

(i) Subsidiaries
Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation. Details of subsidiaries are shown in Note 15.

(ii) Associates
An associate is a Company in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not in control over those policies. Details of associates are disclosed in Note 16.

(iii) Key management personnel
Key management personnel are defined as those persons having authority and responsibity for planning, directing and controling the activities of the Group and the Company directly or indirectly. The key management personnel of the Group and the Company include Executive and Non-Executive Directors of the Company and certain members of senior management of the Group and heads of major subsidiaries (including close member of their families) of the Group.

(iv) Companies in which certain directors have substantial financial interest
These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Company.

(v) Companies which have significant influence over the Group
These are entities who are substantial shareholders of the Company.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
Group	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Income										
Interest on loans, advances and financing	-	-	-	-	258	58	-	-	-	-
	-	**-**	**-**	**-**	**258**	**58**	**-**	**-**	**-**	**-**
Expenses										
Interest on deposits	-	-	-	-	749	467	-	-	-	-
Rental of premises	-	-	-	-	-	-	56,006	48,692	-	-
Insurance premiums	-	-	-	-	-	-	8,735	7,222	-	-
Cleaning and maintenance	-	-	-	-	-	-	143	435	-	-
Travelling expenses	-	-	-	-	-	-	3,606	2,112	-	-
Computer maintenance	-	-	-	-	-	-	13,459	8,039	-	-
Food and beverage	-	-	-	-	-	-	244	75	-	-
Information service provider	-	-	-	-	430	682	-	-	-	-
Training and consultancy	-	-	-	-	1,055	1,279	513	7,029	-	-
Provision of Security Services	-	-	-	-	-	-	75	161	-	-
Gift and flower arrangement	-	-	-	-	-	-	7	70	-	-
	-	**-**	**-**	**-**	**2,234**	**2,428**	**82,788**	**73,835**	**-**	**-**
Capital expenditure										
Purchase of computer hardware, software and related consultancy services	-	-	-	-	-	-	-	5	-	-
PMPC cards	-	-	-	-	-	-	1,215	2,251	-	-
	-	**-**	**-**	**-**	**-**	**-**	**1,215**	**2,256**	**-**	**-**
Company										
Income										
Interest on deposits	5,678	7,874	-	-	-	-	-	-	-	-
Investments income	35,211	20,652	-	-	-	-	-	-	-	-
Guarantee fees	-	133	-	-	-	-	-	-	-	-
Dividend income – gross	1,669,948	10,269	-	-	-	-	-	-	-	-
	1,710,837	**38,928**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(b) The significant outstanding balances of the Group and the Company with its related parties are as follows:

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
Group	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Amount due from:										
Loan (hire purchase, credit card, personal loan and housing loan)	-	-	-	-	1,793	1,632	-	-	-	-
Amount due to:										
Deposits and placements	-	-	-	-	36,558	20,061	-	-	-	-
	-	**-**	**-**	**-**	**38,351**	**21,693**	**-**	**-**	**-**	**-**
Company										
Amount due from:										
Cash and short-term funds	383	7,739	-	-	-	-	-	-	-	-
Money at call and deposits	97,866	395,719	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	7,028	8,962	-	-	-	-	-	-	-	-
Interest receivables	55	1,052	-	-	-	-	-	-	-	-
	105,332	**413,472**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amount due to:										
Amount due to subsidiaries	642,207	1,401	-	-	-	-	-	-	-	-
	642,207	**1,401**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(c) There were no granting of loans to the Directors of the Company. Loans made to other key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. All related party transctions are conducted at arm's length basis and on normal commercial term which are not more favourable than those generally available to the public. No provisions have been recognised in respect of loans given to key management personnel (2010: RM NIL).

(d) Included in deposits from customers in financial year 2010 was an amount of RM850 million deposits by a unit trust fund managed by a subsidiary.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(e) Key management personnel compensation

The remuneration of Directors and other key management personnel during the year are as follows:

	2011		2010	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Directors:				
Fees	1,566	747	1,596	775
Salaries and other remuneration	6,604	1,650	6,263	1,675
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	164	32	204	-
Total short-term employee benefits	**8,334**	**2,429**	**8,063**	**2,450**
Other key management personnel:				
Salaries and other remuneration	23,347	-	18,191	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	1,059	-	695	-
Total short-term employee benefits	**24,406**	**-**	**18,886**	**-**

38. DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

	Remuneration received from Group					
2011	Fees RM'000	Saleries RM'000	Other Remuneration RM'000	Bonus RM'000	Benefits-in-kind RM'000	Group Total RM'000
Executive Directors:						
Cheah Tek Kuang	44	1,560	826	1,488	132	4,050
	44	1,560	826	1,488	132	4,050
Non-Executive Directors:						
Tan Sri Azman Hashim	200	-	2,269	-	32	2,501
Dato' Azlan Hashim	123	-	24	-	-	147
Tun Mohammed Hanif Omar	252	-	120	-	-	372
Tan Sri Datuk Dr Aris Osman @ Othman	144	-	50	-	-	194
Tan Sri Datuk Clifford Francis Herbert	274	-	144	-	-	418
Tan Sri Dato' Mohd Ibrahim Mohd Zain	72	-	13	-	-	85
Dato' Izham Mahmud	142	-	35	-	-	177
Alexander Vincent Thursby*	81	-	12	-	-	93
Dr Robert John Edgar*	81	-	36	-	-	117
Mark David Whelan*	81	-	16	-	-	97
Soo Kim Wai	72*	-	11	-	-	83
Wayne Hugh Stevenson	-	-	-	-	-	-
	1,522	-	2,730	-	32	4,284
Total Directors' remuneration	**1,566**	**1,560**	**3,556**	**1,488**	**164**	**8,334**

38. DIRECTORS' REMUNERATION (cont'd)

2010	Fees RM'000	Saleries RM'000	Other Remuneration RM'000	Bonus RM'000	Benefits-in-kind RM'000	Group Total RM'000
	Remuneration received from Group					
Executive Directors:						
Cheah Tek Kuang	29	1,500	612	1,380	162	3,683
	29	1,500	612	1,380	162	3,683
Non-Executive Directors:						
Tan Sri Azman Hashim	200	-	2,274	-	42	2,516
Dato' Azlan Hashim	116	-	28	-	-	144
Tun Mohammed Hanif Omar	282	-	131	-	-	413
Tan Sri Datuk Dr Aris Osman @ Othman	145	-	59	-	-	204
Tan Sri Datuk Clifford Francis Herbert	271	-	166	-	-	437
Tan Sri Dato' Mohd Ibrahim Mohd Zain	72	-	11	-	-	83
Dato' Izham Mahmud	138	-	40	-	-	178
Alexander Vincent Thursby	81	-	10	-	-	91
Dr Robert John Edgar	81	-	26	-	-	107
Mark David Whelan*	75	-	16	-	-	91
Soo Kim Wai	72*	-	10	-	-	82
Wayne Hugh Stevenson	-	-	-	-	-	-
Peter John Hodgson*	34	-	-	-	-	34
	1,567	-	2,771	-	42	4,380
Total Directors' remuneration	**1,596**	**1,500**	**3,383**	**1,380**	**204**	**8,063**

* Paid to the respective companies to which they represent.

39. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group 2011 RM'000	Group 2010 RM'000
Outstanding credit exposures with connected parties	921,814	800,143
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures	1.14	1.10
which is non-performing or in default	0.14	0.02

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Banks and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Banks, and their close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit trasactions, either as a member of a committee or individually, and their close relatives;

39. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES (cont'd)

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of, or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposure such as guarantees, trade-related facilities and loan commitments that give credit/counterparty risk. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

40. TAXATION AND ZAKAT

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Estimated current tax payable	684,466	317,361	422,359	6,867
Transfer (to)/from deferred tax assets (Note 41)	(232,009)	26,118	-	-
Transfer from/(to) deferred tax liabilities (Note 41)	24,436	(7,354)	-	-
	476,893	336,125	422,359	6,867
Over provision of current taxation in respect of prior years	(3,479)	(3,344)	(3,294)	(2,461)
Taxation	473,414	332,781	419,065	4,406
Zakat	560	1,270	-	-
	473,974	**334,051**	**419,065**	**4,406**

Domestic current income tax is calculated at the statutory tax rate of 25.0% (2010: 25.0%) of the estimated assessable profit for the financial year.

As at 31 March 2011, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM73,040,000 (2010: RM73,040,000) and RM28,992,000 (2010: RM28,992,000) respectively, which, if confirmed by the Inland Revenue Board, will enable the Group and the Company to distribute tax exempt dividend up to the same amount.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before taxation	1,865,124	1,376,659	1,696,205	25,759
Taxation at Malaysian statutory tax rate of 25.0% (2010: 25.0%)	466,281	344,165	424,051	6,440
Effect of different tax rates in Labuan and certain subsidiaries	(12,020)	(5,056)	-	-
Over provision of current taxation in respect of prior years	(3,479)	(3,344)	(3,294)	(2,461)
Income not subject to tax	(12,323)	(10,990)	(2,108)	(199)
Expenses not deductible for tax purposes	51,230	39,825	416	626
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,514)	(9,637)	-	-
Deferred tax assets not recognised in prior years	(14,761)	(22,182)	-	-
Tax expense for the year	**473,414**	**332,781**	**419,065**	**4,406**

41. DEFERRED TAX ASSETS/LIABILITIES

Deferred taxation pertains to subsidiaries and is as follows:

(a) Deferred tax assets

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Balance at beginning of year	262,760	346,997	-	-
Effect of adoption of FRS139	79,118	-	-	-
Balance at beginning of year, as restated	341,878	346,997	-	-
Recognised in equity	(13,923)	(58,119)	-	-
Transfer from/(to) income statements (Note 40)	232,009	(26,118)	-	-
Balance at end of year	**559,964**	**262,760**	**-**	**-**
The deferred tax credits/(debits) are in respect of the following:				
Temporary differences arising from deferred charges	(51,081)	(54,502)	-	-
Temporary differences between depreciation and tax allowances on property and equipment	(37,577)	(41,639)	-	-
Unutilised tax losses	-	900	-	-
Temporary differences arising from collective/ general allowance for loans, advances and financing	653,053	252,003	-	-
Temporary differences arising from impairment loss on foreclosed properties	36,184	28,889	-	-
Temporary differences arising from profit equalization reserve	1,713	12,324	-	-
Allowance for investment	2,108	(2,729)	-	-
Others	(44,436)	67,514	-	-
	559,964	**262,760**	**-**	**-**

(b) Deferred tax liabilities

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Balance at beginning of year	8,582	13,087	-	-
Recognised in equity	2,305	2,849	-	-
Transfer to/(from) income statements (Note 40)	24,436	(7,354)	-	-
Balance at end of year	**35,323**	**8,582**	**-**	**-**

Deferred tax liabilities of the Group are in respect of temporary differences between capital allowances and book depreciation of property and equipment.

As mentioned in Note 3, the effects of temporary differences and unutilised tax losses which would give rise to deferred tax assets are recognised only when it is probable that the respective subsidiaries will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2011, the amount of estimated deferred tax assets of Group, pertaining to unutilised tax losses and unabsorbed capital allowances, calculated at applicable tax rate which is not recognised in the financial statements amounted to RM142,596,000 (2010: RM145,313,000).

42. COMPREHENSIVE INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Exchange differences on translating foreign operations	(11,764)	(8,783)	-	-
Cash flow hedges:				
Gains arising during the year	61,572	120,767	-	-
Less: Reclassification adjustments for gains/(losses) included in the income statements	22,253	(6,415)	-	-
	39,319	127,182	-	-
Available-for-sale financial assets:				
Gains arising during the year	58,086	211,301	-	-
Less: Reclassification adjustments for gains included in the income statements	64,919	47,215	-	-
	(6,833)	164,086	-	-
Total other comprehensive income	20,722	282,485	-	-
Income tax relating to components of other comprehensive income (Note a)	(16,228)	(57,068)	-	-
	4,494	**225,417**	**-**	**-**

(a) Income tax effects relating to comprehensive income

Group	Before Tax RM'000	Tax (expenses) RM'000	Net of tax RM'000
2011			
Exchange differences on translating foreign operations	(11,764)	-	(11,764)
Net movement on cash flow hedges	39,319	(9,830)	29,489
Available-for-sale financial assets	(6,833)	(6,398)	(13,231)
	20,722	**(16,228)**	**4,494**
2010			
Exchange differences on translating foreign operations	(8,783)	-	(8,783)
Net movement on cash flow hedges	127,182	(31,795)	95,387
Available-for-sale financial assets	164,086	(25,273)	138,813
	282,485	**(57,068)**	**225,417**

Company	Before Tax RM'000	Tax (expenses) RM'000	Net of tax RM'000
2011			
Exchange differences on translating foreign operations	-	-	-
Net movement on cash flow hedges	-	-	-
Available-for-sale financial assets	-	-	-
	-	**-**	**-**
2010			
Exchange differences on translating foreign operations	-	-	-
Net movement on cash flow hedges	-	-	-
Available-for-sale financial assets	-	-	-
	-	**-**	**-**

43. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
In respect of financial year ended 2011	
Interim single tier dividend of 6.0% on 3,014,184,844 ordinary shares of RM1.00 each	180,851
Proposed final single tier dividend of 12.0% on 3,014,184,844 ordinary shares of RM1.00 each	361,702
In respect of financial year ended 2010	
Gross dividend of 4.40%, less 25.0% taxation, on 3,014,184,844 ordinary shares of RM1.00 each	99,468
Single tier dividend of 6.10% on 3,014,184,844 ordinary shares of RM1.00 each	183,865

During the financial year, the Company paid a first and final dividend of 10.5% in respect of financial year ended 31 March 2010 totalling RM283,333,355 which amount had been dealt with in the directors' report for that financial year and paid on 24 September 2010 to shareholders whose names appeared in the Record of Depositors on 9 September 2010.

An interim single tier dividend of 6.0% for the financial year ended 31 March 2011 amounting to RM180,851,091 was paid on 15 December 2010 to shareholders whose names appear in the record of Depositors on 30 November 2010.

In the previous financial year, the Company paid a first and final dividend of 8.0% less 25.0% taxation, in respect of the preceding financial year totaling RM175,073,091.

The directors now propose the payment of final single tier dividend of 12.0% in respect of the current financial year, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2012.

44. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group		Company	
	2011 RM'000/'000	2010 RM'000/'000	2011 RM'000/'000	2010 RM'000/'000
Net profit attributable to equity holders of the Company	1,342,812	1,008,618	1,277,140	21,353
Number of ordinary shares at beginning of year	3,014,185	2,722,970	3,014,185	2,722,970
Effect of ordinary shares issued pursuant to:				
- Conversion of unsecured exchangeable bonds	-	194,915	-	194,915
- Special issue shares to eligible Bumiputera shareholders	-	96,300	-	96,300
Number of ordinary shares at end of year	**3,014,185**	**3,014,185**	**3,014,185**	**3,014,185**
Weighted average number of ordinary shares in issue	3,014,185	2,910,766	3,014,185	2,910,766
Effect of ordinary shares purchased for ESS, net off vested to employees	(10,068)	(4,598)	(10,068)	(4,598)
	3,004,117	**2,906,168**	**3,004,117**	**2,906,168**
Basic earnings per share (sen)	44.70	34.71	42.51	0.73

44. EARNINGS PER SHARE (cont'd)

(b) Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted net profit attributable to equity holders of the Company for the financial year by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

	Group		Company	
	2011 RM'000/'000	2010 RM'000/'000	2011 RM'000/'000	2010 RM'000/'000
Net profit attributable to equity holders of the Company	1,342,812	1,342,812	1,277,140	21,353
Weighted average number of ordinary sharesin issue (as in (a) above)	3,014,185	3,014,185	3,014,185	2,910,766
Effect of ordinary shares purchased for ESS	(10,068)	(10,068)	(10,068)	(4,598)
Effect of option vested under ESS	10	10	10	-
	3,004,127	**3,004,127**	**3,004,127**	**2,906,168**
Fully diluted earnings per share (sen)	44.70	44.70	42.51	0.73

For the financial year ended 31 March 2010, the unsecured exchangable bonds were exchanged into new ordinary shares of RM1.00 each at the exchange price of RM2.95 nominal value of the unsecured exchangable bonds for one new ordinary share in the Company.

45. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2011 amounted to RM28,508,756,000 (2010: RM22,604,853,000).

46. CAPITAL COMMITMENTS

As at 31 March 2011, capital commitments pertaining to subsidiaries are as follows:

	Group	
	2011 RM'000	2010 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	18,999	54,112
Purchase of other investments	36,404	100
Purchase of leasehold improvements	2,185	4,573
	57,588	58,785
Authorised but not contracted for:		
Purchase of office equipment, information technology equipment and solutions	85,025	68,121
	142,613	**126,906**

47. LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

	Group	
	2011 RM'000	2010 RM'000
Within one year	129,048	92,919
Between one and two years	84,831	98,339
More than two years	98,585	148,317
	312,464	339,575

The lease commitments represent minimum rentals not adjusted for operating expenses which the Group is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than the rental expenses for the financial year.

48. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad and AmInternational (L) Ltd, make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the commitments and contingencies are as follows:

	2011	2010
Group	Principal Amount RM'000	Principal Amount RM'000
Commitments		
Irrevocable commitments to extend credit maturing:		
within one year	13,629,979	13,408,721
more than one year	6,026,269	1,954,602
Unutilised credit card line	3,786,573	4,192,748
Forward purchase commitments	569,428	912,542
	24,012,249	20,468,613
Contingent Liabilities		
Guarantees given on behalf of customers	2,717,125	2,455,921
Certain transaction-related contingent items	2,283,260	1,812,955
Obligations under underwriting agreements	452,500	696,115
Short term self liquidating trade-related contingencies	764,769	473,429
Islamic financing sold to Cagamas	1,589,790	335,852
Others	46,209	39,798
	7,853,653	5,814,070

48. COMMITMENTS AND CONTINGENCIES (cont'd)

Group	2011 Principal Amount RM'000	2010 Principal Amount RM'000
Derivative Financial Instruments		
Interest rate related contracts:	37,027,741	31,333,050
One year or less	5,870,000	4,300,000
Over one to five years	27,256,982	23,727,526
Over five years	3,900,759	3,305,524
Foreign exchange related contracts:	29,667,757	4,273,584
One year or less	28,586,642	3,792,088
Over one to five years	929,850	481,496
Over five years	151,265	-
Credit related contracts:	328,907	-
One year or less	76,474	-
Over one to five years	252,433	-
Equity related contracts:	1,138,784	220,356
One year or less	604,233	58,694
Over one to five years	521,071	161,662
Over five years	13,480	-
Commodity related contracts:	147,703	151,000
Over one to five years	147,703	151,000
	68,310,892	35,977,990
	100,176,794	62,260,673

As at the reporting date, other commitments and contingencies of the Group and of the Company are as follows:

(a) The Company has given unsecured guarantee amounting to RM75,000,000 (2010: RM75,000,000) on behalf of a subsidiary company for the payment and discharge of all moneys due on a trading account maintained by a customer with that subsidiary company.

(b) The Company has given a continuing undertaking totalling SGD40,000,000 (2010: SGD40,000,000) to the Monetary Authority of Singapore on behalf of AmFraser Securities Pte Ltd to meet its liabilities and financial obligations and requirements.

(c) AmBank has given a continuing guarantee to Labuan Financial Services Authority ("LFSA") on behalf of AmInternational (L) Ltd ("AMIL"), AmBank's offshore bank subsidiary, to meet all its liabilities and financial obligations and requirements.

(d) The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its subsidiary, AmLife Insurance Berhad ("AmLife"), for the performance and discharge by AmLife of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AmLife's investment-linked product called AmAsia Link-Capital Guaranteed Fund.

(e) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee Berhad ("AmTrustee") ("Meridian Suit"), a subsidiary of the Company in respect of a claim amounting to RM27,606,169.65 for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ("MAA") has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178 together with interest and costs. AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA ("MAA Suit"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

48. COMMITMENTS AND CONTINGENCIES (cont'd)

AmTrustee had filed an application to dismiss Meridian's Suit on a point of law which was dismissed with costs on 17 January 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 15 February 2008 and it was fixed for Hearing on 23 June 2010. The Appeal was dismissed with cost.

AmTrustee has also filed a stay of proceedings application of the Meridian's Suit due to Meridian's counter claim in the MAA action amounting to duplicity/abuse of process on 22 February 2008 which was dismissed with costs on 26 June 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 25 July 2008. No hearing date has been fixed as yet.

Parties have filed several interim applications in the Meridian suit amongst which was application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank Berhad as 2nd Defendant and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian. This application was fixed for hearing on 17 October 2008, and the court dismissed the application with cost. Meridian filed an appeal to the judge in Chambers against this Order and the same was heard on the 8 January 2009 and was fixed for decision on the 23 January 2009. The Learned Judge dismissed Meridian's application to add AmInvestment Bank Berhad as a Party to the Meridian's suit and allowed Meridian's claim to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

No Appeal was lodged to the Court of Appeal by Meridian against the High Court's decision in dismissing its application to add AmInvestment Bank Berhad as a Party to its Suit. With the High Court decision dated 23 January 2009, in dismissing Meridian's application to add AmInvestment Bank as a party to its suit, and with no appeal lodged at the Court of Appeal, there is no litigation pending today against AmInvestment Bank Berhad by Meridian.

In the MAA Suit, AmTrustee has filed and served a Third Party Notice dated 6 November 2006 on Meridian seeking indemnification/contribution from Meridian for MAA's claim. Exchange of pleadings has also been completed with Meridian.

It is to be noted that both the Meridian's Suit and MAA Suit were ordered on 16 September 2008 to be tried together at the same time pursuant to Order 4 Rule 1 of the Rules of the High Court 1980.

AmTrustee has also been served on 2 September 2009 with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian.

The Third Party Notice is taken against AmTrustee by Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007, at the Kuala Lumpur High Court via suit number D5-22-1457-2007 ("KWAP Suit"). The facts of this case revolve around the same facts as that of the above Meridian Suit and MAA Suit. The High Court suit by KWAP is for an alleged breach by Meridian of an Investment Management Agreement executed between KWAP and Meridian in 2001 ("the Agreement") for a sum of RM7,254,050.42 as general damages for breach of the Agreement and breach of trust together with interests and costs (KWAP's claim").

On the basis of KWAP's claim, Meridian is seeking against AmTrustee via the Third Party Notice for AmTrustee to indemnify Meridian in respect of KWAP's claim.

AmTrustee has filed an Application to Strike Out the Third Party Notice.

On 23 March 2010 the Court directed all parties in all the three suits to consider the process of resolving these matters via Mediation rather than a trial and to revert back to court with an update on 23 April 2010 on the outcome of parties consideration of the proposed Mediation. On 23 April 2010, parties informed court they are not agreeable to resolving these matters via Mediation. Therefore matters have now reverted back to the court to be tried via trial.

Trial dates for both Meridian and MAA Suits were initially fixed from 24 January to 26 January 2011 and are refixed now on 29 and 30 June and 1 July 2011 .

AmTrustee had filed an Application for Stay of Proceeding of both the MAA and Meridian case pending the disposal of the criminal proceeding (which is still ongoing) involving a key witness of Meridian.

This Application came up for hearing on 1 December 2010 and the Court dismissed the Application. Based on solicitor's advice, AmTrustee filed an appeal to the court of appeal ("AmTrustee's Appeal") against this decision dated 1 December 2010 and also an Application at the High court to stay the court Order dated 1 December 2010 ("Stay Application").

The Stay Application came up for hearing on 27 December 2010, and the court allowed AmTrustee's Stay Application and further directed AmTrustee to expedite the AmTrustee's Appeal to the court of appeal. No date has been fixed for the AmTrustee's Appeal to date.

Court had further fixed both Meridian and MAA Suits for Case Management on 25 May 2011.

In the meantime, AmTrustee's application to Strike Out the Third Party Notice by Meridian in the KWAP Suit was fixed for Hearing on 27 September 2010 and refixed for decision on 1 November 2010.

48. COMMITMENTS AND CONTINGENCIES (cont'd)

The court allowed AmTrustee's Application with cost on 1 November 2010. Meridian has on 30 November 2010 filed a Notice of Appeal against this decision at the court of Appeal. No hearing date has been fixed as yet to hear the appeal.

With such a Court Order, AmTrustee will not be involved in the litigation of KWAP Suit pending the disposal of Meridian's appeal at the Court of Appeal.

Based on documents and evidence in their possession, the solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claim by Meridian and MAA and in any event, that AmTrustee will be entitled to an indemnity or contribution from Meridian in respect of the claim.

Neither material financial loss nor operational impact on the Group is expected as a result of the Writs and Statements of Claim.

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Group 2011	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	13,502,567	-	13,502,567
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,613,482	-	3,613,482
Derivative financial assets	115,674	283,123	398,797
Financial assets held-for-trading	5,173,737	-	5,173,737
Financial investments available-for-sale	3,496,778	4,577,157	8,073,935
Financial investments held-to-maturity	17,928	157,503	175,431
Loans, advances and financing	14,892,336	54,486,488	69,378,824
Other assets	1,808,658	397,998	2,206,656
Statutory deposits with Bank Negara Malaysia	-	145,842	145,842
Deferred tax assets	-	559,964	559,964
Investment in associate	-	1,101	1,101
Property and equipment	100	247,990	248,090
Life fund assets	-	2,634,838	2,634,838
Intangible assets	-	1,833,210	1,833,210
Total Assets	**42,910,991**	**65,325,214**	**108,236,205**
Liabilities			
Deposits and placements of banks and other financial institutions	3,283,566	988,090	4,271,656
Securities sold under repurchase agreements	30,465	-	30,465
Recourse obligation on loans sold to Cagamas Berhad	18,197	999,846	1,018,043
Derivative financial liabilities	212,809	222,299	435,108
Deposits from customers	70,647,635	3,919,327	74,566,962
Term funding	450,671	4,296,207	4,746,878
Bills and acceptances payable	1,867,911	-	1,867,911
Debt capital	-	3,598,394	3,598,394
Deferred tax liabilities	-	35,323	35,323
Other liabilities	3,483,132	980,449	4,463,581
Life fund liabilities	-	174,393	174,393
Life policyholders' funds	-	2,460,445	2,460,445
Total Liabilities	**79,994,386**	**17,674,773**	**97,669,159**

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (cont'd)

Group 2010	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	11,627,452	-	11,627,452
Securities purchased under resale agreements	16,992	-	16,992
Deposits and placements with banks and other financial institutions	1,831,505	-	1,831,505
Derivative financial assets	46,565	297,078	343,643
Financial assets held-for-trading	565,474	1,147,967	1,713,441
Financial investments available-for-sale	4,335,136	4,758,720	9,093,856
Financial investments held-to-maturity	73,141	489,602	562,743
Loans, advances and financing	11,365,839	53,060,081	64,425,920
Other assets	1,437,025	551,948	1,988,973
Statutory deposits with Bank Negara Malaysia	-	167,623	167,623
Deferred tax assets	-	262,760	262,760
Investment in associate	-	1,301	1,301
Property and equipment	170	235,729	235,899
Life fund assets	-	2,382,703	2,382,703
Intangible assets	-	1,825,492	1,825,492
Total Assets	**31,299,299**	**65,181,004**	**96,480,303**
Liabilities			
Deposits and placements of banks and other financial institutions	3,283,574	1,031,702	4,315,276
Recourse obligation on loans sold to Cagamas Berhad	114,861	20,828	135,689
Derivative financial liabilities	69,338	323,639	392,977
Deposits from customers	65,037,782	3,836,330	68,874,112
Term funding	583,357	1,318,750	1,902,107
Bills and acceptances payable	1,399,572	-	1,399,572
Debt capital	115,000	3,632,347	3,747,347
Deferred tax liabilities	-	8,582	8,582
Other liabilities	2,528,605	949,346	3,477,951
Life fund liabilities	-	200,357	200,357
Life policyholders' funds	-	2,182,346	2,182,346
Total Liabilities	**73,132,089**	**13,504,227**	**86,636,316**

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (cont'd)

Company 2011	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	98,249	-	98,249
Deposits and placements with banks and other financial institutions	7,028	-	7,028
Financial investments available-for-sale	-	447,947	447,947
Other assets	4,561	-	4,561
Investments in subsidiaries	-	8,182,034	8,182,034
Property and equipment	-	1,324	1,324
Total Assets	**109,838**	**8,631,305**	**8,741,143**
Liabilities			
Term funding	206,000	-	206,000
Other liabilities	669,930	9,248	679,178
Total Liabilities	**875,930**	**9,248**	**885,178**

Company 2010	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	403,457	-	403,457
Deposits and placements with banks and other financial institutions	8,962	-	8,962
Financial assets held-for-trading	-	20,000	20,000
Financial investments available-for-sale	-	55,856	55,856
Financial investments held-to-maturity	-	575,000	575,000
Other assets	2,305	26	2,331
Investments in subsidiaries	-	6,204,678	6,204,678
Property and equipment	-	1,630	1,630
Total Assets	**414,724**	**6,857,190**	**7,271,914**
Liabilities			
Term funding	206,000	-	206,000
Other liabilities	19,168	7,407	26,575
Total Liabilities	**225,168**	**7,407**	**232,575**

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT

50.1 General Risk Management

The Risk Management Framework takes its lead from the Board of Directors' Approved Risk Appetite Framework which provides the catalyst to setting the risk/reward profile required by the Board of Directors, together with the related business strategies, limit framework and policies required to enable successful execution.

The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty's, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Board Approved Risk Appetite Statement

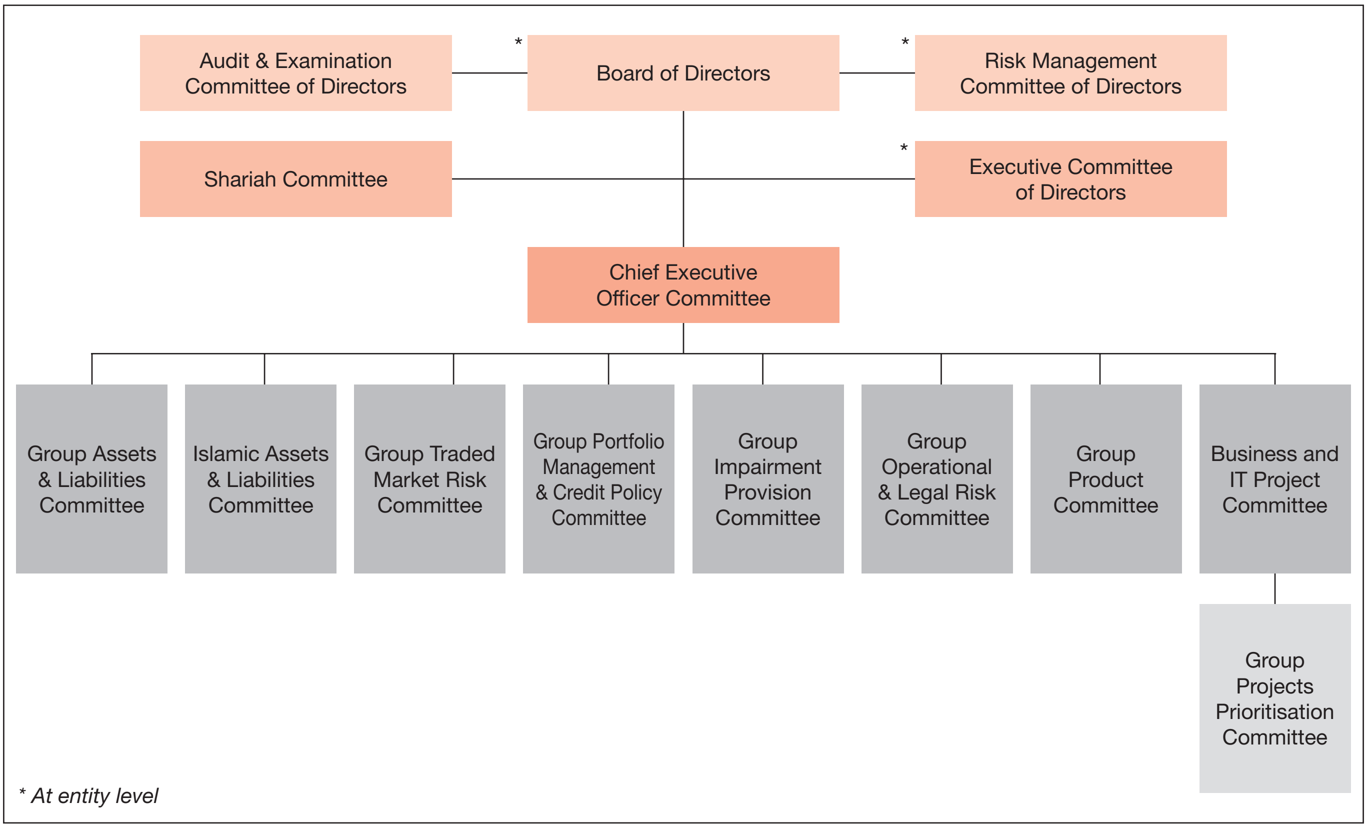
The Group's strategic goals are for top quartile shareholder returns and target Return on Equity which will be progressively developed over a three year period wherein the Group will DeRisk, further Diversify and have a differentiated growth strategy within its various business lines.

The Group targets an improved credit rating of BBB+ (from international rating agencies) to be achieved within one to two years, supported by continued improvement in overall asset quality and portfolio diversification, continued growth and diversification of its Funding and Treasury & Markets businesses and strong management of liquidity and interest rate risk in the statement of financial position.

Risk Management Governance

The Board of Directors is ultimately responsible for the management of risks within the Group. The Risk Management Committee of Directors is formed to assist the Board of Directors in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board of Directors has also established various Management Committees at the Group level to assist it in managing the risks and businesses of the Group. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities:



50. RISK MANAGEMENT (cont'd)

50.1 General Risk Management (cont'd)

Committee	Roles and Responsibilities
Risk Management Committee of Directors ("RMCD")	- Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal, regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. - Report and advise the Board of Directors on risk issues.
Audit & Examination Committee of Directors ("AEC")	- Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group. - Provide assistance to Board of Directors in ensuring the Islamic Banking operations of the Group are Shariah compliant.
Shariah Committee	- Responsible and accountable on matters related to Shariah, which includes advising Board of Directors and management on Shariah matters and endorsing and validating products and services, and the relevant documentations in relation to Islamic Banking operations of the Group.
Executive Committee of Directors ("EXCO")	- Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. - Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee ("CEO Committee")	- Responsible for overall day to day operations of the Group such as oversee management's activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. - Report and advise the Board of Directors on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) ("GALCO")	- Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	- Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Group Traded Market Risk Committee ("GTMRC")	- Responsible for development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee ("GPMCP")	- Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Impairment Provision Committee	- Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with Board approved policies and FRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk Committee ("GOLRC")	- Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.
Group Product Committee ("GPC")	- Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product and review post implementation activities and product performance.
Business and IT Project Committee ("BITPC")	- Responsible to review and approve (or where required recommend for approval) requests relating to the the Group's major Business and IT investments. - To ensure all projects are aligned to the Business and IT plans, appropriate prioritisation of Business and IT projects, and the allocation of resources.
Group Projects Prioritisation Committee	- Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

50. RISK MANAGEMENT (cont'd)

50.1 General Risk Management (cont'd)

Strategic Risk

Strategic risk is the risk of not achieving the Group's corporate strategic goals. The Group's overall strategic planning reflects the Group's vision and mission, taking into consideration the Group's internal capabilities and external factors.

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/initiatives.

Reputational Risk

The Group recognises that maintaining its reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and business partners and the conduct of our business activities.

The Group seeks to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

Regulatory Compliance Risk

A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Group Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Group.

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

Compliance awareness is performed on a regular basis to ensure staff keeps abreast of banking, insurance, securities and anti-money laundering laws as well as other regulatory developments. The awareness helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics. In addition to the training provided, the Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations to various search modes.

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

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Accurate identification/recognition of credit risk on transactions and/or positions • Selection of asset and portfolio mix
Assessment/Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral & tailored facility structures
Monitoring/Review	• Monitoring of portfolio and reporting • Watchlist review • Post mortem review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions.

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores that are then translated into a rating grade, ranging from "AAA" (representing the lowest risk grade) to "C" (i.e., the highest risk grade). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

To support credit risk management's observation of disciplines governed by the Basel II Framework and Financial Reporting Standards ("FRS"), our rating models pertaining to credit risk (obligor's probability-of-default ("PD"), loss-given-default ("LGD") and exposure-at-default ("EAD")) are in the process of being upgraded. These new models are scheduled to be operational during 2012 and will:

- improve the accuracy of individual obligor risk ratings and calculation of expected loss
- enhance pricing models;
- facilitate loan/financing loss provision calculation;
- automate stress-testing; and
- enhance portfolio management.

For retail credits, third generation credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes. New LGD and EAD models have also been recently developed which will also become operational " during 2012.

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. The Group's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration limits:
  - single counterparty credit;
  - industry sector;
  - country and
  - portfolio composition (by risk grade).
- Asset writing strategies for industry sectors and individual customers;
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Watch-list processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and.
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO Portfolio credit risk is reported to the relevant management and board committees.

The GPMCP regularly meets to review the quality and diversification of the Group's loan/financing portfolio, approve new and amended credit risk policy, review watch list reports and post mortem review of loan/financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Group applies the Standardized Approach to determine the regulatory capital charge related to credit risk exposure.

The Group's Islamic banking operations determine a list of all types of applicable and approved Shariah transactions and financing. The approved list includes formal exclusions from any engagement by the Group's Islamic banking operations in certain prohibited industries, such as pork meat, alcohol, gambling, etc. The approved list is kept up to date and communicated to the relevant personnel within the Group.

The Group had engaged appropriate experts, including Shariah advisors to review and ensure that new financing proposals that have not been proposed before or amendments to existing contracts are Shariah-compliant at all times.

MAXIMUM CREDIT RISK EXPOSURE AND CONCENTRATION

Credit Risk Exposure and Concentration

The Group's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. the Group applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognized on the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking into account of any collateral held or other credit enhancements.

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.1b Industry Analysis

Group 2011	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Trade, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities* RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	13,502,567	-	-	-	13,502,567
Securities purchased under resale agreements	-	-	-	-	-	-	-	289,731	-	-	-	289,731
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	3,613,482	-	-	-	3,613,482
Derivative financial assets	24	667	2,818	231	31	3,120	6,507	341,927	-	-	43,472	398,797
Financial investments held-for-trading	95,437	5,183	29,994	126,942	222,520	30,096	31,665	4,010,088	10,132	-	226,029	4,788,086
Money Market Securities	-	-	-	-	-	-	-	3,455,561	-	-	-	3,455,561
Unquoted Private Debt Securities	95,437	5,183	29,994	126,942	222,520	30,096	31,665	554,527	10,132	-	226,029	1,332,525
Financial investments available-for-sale	77,502	443,190	131,996	649,849	346,131	5,150	230,182	4,738,458	-	-	308,450	6,930,908
Money Market Securities	-	-	-	-	-	-	-	3,434,283	-	-	-	3,434,283
Quoted Debt Equity Converted Securities	-	-	-	-	154	-	-	55,726	-	-	-	55,880
Unquoted Debt Equity Converted Securities	-	15,365	78	-	3,048	-	-	40,072	-	-	-	58,563
Unquoted Private Debt Securities	77,502	427,825	131,918	644,846	332,890	-	224,362	1,052,646	-	-	308,450	3,200,439
Unquoted Guranteed Private Debt Securities	-	-	-	5,003	10,039	5,150	5,820	155,731	-	-	-	181,743

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.1b Industry Analysis (cont'd)

Group 2011	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Trade, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities* RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Financial investments held-to-maturity	-	-	-	-	9,411	-	36,695	129,325	-	-	-	175,431
Unquoted Securities	-	-	-	-	-	-	-	959	-	-	-	959
Unquoted Debt Equity Converted Securities	-	-	-	-	9,411	-	26,695	98,694	-	-	-	134,800
Unquoted Private Debt Securities	-	-	-	-	-	-	-	29,672	-	-	-	29,672
Unquoted Guranteed Private Debt Securities	-	-	-	-	-	-	10,000	-	-	-	-	10,000
Gross loans, advances and financing before deduction of loans sold to Cagamas**	2,176,666	727,193	6,072,622	2,403,849	3,442,555	3,694,982	3,039,423	8,158,217	1,013,023	41,596,150	1,260,755	73,585,435
Hire purchase	42,147	6,099	85,976	8,906	178,023	235,876	367,454	209,985	119,728	23,052,185	1,250	24,307,629
Housing loans	19,746	1,953	127,987	3,483	89,018	138,794	8,619	490,682	156,706	13,352,456	713	14,390,157
Card receivables	-	-	-	-	-	-	-	-	-	1,795,692	-	1,795,692
Other loans and financing	241,118	41,744	595,929	14,827	409,700	497,952	210,692	401,160	242,897	2,833,073	15,324	5,504,416
Corporate loans and financing	1,873,655	677,397	5,262,730	2,376,633	2,765,814	2,822,360	2,452,658	7,056,390	493,692	562,744	1,243,468	27,587,541
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	145,842	-	-	-	145,842
	2,349,629	1,176,233	6,237,430	3,180,871	4,020,648	3,733,348	3,344,472	34,929,637	1,023,155	41,596,150	1,838,706	103,430,279
Contingent liabilities	7,272	55,799	722,933	209,790	1,818,858	281,294	417,900	2,230,681	24,505	3,000	491,931	6,263,963
Commitments	775,540	334,013	2,779,814	465,941	3,808,411	1,973,424	734,028	5,680,415	135,601	4,066,273	3,258,789	24,012,249
Total	**782,812**	**389,812**	**3,502,747**	**675,731**	**5,627,269**	**2,254,718**	**1,151,928**	**7,911,096**	**160,106**	**4,069,273**	**3,750,720**	**30,276,212**

Company 2011	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Trade, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities* RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	98,249	-	-	-	98,249
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	7,028	-	-	-	7,028
								105,277				105,277

* Including government, government related agencies and Bank Negara Malaysia.
** The amounts presented for loans and advances are gross of impairment allowances.

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.1c Geographical Analysis

Group 2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	12,450,134	1,052,433	13,502,567
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,249,606	363,876	3,613,482
Derivative financial assets	297,431	101,366	398,797
Financial assets held-for-trading	4,788,086	-	4,788,086
Money Market Securities	3,455,561	-	3,455,561
Unquoted Private Debt Securities	1,332,525	-	1,332,525
Financial investments available-for-sale	6,905,681	25,227	6,930,908
Money Market Securities	3,434,283	-	3,434,283
Quoted Debt Equity Converted Securities	55,879	-	55,879
Unquoted Debt Equity Converted Securities	58,563	-	58,563
Unquoted Private Debt Securities	3,175,213	25,227	3,200,440
Unquoted Guranteed Private Debt Securities	181,743	-	181,743
Financial investments held-to-maturity	175,431	-	175,431
Unquoted Securities	959	-	959
Unquoted Debt Equity Converted Securities	134,800	-	134,800
Unquoted Private Debt Securities	29,672	-	29,672
Unquoted Guranteed Private Debt Securities	10,000	-	10,000
Gross loans, advances and financing before deduction of loans sold to Cagamas*	73,195,420	390,015	73,585,435
Hire purchase	24,307,629	-	24,307,629
Housing loans	14,390,157	-	14,390,157
Card receivables	1,795,692	-	1,795,692
Other loans and financing	5,503,863	553	5,504,416
Corporate loans and financing	27,198,079	389,462	27,587,541
Statutory deposits with Bank Negara Malaysia	145,842	-	145,842
Total financial assets	**101,497,362**	**1,932,917**	**103,430,279**
Contingent liabilities	6,236,213	27,750	6,263,963
Commitments	23,923,304	88,945	24,012,249
Total	**30,159,517**	**116,695**	**30,276,212**

Company 2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	98,249	-	98,249
Deposits and placements with banks and other financial institutions	7,028	-	7,028
Total financial assets	105,277	-	105,277

* The amounts presented are gross of impairment allowances.

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

MAIN TYPES OF COLLATERAL

Main Types of Collateral Taken by the Group
Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuks, convertible bonds and marketable securities
- Non-exchange traded debt securities/sukuks
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, i.e., not be supported by collateral.

In addition to rating customer's probability of default via an internal risk rating system, the Group uses Security Indicators ("SI's") in its non-retail portfolio to assess the strength of collateral supporting its exposures. Thus both the PD and LGD estimates are used in assessing and monitoring exposures.

Processes for Collateral Management
To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support
Guarantee support for lending proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the Probability of Default of a transaction through its explicit support of the borrower, where borrower's risk grade will be replaced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the Borrower is not recognised as part of the risk grade enhancement.

Use of Credit Derivatives and Netting for Risk Mitigation
Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction Structuring to Mitigate Credit Risk
Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

CREDIT QUALITY

Credit Quality
The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are mapped to the following categories based on the definitions appended below.

Definition of the Categories

Credit Quality Classification	Definition
Strong	Strong capacity to meet financial commitments, minimal sensitivity to long term adverse external events or market conditions.
Satisfactory	Adequate capacity to meet financial commitments. While it exhibits adequate protection, adverse economic conditions or changing environments are more likely to lead to a weakened capacity.
Sub-Standard but not impaired	Exposures that have a higher default risk. Capacity to meet financial commitments remains marginally acceptable but more susceptible to changes in external market conditions.
Unrated	Exposures that are not rated.
Past due but not Impaired	Exposures considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed one or more days after the contractual due date.

The table below provides the External Credit Assessment Institutions (ECAIs) rating that broadly corresponds to the broad internal credit quality categories.

Credit Quality Classification	Moody's	S&P	Fitch IBCA	RAM & MARC
Strong	Aaa to Ba2	AAA to BB+	AAA to BB	AAA to A
Satisfactory	Ba3 to B2	BB to B+	BB- to B-	BBB to B
Sub-Standard	B3 to C	B to C	CCC to C	CCC to C

IMPAIRMENT

Definition of Past Due and Impaired Loans and Financing
All loans, financing and advances are categorised as either:
- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed.

A loan/financing is classified as impaired under the following circumstances:
(a) where the principal or interest/profit or both[1] is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or
(b) the loan/financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.
(c) for loans/financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default[2] occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Notwithstanding that, these loans/financing shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.
(d) for distressed rescheduled and restructured ("R/R") facilities, these loans/financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

[1] For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.
[2] "Default" is defined for loans/financing with repayment schedules on a quarterly basis or longer as 1- day past due + 30days.

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.2a Credit Quality By Class of Financial Assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system.

Group 2011	Neither past due nor impaired									Excluding Insurance Business*		
	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Sub- standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000	Gross amount Individually impaired RM'000	Individual Allowance RM'000	Fair value of collateral for past due and impaired accounts RM'000
Securities purchased under resale agreements	289,731	-	-	-	-	-	289,731	-	289,731	-	-	-
Derivative financial assets	387,528	8,952	23	2,294	-	-	398,797	-	398,797	-	-	-
Financial assets held-for-trading	4,758,092	29,994	-	-	-	-	4,788,086	-	4,788,086	-	-	-
Money Market Securities	3,455,561	-	-	-	-	-	3,455,561	-	3,455,561	-	-	-
Unquoted Private Debt Securities	1,302,531	29,994	-	-	-	-	1,332,525	-	1,332,525	-	-	-
Financial investments available-for-sale	5,848,048	82,449	2,587	99,540	-	56,796	6,089,420	841,488	6,930,908	167,176	(110,380)	-
Money Market Securities	3,289,265	-	-	99,540	-	-	3,388,805	45,478	3,434,283	-	-	-
Quoted Debt Equity Converted Securities	-	47,430	-	-	-	8,450	55,880	-	55,880	9,583	(1,133)	-
Unquoted Debt Equity Converted Securities	-	35,019	2,587	-	-	20,957	58,563	-	58,563	127,895	(106,938)	-
Unquoted Private Debt Securities	2,558,783	-	-	-	-	27,389	2,586,172	614,267	3,200,439	29,698	(2,309)	-
Unquoted Guranteed Private Debt Securities	-	-	-	-	-	-	-	181,743	181,743	-	-	-
Financial investments held-to-maturity	100	51,973	-	46,198	-	67,160	165,431	10,000	175,431	274,935	(207,775)	-
Unquoted Securities	100	-	-	859	-	-	959	-	959	-	-	-
Unquoted Debt Equity Converted Securities	-	51,973	-	45,339	-	37,488	134,800	-	134,800	231,507	(194,019)	-
Unquoted Private Debt Securities	-	-	-	-	-	29,672	29,672	-	29,672	43,428	(13,756)	-
Unquoted Guranteed Private Debt Securities	-	-	-	-	-	-	-	10,000	10,000	-	-	-
Gross loans, advances and financing before deduction of loans sold to Cagamas	23,641,708	26,676,062	5,777,721	601,936	14,435,465	2,449,585	73,582,477	2,958	73,585,435	819,669	(371,429)	19,227,766
Hire purchase	5,857,794	5,633,689	2,306,484	113	10,096,490	412,306	24,306,876	753	24,307,629	-	-	10,914,749
Housing loans	3,005,169	6,043,331	1,802,500	380	2,832,419	704,153	14,387,952	2,205	14,390,157	-	-	5,865,010
Card receivables	393,865	811,280	265,433	-	263,290	61,824	1,795,692	-	1,795,692	-	-	1,413
Other loans and financing	2,336,988	1,595,765	170,629	143,771	1,019,519	237,744	5,504,416	-	5,504,416	19,368	(15,644)	555,649
Corporate loans and financing	12,047,892	12,591,997	1,232,675	457,672	223,747	1,033,558	27,587,541	-	27,587,541	800,301	(355,785)	1,890,945
Statutory deposits with Bank Negara Malaysia	145,842	-	-	-	-	-	145,842	-	145,842	-	-	-
	35,071,049	26,849,430	5,780,331	749,968	14,435,465	2,573,541	85,459,784	854,446	86,314,230	1,261,780	(689,584)	19,227,766
Contingent liabilities	3,037,032	2,415,936	411,560	399,435	-	-	6,263,963	-	6,263,963	-	-	-
Commitments	12,607,903	9,809,795	960,389	634,162	-	-	24,012,249	-	24,012,249	-	-	-
Total	**15,644,935**	**12,225,731**	**1,371,949**	**1,033,597**	**-**	**-**	**30,276,212**	**-**	**30,276,212**	**-**	**-**	**-**

* Refer to Note 54.4(a) for further details on insurance business. The amount presented for insurance business is after accounted for intercompany elimination.

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.2b Aging Analysis of Past Due But Not Impaired By Class of Financial Assets

Group 2011	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Gross loans, advances and financing before deduction of loans sold to Cagamas			
Hire purchase	5,692,905	4,403,585	10,096,490
Housing loans	1,528,066	1,304,353	2,832,419
Card receivables	167,453	95,837	263,290
Other loans and financing	668,108	351,411	1,019,519
Corporate loans and financing	149,002	74,745	223,747
Total gross loans and advances	**8,205,534**	**6,229,931**	**14,435,465**

50.2.2c Carrying amount by class of financial assets whose terms have been renegotiated

The Group has policy and processes in place for restructured and rescheduled credit facilities. Restructured/rescheduled loan/financing is to assist the counterparty to overcome its shorter term financial difficulties particularly where the longer term prospect of the business or project is deemed to be viable.

Restructured	Group 2011 RM'000
Financial investments - held-to-maturity	5,742
Gross loans, advances and financing	1,052,748
	1,058,490

Rescheduled	Group 2011 RM'000
Financial investments - available-for-sale	9,233
Financial investments - held-to-maturity	53,685
Gross loans, advances and financing	1,450,799
	1,513,717

50.2.2d Collateral repossessed

	Group 2011 RM'000	Group 2010 RM'000
Residential properties	1,710	10,157
Non-residential properties	110,433	141,765
	112,143	151,922

The above assets are accounted for as foreclosed properties under Other Assets in the Statements of Financial Position. There were no new assets obtained for the financial year ended 2011 and 2010.

Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

Individual Assessment
Individual assessment is divided into 2 main processes – detection of an event (s) and an assessment of impairment:

(a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment
All financial assets below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly.

As a transitional arrangement up to 2012, Bank Negara Malaysia has given banking institutions the choice of applying either one of the following approaches in computing the required collective assessment:

(a) Transitional approach – where, banking institutions may maintain an allowance of 1.5 per cent of total outstanding loans net of individual impairment allowance; or

(b) Full FRS 139 compliance approach – where collective allowance are computed using models based on the banking institutions' historical experience.

The Group has opted for the transitional approach and has modified it to reflect its historical loss experience.

50.3 Liquidity Risk and Funding Management

Liquidity risk is the risk that the organization either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments.

The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honor all financial commitments when they fall due. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The Group Asset & Liability Committee ("GALCO") is the responsible governing body that approves the Group's liquidity management & strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies & contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management division and Group Risk functions propose and oversee the implementation of policies and other controls relating to the above risks.

In the event of actual liquidity crisis occurring, a Contingency Funding Plan provides a formal process to identify a liquidity crisis and detailing responsibilities among the relevant departments to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's contingence funding plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans, advances and financing to customers as a percentage of customer deposit accounts, together with term funding with a remaining term to maturity in excess of one year.

50. RISK MANAGEMENT (cont'd)

50.3 Liquidity Risk and Funding Management (cont'd)

50.3.1 Liquidity Metrics

The Group monitors key liquidity metrics on a regular basis. Liquidity is managed on an entity basis and in aggregate across the Group. The key metrics are:

Adjusted Customer Loans/Financing to Deposits Ratio ("LDR")
This is defined as the ratio of total outstanding loans, advances and financing to customers (before deduction of Islamic financing sold to Cagamas), net of allowance for impairment on loans, advances and financing, relative to total customer deposits (inclusive of loans and financing sold to Cagamas and term funding with original maturity of 3 years and above). This ratio reflects the percentage of customer loans, advances and financing that are funded by customer deposits. A ratio below 100 percent indicates that our loans/financing portfolio is completely funded by deposits. A low LDR demonstrates that customer deposits exceed customer loans/financing resulting from emphasis placed on generating a high level of stable funding from customers.

The Group	2011
Year-end (Mar 2011)	87.4%
Maximum (Apr 2010 to Mar 2011)	94.1%
Minimum (Apr 2010 to Mar 2011)	87.4%
Average (Apr 2010 to Mar 2011)	90.8%

50.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities as at 31 March. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

Group 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Financial Assets										
Cash and short-term funds	12,927,037	-	-	-	-	-	605,936	13,532,973	16,168	13,549,141
Securities purchased under resale agreements	291,584	-	-	-	-	-	-	291,584	-	291,584
Deposits and placements with banks and other financial institutions	-	3,472,055	-	100	-	-	-	3,472,155	178,241	3,650,396
Derivative financial assets	42,501	31,002	12,706	29,465	242,939	40,184	-	398,797	-	398,797
Financial assets held-for-trading	97,685	1,466,914	947,777	494,667	1,576,193	571,641	303,243	5,458,120	4,655	5,462,775
Financial investments available-for-sale	1,548,659	1,611,431	157,552	203,631	1,712,136	1,490,910	1,074,449	7,798,768	1,031,108	8,829,876
Financial investments held-to-maturity	1,059	-	3,583	20,453	138,185	25,878	-	189,158	11,155	200,313
Loans, advances and financing	9,684,745	2,918,541	2,889,075	3,975,785	32,308,965	55,706,248	-	107,483,359	2,960	107,486,319
Amount due from originators	-	-	18,720	-	1,426	-	-	20,146	-	20,146
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	145,842	145,842	-	145,842
Total Undiscounted Financial Assets	**24,593,270**	**9,499,943**	**4,029,413**	**4,724,101**	**35,979,844**	**57,834,861**	**2,129,470**	**138,790,902**	**1,244,287**	**140,035,189**

50. RISK MANAGEMENT (cont'd)

50.3 Liquidity Risk and Funding Management (cont'd)

50.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (cont'd)

Group 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Financial Liabilities										
Deposits and placements of banks and other financial institutions	1,991,661	443,368	98,485	782,360	1,008,477	37,567	-	4,361,918	-	4,361,918
Securities sold under repurchase agreements	30,409	-	-	-	-	-	-	30,409	-	30,409
Recourse obligation on loans sold to Cagamas Berhad	-	-	18,246	-	1,657	1,236,199	-	1,256,102	-	1,256,102
Derivative financial liabilities	42,164	31,000	29,975	109,327	161,509	60,790	-	434,765	-	434,765
Deposits from customers	38,078,661	15,194,176	11,228,991	7,325,411	4,267,206	-	-	76,094,445	-	76,094,445
Term funding	93,590	208,530	41,136	112,701	4,158,822	941,268	-	5,556,047		5,556,047
Bills and acceptances payable	534,522	1,007,996	339,485	-	-	-	-	1,882,003	-	1,882,003
Debt issued and other borrowed funds	-	-	-	-	496,000	4,212,531		4,708,531	-	4,708,531
Total Undiscounted Financial Liabilities	**40,771,007**	**16,885,070**	**11,756,318**	**8,329,799**	**10,093,671**	**6,488,355**	**-**	**94,324,220**	**-**	**94,324,220**
Net Undiscounted Financial Assets/(Liabilities)	**(16,177,737)**	**(7,385,127)**	**(7,726,905)**	**(3,605,698)**	**25,886,173**	**51,346,506**	**2,129,470**	**44,466,682**	**1,244,287**	**45,710,969**

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. It should be noted that this is not how the Group manages its liquidity risk for off-balance sheet exposures.

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Contingent liabilities	817,684	1,048,062	701,318	1,183,107	2,272,889	240,903	-	6,263,963	-	6,263,963
Commitments	7,955,135	2,030,763	1,974,189	6,142,791	2,096,139	3,813,232	-	24,012,249	-	24,012,249
Total commitments and guarantees	**8,772,819**	**3,078,825**	**2,675,507**	**7,325,898**	**4,369,028**	**4,054,135**	**-**	**30,276,212**	**-**	**30,276,212**

* Refer to Note 54.4(b) for further details on insurance business. The amount presented for insurance business is after intercompany elimination.

50. RISK MANAGEMENT (cont'd)

50.3 Liquidity Risk and Funding Management (cont'd)

50.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (cont'd)

Company 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Financial Assets										
Cash and short-term funds	98,249	-	-	-	-	-	-	98,249	-	98,249
Deposits and placements with banks and other financial institutions	-	7,028	-	-	-	-	-	7,028	-	7,028
Financial investments available-for-sale	-	-	-	-	-	-	447,947	447,947	-	447,947
Total Undiscounted Financial Assets	**98,249**	**7,028**	**-**	**-**	**-**	**-**	**447,947**	**553,224**	**-**	**553,224**
Financial Liabilities										
Debt issued and other borrowed funds	-	208,530	-	-	-	-	-	208,530	-	208,530
Total Undiscounted Financial Liabilities	**-**	**208,530**	**-**	**-**	**-**	**-**	**-**	**208,530**	**-**	**208,530**
Net Undiscounted Financial Assets/ (Liabilities)	**98,249**	**(201,502)**	**-**	**-**	**-**	**-**	**447,947**	**344,694**	**-**	**344,694**

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two types of market risk: Traded Market Risk ("TMR") and Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB"). Assessment, control and monitoring of these risks is the responsibility of the Market Risk Unit ("MRU").

Traded Market Risk ("TMR")
The Traded Market Risk ("TMR") management process is depicted in the table below.

Identification	• Identify market risks within existing and new products. • Review market-related information such as market trend and economic data.
Assessment/Measurement	• Recommend/validate methodologies to calculate: - Value-at-Risk ("VaR") - Profit-at-Risk ("PaR") - Capital-at-Risk ("CaR")
Control/Mitigation	• Recommend: - VaR limits - PaR limits - CaR limits - Annual and Monthly Loss limits - Greeks (Delta/Gamma/Vega/Theta) limits - Dollar Value of One Basis Point ("DV01") - Position Size - Maximum Tenor - Maximum Holding Period - Stealth Concentration
Monitoring/Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity or foreign exchange. The objectives of TMR management are to understand, accurately measure and to work with the business to ensure exposures are managed within Board and Executive Management approved limit structures. This is done via robust measurement, setting of limits, limit monitoring and collaboration and agreement with business units on business strategies.

Value-at-Risk ("VaR"), Profit-at-Risk ("PaR"), Capital-at-Risk ("CaR") and sensitivity analysis are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. PaR comprises VaR and a loss limit threshold. Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

To complement VaR, CaR is used as a measure of the potential impact on portfolio values of more extreme, albeit plausible, market movements. In addition, CaR is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, PaR and CaR, additional sensitivity analysis limits (i.e. Greeks/DV01) and indicators are used to monitor changes in portfolio value under potential market conditions such as shifts in currency rates, equity prices and interest/profit rates.

MRU monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GTMRC, RMCD and the Board of Directors ("The Board"). Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of limit breaches. Business Units exposed to traded market risk are required to maintain risk exposures within their respective thresholds. When risk limits are exceeded, Business Units are required to reduce their exposures immediately to a level below the thresholds unless senior management are consulted and approve alternative strategies to minimise potential losses.

The Group adopts the Standardised Approach for market risk capital charge computation. This serves as a financial buffer to withstand adverse market movements.

MRU is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

Non-Traded Market Risk ("NTMR")

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify interest rate/rate rate of return return risks within existing and new products • Review market-related information such as market trend and economic data.
Assessment/Measurement	• Non-Traded Value-at-Risk ("VaR") • Earnings-at-Risk ("EaR")
Control/Mitigation	• Establish non-traded VaR limit and EaR limit.
Monitoring/Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margin and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of interest/profit rate and funding risk, and to manage the market value of Group's capital.

The Board's oversight of IRR/RORBB is supported by the Group Asset & Liability Committee ("GALCO"). GALCO is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration Group-wide business strategies. GALCO consistently manages the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of interest/profit rate risk is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to reduce longer tenor interest/profit rate risk, and maintained a comfortable gapping profile as a result. In accordance with the Group's policy, positions are monitored on a monthly basis and hedging strategies are used to ensure risk exposures are maintained within board-established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of interest/profit rate risk which applies recent historic market conditions to estimate the potential loss in market value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing interest/profit rate risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporates what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to interest rate risk within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by FRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

IRR/RORBB is calculated monthly and reported to GALCO.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in interest rate/rate of return with all other variables remain constant.

(i) Interest Rate Risk/Rate of Return Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and is managed through gap and sensitivity analysis. Interest rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The interest has adopted interest rate risk hedging measures to cushion the interest rate volatility.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in interest rates with all other variables remain constant.

The Group

Impact on Profit before taxation - Traded Market Risk

	2011	
Currency	Interest Rate/Rate of Return +100 bps ('000)	Interest Rate/Rate of Return -100 bps ('000)
MYR	(74,952)	76,804

Impact on Profit before taxation - Non-Traded Market Risk

	2011	
Currency	Interest Rate/Rate of Return +100 bps ('000)	Interest Rate/Rate of Return -100 bps ('000)
MYR	132,490	(132,490)

Impact on Equity - Non-Traded Market Risk

	2011	
Currency	Interest Rate/Rate of Return +100 bps ('000)	Interest Rate/Rate of Return -100 bps ('000)
MYR	(201,926)	221,552

The sensitivity above excluded non-interest sensitive items. The Group manages interest/profit rate risk in the banking book by including all assets and liablities, adjusted by internal Fund Transfer Pricing ("FTP") practices.

The Company

Impact on Profit before taxation - Traded Market Risk

	2011	
Currency	Interest Rate/Rate of Return +100 bps ('000)	Interest Rate/Rate of Return -100 bps ('000)
MYR	-	-

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

(i) Interest Rate Risk/Rate of Return Risk (cont'd)

Impact on Profit before taxation - Non-Traded Market Risk

	2011	
Currency	Interest Rate/Rate of Return +100 bps ('000)	Interest Rate/Rate of Return -100 bps ('000)
MYR	-	-

Impact on Equity - Non-Traded Market Risk

	2011	
Currency	Interest Rate/Rate of Return +100 bps ('000)	Interest Rate/Rate of Return -100 bps ('000)
MYR	-	-

(ii) Currency Risk

Foreign currency exchange risk arises from changes in exchange rates to exposure on the Group's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group from exposure to excessive foreign currency exchange risk.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in currency rates with all other variables remain constant.

The Group

Impact on Profit before taxation

	2011	
Currency	Currency Rate +100 bps ('000)	Currency Rate -100 bps ('000)
USD	14,127	(14,127)
SGD	(1,306)	1,306
EUR	(42)	42
GBP	172	(172)
Others	836	(836)

Impact on Equity

	2011	
Currency	Currency Rate +100 bps ('000)	Currency Rate -100 bps ('000)
USD	85	(85)
SGD	8,696	(8,696)
EUR	9	(9)
GBP	-	-
Others	-	-

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

(ii) Currency Risk (cont'd)

The Company

Impact on Profit before taxation

Currency	2011 Currency Rate +100 bps ('000)	2011 Currency Rate -100 bps ('000)
USD	-	-
SGD	-	-
EUR	-	-
GBP	-	-
Others	-	-

Impact on Equity

Currency	2011 Currency Rate +100 bps ('000)	2011 Currency Rate -100 bps ('000)
USD	-	-
SGD	-	-
EUR	-	-
GBP	-	-
Others	-	-

(iii) Equity Price Risk

Equity risk arises from the adverse movements in the price of equities. Equity risk is controlled via position size, loss limits and VaR limits.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in equity prices with all other variables remain constant.

The Group

Impact on Profit before taxation

Currency	2011 Equity Price +100 bps ('000)	2011 Equity Price -100 bps ('000)
MYR	(522)	508

Impact on Equity

Currency	2011 Equity Price +100 bps ('000)	2011 Equity Price -100 bps ('000)
MYR	6,142	(6,142)

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

(iii) Equity Price Risk (cont'd)

The Company

Impact on Profit before taxation

	2011	
Currency	**Equity Price +100 bps ('000)**	**Equity Price -100 bps ('000)**
MYR	-	-

Impact on Equity

	2011	
Currency	**Equity Price +100 bps ('000)**	**Equity Price -100 bps ('000)**
MYR	-	-

50.5 OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

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

The Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking business continuity planning. These are supported by independent reviews by the Group's Internal Audit team.

50.6 LEGAL AND REGULATORY RISK

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organisation to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimise these risks, staff training and assessments, provision of advice and dissemination of information.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of FRS 132 Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

The estimated fair values of the Group's and the Company's financial instruments are as follows:

	Group		Company	
2011	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Assets				
Cash and short-term funds	13,502,567	13,502,567	98,249	98,249
Securities purchased under resale agreements	289,731	289,731	-	-
Deposits and placements with banks and other financial institutions	3,613,482	3,613,482	7,028	7,028
Derivative financial assets	398,797	398,797	-	-
Financial assets held-for-trading	5,173,737	5,173,737	-	-
Financial investments available-for-sale	8,073,935	8,073,935	447,947	447,947
Financial investments held-to-maturity	175,431	184,955	-	-
Loans, advances and financing	69,378,824	69,876,873	-	-
	100,606,504	**101,114,077**	**553,224**	**553,224**
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,271,656	4,001,484	-	-
Securities sold under repurchase agreements	30,465	30,465	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,018,043	1,018,052	-	-
Derivative financial liabilities	435,108	435,108	-	-
Deposits from customers	74,566,962	74,463,263	-	-
Term funding	4,746,878	4,834,751	206,000	206,000
Bills and acceptances payable	1,867,911	1,867,911	-	-
Debt capital	3,598,394	4,493,515	-	-
	90,535,417	**91,144,549**	**206,000**	**206,000**

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

2010	Group Carrying Amount RM'000	Group Fair Value RM'000	Company Carrying Amount RM'000	Company Fair Value RM'000
Financial Assets				
Cash and short-term funds	11,627,452	11,627,452	403,457	403,457
Securities purchased under resale agreements	16,992	16,992	-	-
Deposits and placements with banks and other financial institutions	1,831,505	1,831,505	8,962	8,962
Derivative financial assets	343,643	343,643	-	-
Financial assets held-for-trading	1,713,441	1,713,441	20,000	22,116
Financial investments available-for-sale	9,093,856	9,093,856	55,856	55,856
Financial investments held-to-maturity	562,743	753,003	575,000	617,249
Loans, advances and financing	64,425,920	65,239,217	-	-
	89,615,552	**90,619,109**	**1,063,275**	**1,107,640**
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,315,276	4,238,119	-	-
Recourse obligation on loans sold to Cagamas Berhad	135,689	135,689	-	-
Derivative financial liabilities	392,977	392,977	-	-
Deposits from customers	68,874,112	68,779,316	-	-
Term funding	1,902,107	1,902,207	206,000	206,000
Bills and acceptances payable	1,399,572	1,399,572	-	-
Debt capital	3,747,347	4,733,566	-	-
	80,767,080	**81,581,446**	**206,000**	**206,000**

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallize. The Group assesses that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provision is necessary to be made.

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2011 and 2010:

(a) Cash and Short-Term Funds

The carrying values are a reasonable estimate of the fair values because of negligible credit risk and short-term in nature or frequent repricing.

(b) Securities Purchased Under Resale Agreements and Deposits and Placements with Banks and Other Financial Institutions

The fair values of securities purchased under resale agreements and deposits and placements with banks and other financial institutions with remaining maturities less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements and deposits and placements with banks and other financial institutions with maturities of more than six months, the fair values are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(c) Financial Assets Held-for-Trading, Financial Investments Available-for-Sale and Financial Investments Held-to-Maturity

The estimated fair values are based on quoted or observable market prices at the reporting date. Where such quoted or observable market prices are not available, the fair values are estimated using discounted cash flow or net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at par value, taking into consideration of the underlying collateral values. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using market indicative rates of similar instruments at the reporting date.

(d) Loans, Advances and Financing ("Loans and Financing")

The fair values of variable rate loans and financing are estimated to approximate their carrying values. For fixed rate loans and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing indicative rates adjusted for credit risk. In respect of non-performing loans and financing, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful debts and financing.

(e) Derivative Financial Instruments

The fair values of the derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

(f) Deposits From Customers, Deposits and Placements of Banks and Other Financial Institutions and Obligations on Securities Sold Under Repurchase Agreements

The fair value of deposits liabilities payable on demand ("demand and savings deposits") or with remaining maturities of less than six months are estimated to approximate their carrying values at reporting date.

The fair value of term deposits, negotiable instrument of deposits and obligations on securities sold under repurchase agreements with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates and interest rate swap rates.

(g) Bills and Acceptances Payables

The carrying values are a reasonable estimate of their fair values because of their short-term nature.

(h) Recourse Obligations on Loans Sold to Cagamas Berhad

The fair values for recourse obligations on loans sold to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

(i) Term Funding and Debt Capital

The fair value of Term Funding and Debt Capital with remaining maturities of less than six months are estimated to approximate their carrying values at reporting date. The fair value of Term Funding and Debt Capital with remaining maturities of more than six months are estimated based on discounted cash flows using market indicative rates of instruments with similar risk profiles or quoted prices at reporting date.

(j) Interest Rate Swaps, Futures and Forward Rate Agreements

The estimated fair value is based on the market price to enter into an offsetting contract at reporting date.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting value estimates.

52. NET ASSETS PER SHARE (RM)

Net assets per share represent the reporting date total assets value less total liabilities and minority interests expressed as an amount per ordinary share.

Net assets per share are calculated as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total assets	**108,236,205**	**96,480,303**	**8,741,143**	**7,271,914**
Less:				
Total liabilities	97,669,159	86,636,316	885,178	232,575
Minority interests	258,122	206,274	-	-
	97,927,281	86,842,590	885,178	232,575
Net assets	**10,308,924**	**9,637,713**	**7,855,965**	**7,039,339**
Issued and fully paid up ordinaryshares of RM1.00 each ('000)	**3,014,185**	**3,014,185**	**3,014,185**	**3,014,185**
Net assets per share (RM)	**3.42**	**3.20**	**2.61**	**2.34**

53. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group comprises the following main business segments:-

(a) Retail banking

Retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as auto financing, mortgages and other consumer loans, credit cards and line of credit, asset financing and small business, personal financing, retail distribution and deposits.

(b) Business banking

The business banking operations consist of providing of trade services, cash management and transactional banking services.

(c) Investment banking

The investment banking caters to the business needs of large corporate customers and financial institutions and provides customers with extensive range of financial solutions. Investment banking encompasses debt capital markets and equity capital markets services, equity derivatives, corporate finance, structured finance, share-broking, futures broking, funds management and private banking where it provides wealth management services to high net worth individuals, family groups and companies.

(d) Corporate and institutional banking

The corporate and institutional banking focuses on deepening and expanding corporate and institutional banking relationships with the Group's corporate clients, as well as offering of a wider spectrum of the Group's commercial and investment banking products through the overseas business operations and providing real estate management services.

53. BUSINESS SEGMENT ANALYSIS (cont'd)

(e) Insurance

The insurance segment offers a broad range of life and general insurance products.

(f) Treasury and markets

The treasury and markets operations focuses on activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments.

(g) Group functions and others

Group functions and others comprises activities which complements and supports the operations of the main business units, and non-core operations of the Group.

Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Operating Revenue

Operating revenue of the Group comprises all type of revenue derived from the business segments but after elimination of all related companies transactions.

Major Customers

No revenues from one single customer amounted to greater than 10% of the Group's revenues for the current and previous financial year.

2011 Group	Retail Banking RM'000	Business Banking RM'000	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Insurance RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Operating revenue	2,688,479	638,455	361,802	1,230,291	1,008,095	356,984	826,634	7,110,740
Income	1,858,477	497,233	358,041	360,527	244,874	309,022	284,804	3,912,978
Expenses	(710,689)	(103,951)	(186,771)	(99,543)	(86,239)	(68,480)	(306,254)	(1,561,927)
Profit/(loss) before provisions	1,147,788	393,282	171,270	260,984	158,635	240,542	(21,450)	2,351,051
Provisions	(343,259)	(122,227)	(3,247)	5,917	1,140	(5,064)	(19,187)	(485,927)
Profit/(loss) before taxation	804,529	271,055	168,023	266,901	159,775	235,478	(40,637)	1,865,124
Taxation and zakat	(201,221)	(67,350)	(41,212)	(57,060)	(37,735)	(58,514)	(10,882)	(473,974)
Net profit/(loss) for the year	**603,308**	**203,705**	**126,811**	**209,841**	**122,040**	**176,964**	**(51,519)**	**1,391,150**
Other information:								
Cost to income ratio	38.2%	20.9%	52.2%	27.6%	35.2%	22.2%	107.5%	39.9%
Gross loans/financing	45,431,937	14,685,951	553,545	11,971,713	2,960	-	(760,705)	71,885,401
Net loans/financing	44,155,454	14,448,024	539,592	11,879,556	2,960	-	(1,646,762)	69,378,824
Gross impaired loans, advances and financing	1,410,019	245,708	5,920	-	-	-	787,938	2,449,585
Total deposits	34,928,546	7,264,109	196,971	33,632,050	-	304,803	2,512,139	78,838,618

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53. BUSINESS SEGMENT ANALYSIS (cont'd)

2010 Group	Retail Banking RM'000	Business Banking RM'000	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Insurance RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Operating revenue	2,871,751	367,057	308,009	323,127	1,353,416	345,099	1,260,486	6,828,945
Income	1,832,400	373,581	315,445	341,519	177,815	308,833	227,444	3,577,037
Expenses	(722,574)	(89,285)	(164,251)	(89,214)	(80,018)	(42,907)	(313,107)	(1,501,356)
Profit/(loss) before provisions	1,109,826	284,296	151,194	252,305	97,797	265,926	(85,663)	2,075,681
Provisions	(406,515)	(70,425)	(6,236)	(19,097)	(1,043)	(36,019)	(159,687)	(699,022)
Profit/(loss) before taxation	703,311	213,871	144,958	233,208	96,754	229,907	(245,350)	1,376,659
Taxation and zakat	(175,829)	(53,426)	(37,122)	(54,208)	(15,973)	(60,115)	62,622	(334,051)
Net profit/(loss) for the year	**527,482**	**160,445**	**107,836**	**179,000**	**80,781**	**169,792**	**(182,728)**	**1,042,608**
Other information:								
Cost to income ratio	39.4%	23.9%	52.1%	26.1%	45.0%	13.9%	137.7%	42.0%
Gross loans/financing	44,089,576	11,541,692	364,839	9,446,209	3,798	-	837,011	66,283,125
Net loans/financing	42,991,841	11,306,537	352,828	9,299,519	3,776	-	471,419	64,425,920
Gross impaired loans, advances and financing	1,289,193	77,645	5,996	-	-	-	492,924	1,865,758
Total deposits	30,721,122	7,470,128	92,294	33,785,017	-	2,437,575	(1,316,748)	73,189,388

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiaries, AMCI, AmCapital (B) Sdn Bhd, AmSecurities (H.K.) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia, Brunei and Hong Kong respectively. These activities in Singapore, Indonesia, Brunei and Hong Kong are not significant in relation to the Group's activities in Malaysia.

54. INSURANCE BUSINESS

54.1 NET INCOME FROM INSURANCE BUSINESS

	Group 2011 RM'000	Group 2010 RM'000
(a) Income from insurance business	608,817	530,231
(b) Insurance claims and commissions	(436,845)	(406,544)
	171,972	**123,687**
(a) Income from insurance business		
Premium income from general insurance business (Note 54.2(a))	544,017	494,231
Surplus transfer from life insurance business (Note 54.3)	64,800	36,000
	608,817	**530,231**
(b) Insurance claims and commissions		
Insurance commission	(57,239)	(47,782)
General insurance claims (Note 54.2(b))	(379,606)	(358,762)
	(436,845)	**(406,544)**

54.2 GENERAL INSURANCE BUSINESS

	Group 2011 RM'000	Group 2010 RM'000
(a) Net earned premium		
(i) Gross Premium		
Insurance contract	652,365	624,397
Change in unearned premium provision	(29,179)	(53,357)
	623,186	571,040
(ii) Premium ceded		
Insurance contract	(86,034)	(105,202)
Change in unearned premium provision	6,865	28,393
	(79,169)	(76,809)
	544,017	**494,231**
(b) Net benefits and claims		
(i) Gross benefits and claims paid	(327,914)	(382,525)
(ii) Claims ceded to reinsurers	27,065	38,178
(iii) Change in contract liabilities		
- insurance contract	(58,559)	8,396
(iv) Change in contract liabilities ceded to reinsurers		
- insurance contract	(20,198)	(22,811)
	(379,606)	**(358,762)**

Notes to the Financial Statements (cont’d)

54. INSURANCE BUSINESS (cont’d)

54.2 GENERAL INSURANCE BUSINESS (cont’d)

(c) General insurance contract liabilities

Gross General Insurance Contract Liabilities for FY2011

Accident year	Before 2004 RM’000	2004 RM’000	2005 RM’000	2006 RM’000	2007 RM’000	2008 RM’000	2009 RM’000	2010 RM’000	2011 RM’000	Sub Total RM’000	Inward Treaty & MMIP RM’000	Total RM’000
At the end of accident year		186,620	225,831	263,766	306,188	305,250	365,793	374,672	414,887			
One year later		180,150	230,691	287,094	304,546	321,371	387,191	354,538				
Two year later		185,253	236,992	285,594	301,801	338,804	366,325					
Three year later		190,062	239,424	286,459	312,101	333,835						
Four year later		180,248	243,010	295,974	308,993							
Five year later		182,067	243,573	285,661								
Six year later		181,760	245,813									
Seven year later		182,415										
Current estimate of accumulative claims incurred		182,415	245,813	285,661	308,993	333,835	366,325	354,538	414,887			
At the end of accident year		(48,873)	(83,144)	(106,496)	(122,194)	(125,538)	(155,715)	(165,530)	(150,304)			
One year later		(119,526)	(171,684)	(205,183)	(222,174)	(249,176)	(286,105)	(269,798)				
Two year later		(139,787)	(195,312)	(228,848)	(258,574)	(283,516)	(310,083)					
Three year later		(150,789)	(208,691)	(253,400)	(282,069)	(301,880)						
Four year later		(168,943)	(221,345)	(267,459)	(292,486)							
Five year later		(173,570)	(232,382)	(275,727)								
Six year later		(177,426)	(240,902)									
Seven year later		(178,998)										
Cumulative payments to-date		(178,998)	(240,902)	(275,727)	(292,486)	(301,880)	(310,083)	(269,798)	(150,304)			
Gross general insurance contract liabilities per Note 26(i)(a)(I)	7,116	3,417	4,911	9,934	16,507	31,955	56,242	84,740	264,583	479,405	7,501	486,915
Current estimate of surplus/(deficiency)		(181)	(430)	(1,819)	(2,428)	(5,397)	(13,337)	(2,868)				
% surplus/(deficiency) of initial case reserve		-8.0%	-12.3%	-25.5%	-18.5%	-21.1%	-31.8%	-3.5%				

54. INSURANCE BUSINESS (cont'd)

54.2 GENERAL INSURANCE BUSINESS (cont'd)

(c) General insurance contract liabilities (cont'd)

Net General Insurance Contract Liabilities for 2011

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		143,841	199,020	242,842	262,959	261,465	322,866	347,605	375,469			
One year later		137,581	201,788	249,008	264,314	293,286	341,821	333,223				
Two year later		142,992	208,668	258,309	263,664	309,197	331,083					
Three year later		145,667	213,962	249,074	271,696	309,952						
Four year later		147,639	213,797	256,040	273,036							
Five year later		148,793	215,168	257,388								
Six year later		149,247	216,600									
Seven year later		150,366										
Current estimate of accumulative claims incurred		150,366	216,600	257,388	273,036	309,952	331,083	333,223	375,469			
At the end of accident year		(44,509)	(77,035)	(98,616)	(113,276)	(116,697)	(146,557)	(157,275)	(141,356)			
One year later		(105,765)	(156,978)	(184,448)	(197,812)	(230,911)	(254,790)	(253,461)				
Two year later		(123,232)	(177,554)	(206,566)	(230,314)	(263,306)	(276,871)					
Three year later		(131,813)	(189,097)	(227,786)	(248,574)	(280,288)						
Four year later		(138,264)	(199,950)	(240,499)	(257,886)							
Five year later		(142,453)	(208,624)	(248,117)								
Six year later		(145,828)	(212,180)									
Seven year later		(147,294)										
Cumulative payments to-date		(147,294)	(212,180)	(248,117)	(257,886)	(280,288)	(276,871)	(253,461)	(141,356)			
Gross general insurance contract												
liabilities per Note 26(i)(a)(I)	1,317	3,072	4,420	9,271	15,150	29,664	54,212	79,762	234,113	430,981	7,337	438,318
Current estimate of surplus/(deficiency)		(249)	(521)	(1,971)	(2,688)	(6,290)	(14,660)	(4,688)				
% surplus/(deficiency) of initial case reserve		-12.8%	-17.3%	-30.7%	-23.2%	-28.0%	-37.9%	-6.3%				

54. INSURANCE BUSINESS (cont'd)

54.3 LIFE INSURANCE BUSINESS

The state of affairs as at 31 March 2011 and the results for the financial year ended 31 March 2011 under the life business liabilities and life policyholders' fund of AmLife Insurance Berhad (formerly known as AmAssurance Berhad), are summarised as follows:

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

ASSETS	2011 RM'000	2010 RM'000
Cash and short-term funds	37,288	15,095
Securities purchased under resale agreements	257,542	218,912
Deposits and placements with banks and other financial institutions	121,686	128,072
Financial assets held-for-trading	5,956	-
Financial investments available-for-sale	1,009,017	882,955
Financial investments held-to-maturity	617,716	563,825
Loans, advances and financing	115,983	109,643
Other assets	304,754	320,998
Investment properties	90,245	84,193
Property and equipment	36,247	34,955
Intangible assets	38,404	24,055
TOTAL ASSETS	**2,634,838**	**2,382,703**
LIABILITIES AND POLICYHOLDERS' FUND		
Deferred tax liabilities	-	249
Other liabilities	174,393	200,108
Life policyholders' fund	2,460,445	2,182,346
TOTAL LIABILITIES AND POLICYHOLDERS' FUND	**2,634,838**	**2,382,703**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	2011 RM'000	2010 RM'000
Operating revenue	762,843	767,522
Interest income	105,808	91,308
Writeback of losses on loans and financing	-	1
Impairment writeback/(loss) sundry receivables	688	(362)
	106,496	90,947
Net premium investment and other income	656,347	676,575
Net income	762,843	767,522
Other operating expenses and transfer to policyholders' funds	(698,043)	(731,522)
Transfer to shareholders' funds	64,800	36,000

54. INSURANCE BUSINESS (cont'd)

54.3 LIFE INSURANCE BUSINESS (cont'd)

(a) Reinsurance assets

	2011 RM'000	2010 RM'000
Reinsurance of insurance contracts	60,954	18,425

The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

During the year, the life insurance business entered into reinsurance arrangements which resulted in profits on inception of RM752,000. This profit has been reflected in the income statements.

(b) Insurance receivables

	2011 RM'000	2010 RM'000
Due premiums including agents/brokers and co-insurers balances	21,152	21,418
Allowance for impairment	(313)	(984)
	20,839	**20,434**

(c) Insurance contract liabilities

2011 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	2,521,399	(60,954)	2,460,445
The life insurance contract liabilities and its movements are further analysed as follows:			
Actuarial liabilities	1,812,950	(60,954)	1,751,996
Unallocated surplus	388,988	-	388,988
Available-for-sale fair value reserves	21,823	-	21,823
Net assets value attributable to unitholders	297,638	-	297,638
	2,521,399	**(60,954)**	**2,460,445**

54. INSURANCE BUSINESS (cont'd)

54.3 LIFE INSURANCE BUSINESS (cont'd)

(c) Insurance contract liabilities (cont'd)

2010 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	2,200,771	(18,425)	2,182,346
The life insurance contract liabilities and its movements are further analysed as follows:			
Actuarial liabilities	1,525,344	(18,425)	1,506,919
Unallocated surplus	401,121	-	401,121
Available-for-sale fair value reserves	7,263	-	7,263
Net assets value attributable to unitholders	267,043	-	267,043
	2,200,771	**(18,425)**	**2,182,346**
At 31 March 2010	2,200,771	(18,425)	2,182,346
Premiums received	184,974	(30,684)	154,290
Liabilities paid for death,maturities, surrenders, benefits and claims	26,913	4,292	31,205
Benefits and claims experience variation	(40,838)	27,934	(12,904)
Adjustments due to changes in assumptions:			
Mortality/morbidity	128,014	(43,667)	84,347
Expenses	5,696	-	5,696
Lapse and surrender rates	9,016	(330)	8,686
Discount rate	5,686	(74)	5,612
Unallocated surplus	(20,656)	-	(20,656)
Deferred tax effects:			
Available-for-sale fair value reserves	21,823	-	21,823
At 31 March 2011	**2,521,399**	**(60,954)**	**2,460,445**

54. INSURANCE BUSINESS (cont'd)

54.3 LIFE INSURANCE BUSINESS (cont'd)

(d) Insurance payable

	2011 RM'000	2010 RM'000
Due to agents and intermediaries	5,544	11,149
Due to reinsurers and cedants	6,229	2,188
	11,773	**13,337**

The carrying amounts disclosed above approximate fair value at the reporting date.

All amounts are payable within one year.

(e) Net earned premium

	2011 RM'000	2010 RM'000
Gross Premiums - insurance contract	647,892	586,505
Premiums ceded - insurance contract	(38,920)	(35,791)
Net Earned Premiums	**608,972**	**550,714**

(f) Net benefit and claims

	2011 RM'000	2010 RM'000
Gross Benefits and Claims Paid - insurance contracts	(243,198)	(130,291)
Claims Ceded to Reinsurers - insurance contracts	25,549	361
Change in Contract Liabilities - insurance contracts	(277,972)	(300,500)
Change in Contract Liabilities Ceded to Reinsurers - insurance contracts	-	5,350
	(495,621)	**(425,080)**

54.4(a) Group Credit Quality By Class of Financial Assets

The Insurance Business 2011	Neither past due nor impaired									
	Strong credit profile RM'000	Satisfactory risk RM'000	Sub - standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Gross amount Individually impaired RM'000	Individual Allowance RM'000	Fair value of collateral for past due and impaired accounts RM'000
Financial investments available-for-sale	**763,758**	**-**	**-**	**122,730**	**-**	**-**	**886,488**	**-**	**-**	**-**
Money Market Securities	80,000	-	-	10,478	-	-	90,478	-	-	-
Unquoted Private Debt Securities	614,267	-	-	-	-	-	614,267	-	-	-
Unquoted Guranteed Private Debt Securities	69,491	-	-	112,252	-	-	181,743	-	-	-
Financial investments held-to-maturity	**-**	**-**	**-**	**10,000**	**-**	**-**	**10,000**	**-**	**-**	**-**
Unquoted Guranteed Private Debt Securities	-	-	-	10,000	-	-	10,000	-	-	-
Gross loans, advances and financing before deduction of loans sold to Cagamas	**-**	**2,958**	**-**	**-**	**-**	**-**	**2,958**	**-**	**-**	**-**
Hire purchase	-	753	-	-	-	-	753	-	-	-
Housing loans	-	2,205	-	-	-	-	2,205	-	-	-
	763,758	2,958	-	132,730	-	-	899,446	-	-	-

54.4(b) Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

The Insurance Business 2011	1 year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	>15 years RM'000	No maturity specified RM'000	Total RM'000
Financial Assets							
Cash and short-term funds	52,032	-	-	-	-	105	52,137
Deposits and placements with banks and other financial institutions	268,378	-	-	-	-	-	268,378
Financial assets held-for-trading	-	-	-	-	-	4,655	4,655
Financial investments available-for-sale	233,606	287,665	408,159	111,034	-	44,190	1,084,654
Financial investments held-to-maturity	385	10,770	-	-	-	-	11,155
Loans, advances and financing	324	629	482	1,192	333	-	2,960
Total Undiscounted Financial Assets	**554,725**	**299,064**	**408,641**	**112,226**	**333**	**48,950**	**1,423,939**
Net Undiscounted Financial Assets/ (Liabilities)	**554,725**	**299,064**	**408,641**	**112,226**	**333**	**48,950**	**1,423,939**

55. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB Holdings Berhad ("AMMB") are managed collectively at group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 5 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its statement of financial position, commitment and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"), which is responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. These ranges are 7.5 per cent to 8.5 per cent for the Tier 1 capital ratio and 11.5 per cent to 12.5 per cent for the total capital ratio. The Group has been (knowingly) operating in excess of these ranges for the last 3 years as the Group was conservatively positioned for any repercussions from the Global Financial Crisis.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

In light of the uncertain economic environment and evolving regulatory debate on banking institutions' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

55. CAPITAL MANAGEMENT (cont'd)

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the Company and its subsidiaries when due.

(a) Capital adequacy ratios

The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma the Group view are as follows:

	2011			
	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
Core capital ratio	10.0%	8.0%	24.7%	10.2%
Risk weighted capital ratio	14.8%	12.5%	24.7%	14.4%
After deducting proposed dividends:				
Core capital ratio	9.5%	8.0%	21.7%	9.8%
Risk weighted capital ratio	14.4%	12.5%	21.7%	14.0%

	2010			
	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
Core capital ratio	11.0%	10.5%	28.3%	10.3%
Risk weighted capital ratio	15.3%	15.3%	30.1%	15.8%
After deducting proposed dividends:				
Core capital ratio	10.4%	10.5%	25.5%	9.8%
Risk weighted capital ratio	14.8%	15.3%	27.3%	15.3%

* Notes:

- The banking subsidiaries of the Company to which the Risk Weighted Capital Adequacy Framework ("RWCAF") apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank") - which offers Islamic banking services.

- The capital adequacy ratios are computed in accordance with BNM's Risk Weighted Capital Adequacy Framework or Risk Weighted Capital Adequacy Framework for Islamic Banks (as applicable), which are based on the Basel II capital accord. Each entity has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk.

- The minimum regulatory capital adequacy requirement is 8.0% for the risk weighted capital ratio.

- Group* figures presented in this Report represent an **aggregation** of the consolidated capital positions and risk weighted assets ("RWA") of our regulated banking institutions. The consolidated positions of each entity are published at www.ambankgroup.com.

- The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank (M) Bhd and its wholly-owned offshore banking subsidiary company, AmInternational (L) Ltd ("AMIL").

55. CAPITAL MANAGEMENT (cont'd)

(b) The aggregated components of Tier 1 and Tier 2 Capital of the Group are as follows:

	2011			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
Tier 1 Capital				
Paid-up ordinary share capital	670,364	403,038	200,000	1,273,402
Share premium	942,844	534,068	-	1,476,912
Statutory reserve	680,459	304,316	200,000	1,184,775
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	(709)	-	-	25,998
Irredeemable non-cumulative convertible preference shares	150,000	-	-	150,000
Innovative Tier 1 capital	925,373	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	2,684,567	162,515	130,227	2,988,249
Minority interests	-	-	-	50
Total	6,601,414	1,403,937	530,227	8,893,473
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(432,260)	(116,298)	(19,477)	(568,228)
Total Tier 1 Capital	6,169,154	1,287,639	510,750	8,314,002
Less: Deduction in excess of allowable Tier 2 capital	-	-	(103,707)	(15,476)
Maximum Allowable Tier 1 Capital	6,169,154	1,287,639	407,043	8,298,526
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	-	400,000
Innovative Tier 1 capital	309,727	-	-	-
Collective allowance for bad and doubtful debts#	1,161,406	324,004	8,362	1,498,773
Total Tier 2 Capital	3,028,933	724,004	8,362	3,456,573
Total Capital Funds	9,198,087	2,011,643	415,405	11,755,099
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(18,672)	-	(23,838)	(42,510)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	103,707	15,476
Capital Base	**9,146,635**	**2,011,643**	**407,043**	**11,695,296**

Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM636,830,000.

The risk weighted assets of the Group are derived by aggregating the risk weighted assets of the banking subsidiaries. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

Credit risk	55,732,987	14,379,718	1,219,262	71,745,357
Market risk	2,242,197	459,864	9,729	2,718,904
Operational risk	3,997,167	1,209,490	416,225	6,890,899
Total Risk Weighted Assets	**61,972,351**	**16,049,072**	**1,645,216**	**81,355,160**

55. CAPITAL MANAGEMENT (cont'd)

	2010			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
Tier 1 Capital				
Paid-up ordinary share capital	670,364	403,038	200,000	870,364
Share premium	942,844	534,068	-	942,844
Statutory reserve	680,459	265,169	200,000	1,145,628
Capital reserve	-	-	-	380,307
Merger reserve	-	-	-	405,222
Exchange fluctuation reserve	9,470	-	-	24,232
Irredeemable non-cumulative convertible preference shares	150,000	-	-	150,000
Innovative Tier 1 capital	921,431	-	-	1,011,446
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	2,498,526	133,719	113,874	2,136,056
Total	6,373,094	1,335,994	513,874	7,566,099
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(231,088)	(42,218)	(4,556)	(278,176)
Total Tier 1 Capital	6,142,006	1,293,776	509,318	7,276,680
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	135,000	535,000
Exchangeable bonds	575,000	-	-	575,000
Innovative Tier 1 capital	313,669	-	-	223,654
General allowance for bad and doubtful debts	808,631	184,803	9,768	1,007,509
Total Tier 2 Capital	3,255,100	584,803	144,768	3,898,963
Total Capital Funds	9,397,106	1,878,579	654,086	11,175,643
Less: Investment in subsidiaries	(816,850)	-	(88,231)	(32,779)
Investment in capital of related financial institutions and other deduction	(50)	-	(24,448)	(24,498)
Capital Base	**8,580,206**	**1,878,579**	**541,407**	**11,118,366**

The risk weighted assets of the Group are derived by aggregating the risk weighted assets of the banking subsidiaries. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

Credit risk	50,564,550	10,740,202	1,287,199	62,993,068
Market risk	1,584,871	456,330	148,564	2,189,913
Operational risk	3,783,839	1,090,009	364,560	5,305,721
Large exposure risk requirements for equity holdings	5,203	-	-	5,203
Total Risk Weighted Assets	**55,938,463**	**12,286,541**	**1,800,323**	**70,493,905**

56. SIGNIFICANT EVENTS

1. AmG Insurance Berhad ("AmG") has on 10 November 2008 entered into a non-binding memorandum of understanding ("MOU") with MAA Holdings Berhad and Malaysian Assurance Alliance Berhad (MAA) in respect of the proposed acquisitions of:

   (i) the general insurance business of MAA at a headline price (subject to adjustments) of RM274.8 million (subsequently revised to RM254.8 million), and
   (ii) a 4.9% equity stake in MAA Takaful Berhad at a consideration of RM16.2 million, equivalent to RM3.30 per share.

   On 17 November 2009, the Company announced the following in relation to the above proposed acquisitions:

   (i) to proceed with the proposed acquisition of general insurance business of MAA on a standalone basis and the proposed acquisition of 4.9% equity stake in MAA Takaful Berhad will no longer pursued, and
   (ii) revision of headline price for the proposed acquisition of general insurance business of MAA to RM180.0 million (subject to adjustments).

   The Bank Negara Malaysia has vide its letter of 5 January 2010 approved the acquisition of general insurance business of MAA.

   On 16 December 2010, the Company announced that AmG and MAA have mutually agreed to discontinue discussion in respect of acquisition of general insurance business of MAA.

2. In relation to the intra-group transfers of subsidiaries for the formation of Capital Market Group and Asset Management Group as proposed in previous financial years, the intra-group transfer of domestic subsidiaries has been completed during the preceding financial year. The intra-group transfer involving PT. AmCapital Indonesia, the Group's Indonesian subsidiary, which is licensed to undertake stockbroking, underwriting and investment management activities, is subject to obtaining the approval of Badan Pengawas Pasar Modal dan Lembaga Keuangan, the Indonesian securities regulatory authority.

   Further to the intra-group transfers of domestic subsidiaries, AmInvestment Group Berhad (a wholly owned subsidiary of the Company) has on 1 April 2010 performed an internal transfer of 100% equity interest in AmInvestment Bank Berhad to the Company for a cash consideration based on book value.

3. During the financial year, the trustee of the executives' share scheme ("ESS") had purchased 6,234,700 of the Company's issued ordinary shares from the open market at an average price of RM5.05 per share. The total consideration paid for the purchase including transaction costs amounted to RM31,496,599.

   As at 31 March 2011, the trustee of the ESS held 11,620,000 ordinary shares (net of ESS shares vested to employees) representing 0.39% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM48,686,818.

4. During the reporting period, the Company announced the striking-off of non-operating subsidiary, Natprop Sdn Bhd (a wholly owned subsidiary of AmBank (M) Berhad which in turn is a wholly owned subsidiary of the Group) from the Registrar of Companies Commission of Malaysia and be dissolved pursuant to Section 308 of the Companies Act, 1965 with effect from 7 September 2010.

5. On 6 July 2010, the Company announced that its subsidiary AmIslamic Bank Berhad ("AmIslamic") has obtained approval of the Securities Commission vide its letter dated 2 July 2010, for the issuance of up to RM3.0 billion senior Islamic securities ("Senior Sukuk") under a senior sukuk issuance programme ("Senior Sukuk Musyarakah Programme").

   The Senior Sukuk Musyarakah Programme has a tenor of up to thirty years from the date of first issuance of the Senior Sukuk. Each tranche of Senior Sukuk to be issued will have a tenor of one year and up to ten years.

6. On 1 September 2010, the Company announced that it has received Bank Negara Malaysia's approval for the joint application with Friends Provident Group plc ("FP Group"), the Company's joint venture partner in the life insurance business of AmLife Insurance Berhad, for a new family takaful licence under the Takaful Act 1984.

   On 27 January 2011, the Company announced incorporation of AmFamily Takaful Berhad that undertake family takaful business, which is similar to the joint venture in AmLife, be held by:

   - the Company, through its wholly owned insurance holding company AMAB Holdings Sdn Bhd with a 70% equity interest; and
   - FP Group, through its wholly owned subsidiary Friends Provident Ltd with a 30% equity interest.

7. The Company has on 21 February 2011 announced a proposed acquisition of entire equity interest in AmIslamic Bank Berhad from its wholly owned subsidiary, AmBank (M) Berhad, and the propose acquisition has been completed on 28 February 2011.

   The acquisition was part of the Group's ongoing capital management strategy that enables the Group to address impact from introduction of Basel 3 capital regulation and streamline the Group shareholding structure for better capital deployment.

57. SUBSEQUENT EVENTS

1. The High Court had on 28 March 2011 confirmed a reduction of ordinary share capital of a subsidiary of the Company, AmInvestment Group Berhad ("AIGB"). Consequently, AIGB had on 1 April 2011 effected a capital reduction of ordinary share capital of 639,658,000 of RM1.00 each, amounting to RM639,658,000.

58. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES

(1) Change in Accounting Policies

The adoption of new and revised FRSs during the financial year have resulted in changes to the following accounting policies:

(i) FRS 4, Insurance Contracts
(ii) FRS 139, Financial Instruments: Recognition and Measurement
(iii) IC Interpretation 9, Reassessment of Embedded Derivatives
(iv) Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
- Reclassification of Financial Assets
- Puttable Financial Instruments and Obligations Arising on Liquidation

(v) Amendments to FRS 139, Financial Instruments: Recognition and Measurement
- Collective Assessment of Impairment for Banking Institutions

(vi) IC Interpretation 13, Customer Loyalty Programmes

(2) Restatement of comparatives

(i) FRS 101, Presentation of Financial Statements

Following the adoption of FRS 101 (revised), all non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are no longer presented in the statement of changes in equity.

(ii) FRS 7, Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period results in more extensive disclosures of financial instruments in the annual financial statements. The standard also requires disclosure of the statements of financial position, income statements and statements of comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Group, as the current presentation is already made by categories of financial assets and liabilities.

(iii) FRS 117, Leases

The adoption of FRS 117 during the financial period resulted in the reclassification of all leasehold land of the Group which are in substance finance leases, to Property and Equipment.

(iv) IC Interpretation 13, Customer Loyalty Programmes

The adoption of IC 13 had resulted in the set-off of customer loyalty programme expenses with fee income instead of interest income as previously presented.

The following comparative figures have been restated to conform with current year's presentation:

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
Statement of Financial Position as at 31 March 2010			
Prepaid land lease payments	6,350	(6,350)	-
Property and equipment	229,549	6,350	235,899
Deferred tax liabilities	-	8,582	8,582
Other liabilities	3,486,533	(8,582)	3,477,951
Income Statement for the financial year ended 31 March 2010			
Interest income	3,614,842	9,177	3,624,019
Interest expense	(1,728,239)	(2,228)	(1,730,467)
Net interest income	1,886,603	6,949	1,893,552
Other operating income	791,983	(6,949)	785,034

58. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES (cont'd)

(3) Restatements of opening balances arising from adoption of FRS 139 Financial Instruments: Recognition and Measurement to Statement of Financial Position are as follows:

Group	At 1 April 2010 (as previously reported) RM'000	Reclassification and Remeasurement RM'000	At 1 April 2010 (as restated) RM'000
ASSETS			
Cash and short-term funds	11,627,452	-	11,627,452
Securities purchased under resale agreements	16,992	-	16,992
Deposits and placements with banks and other financial institutions	1,831,505	-	1,831,505
Derivative financial assets	343,643	-	343,643
Financial assets held-for-trading	1,713,441	(3,209)	1,710,232
Financial investments available-for-sale	9,093,856	340,700	9,434,556
Financial investments held-to-maturity	562,743	(350,981)	211,762
Loans, advances and financing	64,425,920	(173,448)	64,252,472
Other assets	1,988,973	3,786	1,992,759
Statutory deposits with Bank Negara Malaysia	167,623	-	167,623
Deferred tax assets	262,760	79,118	341,878
Investment in associate and jointly controlled entity	1,301	-	1,301
Property and equipment	235,899	-	235,899
Life fund assets	2,382,703	-	2,382,703
Intangible assets	1,825,492	-	1,825,492
TOTAL ASSETS	**96,480,303**	**(104,034)**	**96,376,269**
LIABILITIES AND EQUITY			
Deposits and placements of banks and other financial institutions	4,315,276	-	4,315,276
Recourse obligation on loans sold to Cagamas Berhad	135,689	-	135,689
Derivative financial liabilities	392,977	-	392,977
Deposits from customers	68,874,112	-	68,874,112
Term funding	1,902,107	-	1,902,107
Bills and acceptances payable	1,399,572	-	1,399,572
Debt capital	3,747,347	-	3,747,347
Deferred tax liabilities	8,582	-	8,582
Other liabilities	3,477,951	104,354	3,582,305
Life fund liabilities	200,357	-	200,357
Life policyholder's funds	2,182,346	-	2,182,346
TOTAL LIABILITIES	**86,636,316**	**104,354**	**86,740,670**
Share capital	3,014,185		3,014,185
Reserves	6,623,528	(214,264)	6,409,264
Equity attributable to equity holders of the Company	9,637,713	(214,264)	9,423,449
Minority interests	206,274	5,876	212,150
Total Equity	**9,843,987**	**(208,388)**	**9,635,599**
TOTAL LIABILITIES AND EQUITY	**96,480,303**	**(104,034)**	**96,376,269**

58. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES (cont'd)

(4) Impact of adopting FRS139 in the financial statements during the year are as follows:

	Increase/(decrease) Group RM'000
STATEMENT OF FINANCIAL POSITION	
Financial assets held-for-trading	(5,225)
Financial investments available-for-sale	(12,760)
Loans, advances and financing	(563,855)
Deferred tax assets	165,200
Deferred tax liabilities	369
Other liabilities	43,889
Reserves	(460,898)
INCOME STATEMENT	
Interest income	(13,457)
Other operating income	(3,996)
Allowances for impairment on loans and financing	549,582
Impairment	29,746
Profit before taxation and zakat	(596,781)
Taxation and zakat	(149,218)
Profit after taxation and zakat	**(447,563)**
EARNINGS PER SHARE (SEN)	
Basic	(14.90)
Fully diluted	(14.90)
STATEMENT OF COMPREHENSIVE INCOME	
Other comprehensive income	
Net (loss)/gain on financial investments available-for-sale	(12,760)
Income tax relating to the components of other comprehensive income	3,190
Other comprehensive income for the year, net of tax	(11,782)
Total comprehensive income for the year	(459,345)

59. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2011 and the results for the year ended 31 March 2011 of the Islamic banking business of the Group and included in the financial statements, after elimination of intercompany transactions and balances, are summarised as follows:

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

		Group	
	Note	2011 RM'000	2010 RM'000
ASSETS			
Cash and short-term funds	ii	4,761,640	3,926,360
Deposits and placements with banks and other financial institutions	iii	250,000	150,000
Derivative financial assets		3,258	3,461
Financial assets held-for-trading	iv	991,136	350,934
Financial investments available-for-sale	v	715,937	907,930
Financing and advances	vi	13,247,076	11,758,678
Other receivables, deposits and prepayments		150,874	92,584
Statutory deposits with Bank Negara Malaysia		-	32,079
Deferred tax assets	xx	119,948	41,500
Property and equipment	vii	732	408
Intangible assets	viii	286	452
TOTAL ASSETS		**20,240,887**	**17,264,386**
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits and placements of banks and other financial institutions	ix	1,358,833	1,398,521
Derivative financial liabilities		3,254	3,458
Deposits from customers	x	15,242,321	13,395,919
Term funding	xi	550,000	-
Bills and acceptances payable		879,522	394,986
Subordinated Sukuk Musyarakah	25(c)	400,000	400,000
Deferred tax liabilities		-	8
Other liabilities	xii	291,281	229,166
TOTAL LIABILITIES		**18,725,211**	**15,822,058**
ISLAMIC BANKING FUNDS			
Share capital/Capital funds	xiii	435,877	435,877
Reserves		1,079,799	1,006,451
Islamic Banking Funds		1,515,676	1,442,328
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		**20,240,887**	**17,264,386**
COMMITMENTS AND CONTINGENCIES	**xxiv**	**7,736,063**	**4,255,836**

The accompanying notes form an integral part of the Islamic banking business financial statements.

59. ISLAMIC BANKING BUSINESS (cont'd)

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

		Group	
	Note	2011 RM'000	2010 RM'000
Income derived from investment of depositors' funds and others	xiv	1,025,679	885,817
Impairment writeback/(loss) on financial investments		4,218	(4,218)
Allowance for impairment on financing and advances	xv	(247,791)	(90,297)
(Provision)/Writeback for commitment and contingencies		(6,283)	12,713
Impairment loss for sundry debtors		(960)	-
Transfer from profit equalization reserve		42,444	12,858
Total attributable income		817,307	816,873
Income attributable to the depositors	xvi	(445,769)	(330,631)
Profit attributable to the Group		371,538	486,242
Income derived from Islamic Banking Funds	xvii	173,206	240,423
Total net income		544,744	726,665
Operating expenditure	xviii	(283,256)	(267,291)
Finance cost		(33,373)	(20,100)
Profit before taxation and zakat		228,115	439,274
Taxation and zakat	xix	(57,245)	(115,828)
Profit after taxation and zakat		**170,870**	**323,446**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Group	
	2011 RM'000	2010 RM'000
Profit after taxation and zakat	170,870	323,446
Other comprehensive (loss)/income:		
Net change in revaluation of financial investments available-for-sale	(4,043)	(9,006)
Exchange differences on translation offoreign operations	(401)	(637)
Income tax relating to the components of other comprehensive income	1,011	2,252
Other comprehensive loss for the year, net of tax	(3,433)	(7,391)
Total comprehensive income for the year	**167,437**	**316,055**

The accompanying notes form an integral part of the Islamic banking business financial statements.

59. ISLAMIC BANKING BUSINESS (cont'd)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Non-Distributable					Distributable	
Group	Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 April 2009	435,877	534,068	168,773	8,958	(63)	178,660	1,326,273
Profit for the year	-	-	-	-	-	323,446	323,446
Other comprehensive loss	-	-	-	(6,754)	(637)	-	(7,391)
Total comprehensive income/(loss)	-	-	-	(6,754)	(637)	323,446	316,055
Transfer from retained earnings	-	-	96,396	-	-	(96,396)	-
Dividend paid	-	-	-	-	-	(200,000)	(200,000)
At 31 March 2010	**435,877**	**534,068**	**265,169**	**2,204**	**(700)**	**205,710**	**1,442,328**
At 1 April 2010	435,877	534,068	265,169	2,204	(700)	205,710	1,442,328
Effect of adoption of FRS139	-	-	-	(5,444)	-	(48,744)	(54,188)
At 1 April 2010 (restated)	435,877	534,068	265,169	(3,240)	(700)	156,966	1,388,140
Profit for the year	-	-	-	-	-	170,870	170,870
Other comprehensive loss	-	-	-	(3,032)	(401)	-	(3,433)
Total comprehensive income/(loss)	-	-	-	(3,032)	(401)	170,870	167,437
Transfer from retained earnings	-	-	39,147	-	-	(39,147)	-
Dividend paid	-	-	-	-	-	(39,901)	(39,901)
At 31 March 2011	**435,877**	**534,068**	**304,316**	**(6,272)**	**(1,101)**	**248,788**	**1,515,676**

The accompanying notes form an integral part of the Islamic banking business financial statements.

59. ISLAMIC BANKING BUSINESS (cont'd)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	Group	
	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	228,115	439,274
Add/(less) adjustments for:		
Allowance for losses on loans and financing	305,508	123,161
Depreciation of property and equipment	224	157
Amortisation of computer software	174	166
Transfer from profit equalization reserve	(42,444)	(12,858)
Net gain from sale of financial assets held-for-trading	(6,130)	(2,952)
(Gain)/Loss on revaluation of financial assets held-for-trading	(253)	716
Operating profit before working capital changes	485,194	547,664
(Increase)/decrease in operating assets		
Deposit and placements with banks and otherfinancial institutions	(100,000)	(150,000)
Financial assets held-for-trading	(634,290)	(144,835)
Financing and advances	(1,852,557)	(2,071,363)
Other receivables, deposits and prepayments	(59,092)	13,398
Statutory deposits with Bank Negara Malaysia	32,079	54,000
Increase/(decrease) in operating liabilities		
Deposits from customers	1,846,402	3,240,530
Deposits and placements of banks and other financial institutions	(39,688)	(26,889)
Converted funds	-	(7,240)
Bills and acceptances payable	484,536	(217,581)
Senior notes	550,000	-
Other liabilities	44,919	7,035
Cash generated from operating activites	757,503	1,244,719
Taxation and zakat paid	(69,598)	(28,193)
Net cash generated from operating activites	687,905	1,216,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal/(Purchase) of securities - net	187,832	(308,679)
Purchase of property and equipment	(548)	(75)
Purchase of computer software	(8)	(53)
Net cash generated from/(used in) investing activities	187,276	(308,807)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(39,901)	(200,000)
Net cash used in financing activities	(39,901)	(200,000)
Net increase in cash and cash equivalents	835,280	707,719
Cash and cash equivalents at beginning of year	3,926,360	3,218,641
Cash and cash equivalents at end of year	4,761,640	3,926,360

The accompanying notes form an integral part of the Islamic banking financial statements.

59. ISLAMIC BANKING BUSINESS (cont'd)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisors

The Group's Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisors, Dr Amir Husin Mohd Nor, En. Adnan Bin Yusoff and Associate Professor Dr. Noor Naemah Abd. Rahman. The role and authority of the Shariah Advisors are as follows:

(a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.

(b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

Zakat Obligations

This represents business zakat. It is an obligatory amount payable by the Group to comply with the principles of Shariah. The Group does not pay zakat on behalf of the shareholders or depositors.

(ii) CASH AND SHORT-TERM FUNDS

	Group	
	2011 RM'000	2010 RM'000
Cash and bank balances	12,363	4,510
Money on call and deposits maturing within one month:		
Other financial institutions	4,749,277	3,921,850
	4,761,640	**3,926,360**

(iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2011 RM'000	2010 RM'000
Licensed banks	250,000	-
Other financial institutions	-	150,000
	250,000	**150,000**

(iv) FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2011 RM'000	2010 RM'000
At Fair Value		
Money Market Securities:		
Treasury bills	18,303	39,141
Malaysian Government Investment Certificates	549,821	189,911
Sukuk Bank Negara Malaysia	1,469	14,990
Bank Negara Malaysia Monetary Notes	179,241	48,716
	748,834	292,758
Unquoted Private Debt Securities:		
In Malaysia:		
Islamic corporate bonds	30,580	12,896
Islamic corporate notes	211,722	45,280
	242,302	58,176
Total	**991,136**	**350,934**

59. ISLAMIC BANKING BUSINESS (cont'd)

(v) FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2011 RM'000	2010 RM'000
At Fair Value		
Quoted Securities:		
In Malaysia:		
Corporate bonds	715,937	907,930

(vi) FINANCING AND ADVANCES

	Group	
	2011 RM'000	2010 RM'000
Islamic hire purchase, net of unearned income	6,958,739	6,386,002
Term financing and revolving credit facilities*	5,937,581	3,839,443
Claims on customer under acceptance credits	957,590	917,819
Credit card receivables	303,753	286,801
Trust receipts	89,747	69,009
Other financing	1,204,157	854,929
	15,451,567	12,354,003
Islamic financing sold to Cagamas Berhad	(1,700,034)	(345,738)
Gross financing and advances	13,751,533	12,008,265
Allowance for bad and doubtful debts and financing:		
Collective allowance	(479,010)	-
Individual allowance	(25,447)	-
General allowance	-	(184,803)
Specific allowance	-	(64,784)
	(504,457)	(249,587)
Net financing and advances	**13,247,076**	**11,758,678**

* Included in term loans and revolving credit of the Group as at 31 March 2011 are financing amounting to RM202,955,000 (31 March 2010: RM210,619,000) which are exempted from collective allowance by Bank Negara Malaysia.

Financing and advances analysed by concepts are as follows:

	Group	
	2011 RM'000	2010 RM'000
Al-Ijarah	5,623,929	6,271,747
Al-Bai' Bithaman Ajil	2,364,361	1,260,664
Al-Murabahah	1,271,257	1,033,047
Others	4,491,986	3,442,807
	13,751,533	**12,008,265**

The maturity structure of financing and advances are as follows:

	Group	
	2011 RM'000	2010 RM'000
Maturing within one year	3,090,124	1,982,230
One to three years	1,374,951	804,687
Three to five years	2,405,274	2,074,631
Over five years	6,881,184	7,146,717
	13,751,533	**12,008,265**

59. ISLAMIC BANKING BUSINESS (cont'd)

(vi) FINANCING AND ADVANCES (cont'd)

Gross financing and advances analysed by type of customers are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Individuals	8,093,551	8,519,544
Business enterprises	3,824,101	2,063,244
Small and medium industries	1,431,397	1,150,197
Government	260,385	210,619
Foreign entities	5,449	4,571
Other domestic entities	1,783	2,078
Non-bank financial institutions	134,867	58,012
	13,751,533	**12,008,265**

Financing and advances analysed by profit rate sensitivity are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Fixed rate:		
Housing finance	292,844	325,779
Hire purchase receivables	5,195,687	6,271,747
Others	5,010,842	4,360,448
Variable rate:		
Cost-plus	2,317,808	967,212
BLR-plus	934,352	83,079
	13,751,533	**12,008,265**

Gross financing and advances analysed by their sector are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Agriculture	136,324	112,353
Mining and quarrying	20,023	12,746
Manufacturing	1,456,937	948,257
Electricity, gas and water	216,324	203,262
Construction	922,841	311,351
Wholesale, retail trade, restaurant and hotel	497,651	478,520
Transport, storage and communication	764,120	299,988
Finance, insurance, real estate and business activities	1,168,643	496,301
Education and health	415,475	318,030
Household of which:	9,765,682	8,869,853
- purchase of residential properties	453,697	377,089
- purchase of transport vehicles	6,882,486	6,143,134
- others	2,429,499	2,349,630
Others	87,547	303,342
Less: Islamic financing sold to Cagamas Berhad	(1,700,034)	(345,738)
Gross financing and advances	**13,751,533**	**12,008,265**

59. ISLAMIC BANKING BUSINESS (cont'd)

(vi) FINANCING AND ADVANCES (cont'd)

Movements in impaired financing and advances are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Balance at beginning of year	182,232	239,637
Effect of adopting FRS139	9,662	-
Balance at beginning year (restated)	191,894	239,637
Impaired during the year	309,732	155,135
Reclassification to non-impaired financing	(56,861)	(54,810)
Recoveries	(34,476)	(21,151)
Amount written off	(89,871)	(136,579)
Balance at end of year	**320,418**	**182,232**
Impaired financing and advances as % of total financing and advances (including Islamic financing sold to Cagamas Berhad)	2.1%	1.5%

Impaired financing and advances analysed by sector are as follows:

	Group 2011 RM'000	Group 2010 RM'000
Agriculture	429	497
Mining and quarrying	106	20
Manufacturing	28,397	9,358
Electricity, gas and water	1	68
Construction	5,201	4,492
Wholesale, retail trade, restaurant and hotel	23,584	8,677
Transport, storage and communication	1,714	839
Finance, insurance, real estate and business activities	2,948	1,250
Education and health	1,834	539
Household of which:	256,119	156,492
- purchase of residential properties	20,923	37,872
- purchase of transport vehicles	98,508	104,474
- others	136,688	14,146
Others	85	-
Impaired financing and advances	**320,418**	**182,232**

59. ISLAMIC BANKING BUSINESS (cont'd)

(vi) FINANCING AND ADVANCES (cont'd)

Movements in allowances for bad and doubtful financing accounts are as follows:

	Group	
	2011 RM'000	2010 RM'000
Collective allowance		
Balance at beginning of year	-	-
Effect of adopting FRS 139	287,844	-
Balance at beginning of year (restated)	287,844	-
Allowance made during the year	281,169	-
Amount written off	(90,003)	-
Balance at end of year	**479,010**	**-**
% of total financing and advances (including Islamic financing sold to Cagamas Berhad) less individual allowance	3.1%	-
Individual allowance		
Balance at beginning of year	-	-
Effect of adopting FRS 139	1,108	-
Balance at beginning of year (restated)	1,108	-
Allowance made during the year	24,339	-
Balance at end of year	**25,447**	**-**
General Allowance		
Balance at beginning of year	184,803	166,508
Effect of adopting FRS 139	(184,803)	-
Balance at beginning of year (restated)	-	166,508
Allowance made during the year	-	18,295
Balance at end of year	**-**	**184,803**
% of total financing and advances (including Islamic financing sold to Cagamas Berhad) less specific allowance	-	1.5%
Specific Allowance		
Balance at beginning of year	64,784	99,053
Effect of adopting FRS 139	(64,784)	-
Balance at beginning of year (restated)	-	99,053
Allowance made during the year	-	149,764
Amount written back in respect of recoveries	-	(44,898)
Net charge to income statement	-	104,866
Amount written off/Adjustment to Asset Deficiency Account	-	(139,135)
Balance at end of year	**-**	**64,784**

59. ISLAMIC BANKING BUSINESS (cont'd)

(vii) PROPERTY AND EQUIPMENT

Group	Motor vehicles RM'000	Leasehold Improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2011					
COST					
At beginning of year	-	349	421	194	964
Addition	455	61	25	7	548
Writeback/Disposal/Reduction	-	-	9	-	9
At end of year	455	410	455	201	1,521
ACCUMULATED DEPRECIATION					
At beginning of year	-	199	257	100	556
Depreciation for the year	42	74	85	23	224
Writeback/Disposal/Reduction	-	-	9	-	9
At end of year	42	273	351	123	789
NET BOOK VALUE					
As at 31 March 2011	413	137	104	78	732
2010					
COST					
At beginning of year	-	286	413	272	971
Addition	-	63	11	1	75
Reclassification/Transfers	-	-	(3)	(79)	(82)
At end of year	-	349	421	194	964
ACCUMULATED DEPRECIATION					
At beginning of year	-	148	179	155	482
Depreciation for the year	-	51	81	25	157
Reclassification/Transfers	-	-	(3)	(80)	(83)
At end of year	-	199	257	100	556
NET BOOK VALUE					
As at 31 March 2010	-	150	164	94	408

(viii) INTANGIBLE ASSETS

Computer Software

	Group 2011 RM'000	Group 2010 RM'000
COST		
At beginning of year	866	813
Additions	8	53
At end of year	874	866
ACCUMULATED AMORTISATION		
At beginning of year	414	248
Amortisation for the year	174	166
At end of year	588	414
NET CARRYING AMOUNT	**286**	**452**

59. ISLAMIC BANKING BUSINESS (cont'd)

(ix) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

Computer Software

	Group	
	2011 RM'000	2010 RM'000
Mudarabah Fund:		
Other financial institutions	381,376	604,594
Licensed investment/merchant banks	157	152
Non-Mudarabah Fund:		
Licensed investment/merchant banks	8,039	2,669
Other financial institutions	142,647	48,158
Licensed banks	811,398	450,363
Licensed islamic banks	-	289,762
Bank Negara Malaysia	15,216	2,823
	1,358,833	**1,398,521**

(x) DEPOSITS FROM CUSTOMERS

Computer Software

	Group	
	2011 RM'000	2010 RM'000
Mudarabah Fund:		
Demand deposits	11,286	7,322
Saving deposits	4,617	8,239
General Investment deposits	12,577,770	11,086,851
Structured deposits	111,162	78,570
	12,704,835	11,180,982
Non-Mudarabah Fund:		
Demand deposits	1,166,547	903,437
Saving deposits	1,335,281	1,146,174
Negotiable Islamic debt certificates	13,168	155,782
Other deposits	22,490	9,544
	2,537,486	2,214,937
	15,242,321	**13,395,919**

The maturity structure of deposits from customers is as follows:

	Group	
	2011 RM'000	2010 RM'000
Due within six months	14,118,008	12,688,967
Six months to one year	720,194	411,653
One to three years	190,603	232,968
Three to five years	213,516	62,331
	15,242,321	**13,395,919**

59. ISLAMIC BANKING BUSINESS (cont'd)

(x) DEPOSITS FROM CUSTOMERS (cont'd)

The deposits are sourced from the following types of customers:

	Group	
	2011 RM'000	2010 RM'000
Business enterprises	6,520,937	6,161,423
Government and statutory bodies	5,881,071	4,745,630
Individuals	2,532,779	2,171,919
Others	307,534	316,947
	15,242,321	**13,395,919**

(xi) TERM FUNDING

AmIslamic Bank during the current financial year had issued RM550 million senior sukuk under its programmes of up to RM3 billion in nominal value. The senior sukuk bears profit rate at 4.3% per annum and has a tenor of seven years. The RM3.0 billion Senior Sukuk Musyarakah Programme was assigned a rating of AA3/Stable by RAM.

(xii) OTHER LIABILITIES

	Group	
	2011 RM'000	2010 RM'000
Other payables and accruals	188,297	134,589
Taxation and zakat payable	83,232	35,537
Amount due from head office	-	(613)
Lease deposits and advance rentals	12,898	10,355
Profit equalisation reserve	6,854	49,298
	291,281	**229,166**

The movements in profit equalisation reserve are as follows:

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of year	49,298	62,162
Transfer to income statements	(42,444)	(12,858)
Exchange fluctuation adjustments	-	(6)
Balance at end of year	**6,854**	**49,298**

(xiii) CAPITAL FUNDS

	Group	
	2011 RM'000	2010 RM'000
Allocated:		
Balance at beginning and end of year	563,381	563,381
Utilised:		
Balance at beginning and end of year	435,877	435,877

59. ISLAMIC BANKING BUSINESS (cont'd)

(xiv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	2011 RM'000	2010 RM'000
Income derived from investment of:		
(i) General investment deposits	685,779	647,960
(ii) Specific investment deposits	-	25
(iii) Other deposits	339,900	237,832
	1,025,679	**885,817**

(i) Income derived from investment of general investment deposits:

	Group	
	2011 RM'000	2010 RM'000
Finance income and hibah:		
Financing and advances	562,877	554,540
Financial assets held-for-trading	12,147	3,317
Financing income on impaired financing	243	-
Money at call and deposits with financial institutions	75,395	57,112
	650,662	614,969
Accretion of discount	-	1,970
	650,662	616,939
Net gain from sale of financial assets held-for-trading	4,099	1,896
Gain/(Loss) on revaluation of financial assets held-for-trading	169	(460)
Foreign exchange	(122)	-
Others	4	(33)
	4,150	1,403
Fee and commission income:		
Commission	5,641	5,819
Other fee income	25,326	23,799
	30,967	29,618
Total	**685,779**	**647,960**

(ii) Income derived from investment of specific investment deposits:

	Group	
	2011 RM'000	2010 RM'000
Finance income and hibah:		
Financial investment held-to-maturity	-	25
	-	**25**

59. ISLAMIC BANKING BUSINESS (cont'd)

(xiv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (cont'd)

(iii) Income derived from investment of other deposits:

	Group	
	2011 RM'000	2010 RM'000
Finance income and hibah:		
Financing and advances	278,946	202,612
Financial assets held-for-trading	6,020	1,932
Financing income on impaired financing	120	559
Money at call and deposits with financial institutions	37,411	21,395
	322,497	226,498
Net gain from sale of financial assets held-for-trading	2,031	693
Gain/(Loss) on revaluation of financial assets held-for-trading	84	(168)
Foreign exchange	(61)	-
Others	2	(12)
	2,056	513
Fee and commission income:		
Commission	2,796	2,126
Other fee income	12,551	8,695
	15,347	10,821
Total	**339,900**	**237,832**

(xv) ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Group	
	2011 RM'000	2010 RM'000
Allowance for bad and doubtful financing:		
Individual allowance, net	24,339	-
Collective allowance	281,169	-
Specific allowance, net	-	104,866
General allowance	-	18,295
	305,508	123,161
Bad financing recovered	(57,717)	(32,864)
	247,791	**90,297**

59. ISLAMIC BANKING BUSINESS (cont'd)

(xvi) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group 2011 RM'000	Group 2010 RM'000
Deposits from customers:		
Mudarabah Fund	309,471	242,781
Non-Mudarabah Fund	25,925	25,565
Deposits and placements of banks and other financial institutions:		
Mudarabah Fund	10,334	13,036
Non-Mudarabah Fund	41,055	22,130
Converted fund	-	9
Others	58,984	27,110
	445,769	**330,631**

(xvii) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group 2011 RM'000	Group 2010 RM'000
Finance income and hibah:		
Financing and advances	112,394	106,280
Financial assets held-for-trading	-	636
Financial investments available-for-sale	19,084	19,823
Money at call and deposits with financial institutions	2,673	12,408
	134,151	139,147
Net gain from sale of financial assets held-for-trading	-	60,597
Net gain from sale of financial investments available-for-sale	6,741	4,665
Loss on revaluation of financial assets held-for-trading	-	(88)
Others	-	(7)
	6,741	65,167
Fee and commission income:		
Guarantee fees	-	2,437
Commission	6,413	2,596
Other fee income	25,901	31,076
	32,314	36,109
Total	**173,206**	**240,423**

59. ISLAMIC BANKING BUSINESS (cont'd)

(xviii) OPERATING EXPENDITURE

	Group 2011 RM'000	Group 2010 RM'000
Personnel costs	11,196	13,957
Establishment costs	1,554	1,303
Marketing and communication expenses	4,510	8,703
Administration and general expenses	265,996	243,328
	283,256	**267,291**

Included in the administration and general expenses above is shared service cost of RM262,204,000 (2010: RM239,815,000) in respect of the the Islamic Banking business of the Group.

(xix) TAXATION AND ZAKAT

	Group 2011 RM'000	Group 2010 RM'000
Estimated current tax payable	116,059	54,621
Transfer from deferred tax assets (Note xx)	(59,374)	59,937
Taxation	56,685	114,558
Zakat	560	1,270
Taxation and zakat	**57,245**	**115,828**

(xx) DEFERRED TAX ASSETS

	Group 2011 RM'000	Group 2010 RM'000
Balance at beginning of year	41,500	99,191
Effect of adopting FRS 139	18,063	-
	59,563	99,191
Net transfer to income statement	59,374	(59,937)
Recognised in equity	1,011	2,246
Balance at end of year	**119,948**	**41,500**
The deferred taxation is in respect of the following:		
Collective/General allowance for financing activites	142,254	46,201
Profit equalisation reserve	1,713	12,324
Temporary difference between depreciation and tax allowance	(120)	(147)
Temporary difference arising from unrealised loss on financial investments available-for-sale	-	(718)
Temporary difference recognised in equity	2,108	-
Others	(26,007)	(16,160)
	119,948	**41,500**

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxi) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

The estimated fair values of the Group Islamic banking business financial instruments are as follows:

Group	2011 Carrying Value RM'000	2011 Fair Value RM'000	2010 Carrying Value RM'000	2010 Fair Value RM'000
Financial Assets				
Cash and short-term funds	4,761,640	4,761,640	3,926,360	3,926,360
Deposits and placements with banks and otherfinancial institutions	250,000	250,000	150,000	150,000
Financial assets held-for-trading	991,136	991,136	350,934	350,934
Financial investments available-for-sale	715,937	715,937	907,930	907,930
Derivative financial assets	3,258	3,258	3,461	3,461
Financing and advances	13,247,076	13,248,159	11,758,678	11,990,225
	19,969,047	19,970,130	17,097,363	17,328,910
Financial Liabilities				
Deposits from customers	15,242,321	15,257,355	13,395,919	13,394,993
Deposits and placements of banks and other financial insitutions	1,358,833	1,256,379	1,398,521	1,409,353
Derivative financial liabilities	3,254	3,254	3,458	3,458
Bills and acceptances payable	879,522	879,522	394,986	394,986
Subordinated Sukuk Musyarakah	400,000	403,960	400,000	402,880
Term funding	550,000	558,085	-	-
	18,433,930	18,358,555	15,592,884	15,605,670

(xxii) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic banking business comprises the following items:

	Group 2011 RM'000	Group 2010 RM'000
Income derived from investment of depositors' funds and others	1,025,679	885,817
Less: Income attributable to depositors	(445,769)	(330,631)
Income attributable to the Group	579,910	555,186
Income derived from Islamic Banking Funds	173,206	240,423
Less: Finance cost	(33,373)	(20,100)
	719,743	**775,509**

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxiii) CAPITAL ADEQUACY RATIO

(a) The aggregated capital adequacy ratios under the Islamic banking business of the Group as at 31 March are as follows:

	Group	
	2011 RM'000	2010 RM'000
Before deducting proposed dividend:		
Core capital ratio	8.6%	11.1%
Risk-weighted capital ratio	13.1%	15.8%
After deducting proposed dividend:		
Core capital ratio	8.6%	11.1%
Risk-weighted capital ratio	13.1%	15.8%

The capital adequacy ratios of the Islamic banking business of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II) and the Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

(b) The aggregated components of Tier 1 and Tier 2 Capital of the Islamic banking business of the Group are as follows:

	Group	
	2011 RM'000	2010 RM'000
Tier 1 capital		
Paid-up ordinary share capital	435,877	435,877
Share premium	534,068	534,068
Statutory reserve	304,316	265,169
Retained earnings at end of year	248,788	205,710
Total Tier 1 capital	1,523,049	1,440,824
Less: Deferred tax assets - net	(117,840)	(42,218)
Total	1,405,209	1,398,606
Tier 2 capital		
Subordinated Sukuk Musyarakah	400,000	400,000
Collective/General allowance for bad and doubtful financing	324,004	184,803
Total Tier 2 capital	724,004	584,803
Capital base	**2,129,213**	**1,983,409**

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxiii) CAPITAL ADEQUACY RATIO (cont'd)

The breakdown of risk-weighted assets of the Islamic banking business of the Group in the various risk categories are as follows:

	Group	
	2011 RM'000	2010 RM'000
Credit risk	14,555,919	10,908,343
Market risk	459,864	456,330
Operational risk	1,287,912	1,186,863
	16,303,695	**12,551,536**

(xxiv) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic banking business of the Group make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2011, the commitments and contingencies outstanding are as follows:

Group	2011 Principal Amount RM'000	2010 Principal Amount RM'000
Commitments		
Irrevocable commitments to extend credit maturing:		
within one year	2,636,090	1,987,102
more than one year	1,520,857	160,507
Unutilised credit card line	464,251	447,639
Forward asset purchase	145,137	-
Sale and buy back agreements	-	306,538
	4,766,335	2,901,786
Contingent Liabilities		
Obligations under underwriting agreements	192,500	391,000
Certain transaction-related contingent items	413,461	130,228
Financing sold to Cagamas Bhd	1,589,790	335,852
Short-term self liquidating trade-related contingencies	148,770	90,357
Al-Kafalah guarantees	387,877	322,689
Others	14,804	8,424
	2,747,202	1,278,550
Derivative Financial Instruments		
Equity and commodity related contracts:		
Options		
- Over one year to five years	222,526	75,500
	7,736,063	**4,255,836**

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxv) RESTATEMENT OF COMPARATIVES

The adoption of new and revised FRSs during the financial year have resulted in changes to the accounting policies. Restatements of opening balances arising from adoption of FRS 139 Financial Instruments: Recognition and Measurement to Statement of Financial Position are as follows:

Group	At 1 April 2010 (as previously reported) RM'000	Reclassification and remeasurement RM'000	At 1 April 2010 (as restated) RM'000
Assets			
Cash and short-term funds	3,926,360	-	3,926,360
Deposits and placements with banks			
and other financial institutions	150,000	-	150,000
Derivative financial assets	3,461	-	3,461
Financial assets held-for-trading	350,934	(471)	350,463
Financial investments available-for-sale	907,930	(1,129)	906,801
Financing and advances	11,758,678	(58,652)	11,700,026
Other receivables, deposits and prepayments	92,584	-	92,584
Statutory deposits with Bank Negara Malaysia	32,079	-	32,079
Property and equipment	408	-	408
Deferred tax assets	41,500	18,063	59,563
Intangible assets	452	-	452
TOTAL ASSETS	**17,264,386**	**(42,189)**	**17,222,197**
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	13,395,919	-	13,395,919
Deposits and placements of banks			
and other financial institutions	1,398,521	-	1,398,521
Derivative financial liabilities	3,458	-	3,458
Bills and acceptances payable	394,986	-	394,986
Subordinated Sukuk Musyarakah	400,000	-	400,000
Deferred tax liabilities	8	-	8
Other liabilities	229,166	12,000	241,166
TOTAL LIABILITIES	**15,822,058**	**12,000**	**15,834,058**
ISLAMIC BANKING FUNDS			
Share capital/Capital funds	435,877	-	435,877
Reserves	1,006,451	(54,189)	952,262
Islamic Banking Funds	1,442,328	(54,189)	1,388,139
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	**17,264,386**	**(42,189)**	**17,222,197**

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxv) RESTATEMENT OF COMPARATIVES (cont'd)

Impact of adopting FRS139 in the financial statements during the year are as follows:

	Increase/ (decrease) RM'000
STATEMENT OF FINANCIAL POSITION	
Financial assets held-for-trading	(1,230)
Financial investments available-for-sale	(1,213)
Financing and advances	(75,444)
Deferred tax assets	52,583
Other liabilities	37,567
Reserves	(62,871)
INCOME STATEMENT	
Income derived from investment of depositors' funds and others	(6,623)
Income derived from Islamic Banking Funds	7,078
Allowance for losses on financing and advances	77,129
Provision for commitment and contingencies	5,941
Profit before taxation and zakat	(82,615)
Taxation and zakat	(20,654)
Profit after taxation and zakat	(61,961)
Basic/Diluted earnings per share (sen)	(14.22)
STATEMENT OF COMPREHENSIVE INCOME	
Net change in revaluation of financial investments available-for-sale	(1,213)
Income tax relating to the components of other comprehensive income	303
Other comprehensive loss for the year, net of tax	(910)
Total comprehensive income for the year	(62,871)

60. REALISED AND UNREALISED PROFITS OR LOSSES

In accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad, the breakdown of the retained earnings as at the end of the reporting period, into realised and unrealised profits or losses is as follows:

	Increase/(decrease) RM'000
Total retained earnings of the Group and its subsidiaries:	
- Realised	5,274,685
- Unrealised	851,554
Total share of retained earnings from associate:	
- Realised	1,101
Less: consolidation adjustments	(2,898,998)
Total group retained earnings as per consolidated accounts	3,228,342

Disclosure of the above is solely for complying with the disclosures requirements of Bursa Malaysia Securities Berhad Listing Requirements and should not be applied for any other purposes.