



AMMB Holdings Berhad  
Company Number 223035-V  
Incorporated In Malaysia

# Financial Statements 2007

Expressed In Ringgit Malaysia  
For The Year Ended 31 March 2007

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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of **AMMB HOLDINGS BERHAD** for the financial year ended 31 March 2007.

## PRINCIPAL ACTIVITIES

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

The subsidiary companies, as listed in Note 14 to the financial statements, provide a wide range of investment banking, commercial banking, retail financing and related financial services which also include the Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investments and unit trusts management.

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

## SIGNIFICANT EVENTS

- On 1 May 2006, Amlslamic Bank Berhad ("Amlslamic Bank") received its licence to transact Islamic banking business with immediate effect.

Pursuant to the vesting order of the High Court of Malaya dated 18 April 2006 under Origination Summons No. 04-22A-151-2006 and made pursuant to Section 50 of the Banking and Financial Institutions Act 1989, the Islamic Banking business of AmBank (M) Berhad ("AmBank") has been vested in Amlslamic Bank with effect from 1 May 2006. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of an issue of 250.0 million new ordinary shares of RM1.00 each on 28 April 2006 by Amlslamic Bank to AmBank at RM3.14 per share.

- On 20 December 2006, upon obtaining the necessary approvals from the shareholders' and the relevant authorities, the Company completed the following:
  - Disposal by AmBank of Menara AmBank to AmFIRST Real Estate Investment Trust ("AmFIRST REIT") for a total consideration of RM230.0 million and satisfied by the issuance of 230.0 million new units in AmFIRST REIT ("AmFIRST REIT units") at an issue price of RM1.00 per unit credited as fully paid-up. Subsequently, all the AmFIRST REIT units were transferred by AmBank to the Company for a cash consideration of RM230.0 million.
  - A renounceable restricted offer for sale by the Company of 85,222,493 AmFIRST REIT units at an offer price of RM1.00 per unit to the entitled shareholders of the Company on the basis of one (1) AmFIRST REIT unit for every twenty five (25) existing ordinary shares of RM1.00 each held in the Company of which RM0.85 per unit is paid in cash by the entitled shareholders of the Company and the remaining RM0.15 per unit is paid for in cash by the Company; and
  - An offer for sale by the Company of 144,777,507 AmFIRST REIT units at an offer price of RM1.00 per unit, by way of placement to institutional, selected investors and subsidiary companies.

The Restricted Offer For Sale and Offer For Sale forms part of the establishment and listing of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad and relate to the offer for sale by the Company of the AmFIRST REIT units arising from the disposal involving the sale of Menara AmBank to AmFIRST REIT by AmBank.

The entire AmFIRST REIT units were admitted to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for these units on the Main Board on 21 December 2006.

- On 19 May 2006, AmInvestment Bank Berhad ("AmInvestment Bank") (formerly known as AmMerchant Bank Berhad) entered into a Novation Agreement with Quanto Assets Berhad ("Quanto Assets") (formerly known as CLO Assets Berhad) and AmBank, whereby the RM460.0 million 10-year Unsecured Subordinated Term Loan ("SubLoan") to AmBank was novated to Quanto Assets. Quanto Assets has funded the acquisition of the SubLoan through the issuance of private debt securities in the debt capital market.

## Directors' Report (cont'd)

4. On 31 August 2006, AmInvestment Bank completed the acquisition of 6,599,592 ordinary shares of S\$1.00 each in Frasers International Pte Ltd ("FIPL"), representing 44.42% of the issued and paid-up share capital of FIPL not already owned by AmInvestment Bank, for an aggregate cash purchase consideration of S\$18,519,705, thus making it a 93.42%-owned subsidiary of AmInvestment Bank.

Further thereto, AmInvestment Bank had on 8 September 2006 completed the acquisition of the remaining 977,174 ordinary shares in FIPL, representing a 6.58% equity interest in FIPL, for an aggregate cash purchase consideration of S\$2,742,135, thereby making FIPL a wholly-owned subsidiary of AmInvestment Bank.

5. On 15 November 2006, Am ARA REIT Managers Sdn Bhd received approval from the Mayban Trustees Berhad ("Mayban Trustees"), the trustee of AmFIRST REIT, in relation to the proposed acquisition from Brem Holding Berhad a leasehold land held under lot no. PT5135, title no. H.S. (M) 8547, Mukim of Damansara, District of Petaling, State of Selangor, together with the buildings erected thereon and known as "Kelana Brem Towers" for a cash consideration of RM85.0 million ("Proposed Acquisition"). The Proposed Acquisition is conditional upon approvals being obtained from the State of Selangor Authority and other relevant authorities.
6. On 20 December 2006, AmBank prepaid the RM680.0 million loan facility to Astute Assets Berhad after obtaining the necessary approvals from Bank Negara Malaysia on 12 December 2006.
7. AmInvestment Group Berhad ("AIGB") had obtained all regulatory approvals and the vesting order of the High Court of Malaya for the transfer of the stock and share-broking operations of AmSecurities Sdn Bhd ("AmSecurities") to AmInvestment Bank, both wholly-owned subsidiaries of AIGB, in respect of the transformation of AmInvestment Bank to an investment bank (the "Business Transfer") pursuant to the guidelines of Bank Negara Malaysia and Securities Commission for the establishment of investment bank within a banking group.

Accordingly, on 3 March 2007, AmInvestment Bank completed the Business Transfer for a cash consideration of RM86.7 million based on the unaudited net tangible assets (save for certain non-transferable assets and liabilities) as at 2 March 2007 pursuant to the agreement dated 10 January 2007 entered into with AmSecurities.

8. On 21 November 2006, upon obtaining the approval from Bank Negara Malaysia, the Company entered into a Heads of Agreement ("HOA") with Australia and New Zealand Banking Group Limited ("ANZ") on 23 November 2006 in relation to the involvement of ANZ as an investor and partner of the Group which will be via a proposed equity participation by ANZ valued at RM1.075 billion as follows:-
- (a) Proposed issue of 163,934,426 converting preference shares ("CPS") of RM1.00 each by the Company to ANZ Funds Pte Ltd ("ANZ Funds"), a wholly-owned subsidiary company of ANZ at an issue price of RM3.05 per CPS which will convert into 163,934,426 new ordinary shares of RM1.00 each in the Company ("Proposed CPS Transaction"); and
- (b) Proposed issue of 188,524,590 new ordinary shares in the Company arising from the exchange of RM575,000,000 nominal value Ten (10) Year Unsecured Exchangeable Bonds ("EBs") arising from the proposed issue of the EBs by AmBank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in the Company at an exchange price of RM3.05 per share ("Proposed Exchangeable Bond Transaction").

The Proposed CPS Transaction and Proposed Exchangeable Bond Transaction are collectively referred to as the "Proposed Equity Participation".

Concurrently with the Proposed Equity Participation, AmCorpGroup Berhad ("AmCorp"), the principal shareholder of the Company, had also on 30 November 2006 entered into a HOA with ANZ for the disposal by AmCorp of 300.0 million ordinary shares held in the Company representing approximately 14.1% of the existing issued and paid up share capital of the Company to ANZ at RM4.30 per ordinary share valued at RM1.29 billion ("Proposed AmCorp Transaction").

The Proposed Equity Participation and the Proposed AmCorp Transaction are inter-conditional with each other and shall be undertaken concurrently.

## Directors' Report (cont'd)

The Proposed Equity Participation and the Proposed AmCorp Transaction are conditional upon the approval, inter alia, of Bank Negara Malaysia ("BNM"), Minister of Finance ("MOF"), Securities Commission, shareholders and other relevant authorities.

Upon completion of the Proposed Equity Participation and Proposed AmCorp Transaction, ANZ would emerge as a substantial strategic investor with an equity interest of up to 24.9% in the Company. This is in line with BNM's requirement for AmCorp to institutionalize its shareholdings in the Company by May 2007.

On 2 March 2007, following the receipt of approval of BNM on 28 February 2007, the Company and ANZ Funds executed Sale and Purchase Agreement, Subscription and Relationship Agreement, Exchangeable Bond Subscription Agreement and Technical Services Agreement for the Proposed Equity Participation pursuant to Section 45 of the Banking and Financial Institutions Act, 1989 and the terms of the respective HOAs.

Further, AmCorp and ANZ Funds have in accordance with the terms of the AmCorp HOAs, on 2 March 2007 executed a Sale and Purchase Agreement in relation to the Proposed AmCorp Transaction.

On 15 March 2007, the Proposed Equity Participation and Proposed AmCorp Transaction were approved by the MOF pursuant to Section 45, Section 46 and Section 49 of the Banking and Financial Institutions Act, 1989 and Section 67 of the Insurance Act, 1996 and Section 22 of the Islamic Banking Act, 1983.

The Company has also proposed to increase its authorised share capital to RM5,200,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each and 200,000,000 CPS of RM1.00 each from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each.

9. On 21 December 2006, Amlslamic Bank issued RM400.0 million of Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing Amlslamic Bank's capital funds. The Sukuk Musyarakah carries a profit rate of 4.80% per annum for the first five (5) years and shall be stepped up by 0.05% per annum every subsequent year to maturity date. The profit is payable on a semi-annual basis. The Sukuk Musyarakah is for a period of ten (10) years. Amlslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100.0% of the principal amount together with the expected profit payments.
10. The Company had received the approval of BNM for the Company and IAG International Pty Limited ("IAG"), to commence discussions with PanGlobal Berhad ("PGB"), pursuant to section 67 of the Insurance Act, 1996, for the proposed acquisition of the equity interest held by PGB (99.97%) in PanGlobal Insurance Berhad, a general insurance company. The discussions for the proposed acquisition were mutually terminated on 16 February 2007.
11. AmlInvestment Bank has entered into a preliminary agreement on 31 March 2007 with Saudi Arabian parties for a proposed joint venture in a company to be established for carrying on capital market activities in Saudi Arabia, subject to the joint venture company being licensed by the relevant Saudi Arabian authorities. The preliminary agreement will pave the way for the parties to engage in further negotiations towards finalising a shareholders' agreement to govern the proposed joint venture.

### SUBSEQUENT EVENTS

- (a) Upon obtaining the necessary approvals from the shareholders and the relevant authorities, the Company has on 18 May 2007 implemented the following:
  - (i) Increase in the authorised share capital of the Company from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each to RM5,200,000,000 comprising 5,000,000,000 ordinary share of RM1.00 each and 200,000,000 CPS of RM1.00 each;
  - (ii) Issue of 163,934,426 CPS to ANZ Funds at an issue price of RM3.05 per CPS amounting to RM500,000,000, which shall be converted into 163,934,426 new ordinary shares of RM1.00 each in the Company; and
  - (iii) Issue of the RM575,000,000 EBs by AmBank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in the Company at an exchange price of RM3.05 per share.

## Directors' Report (cont'd)

- (b) The Company has utilised a total of RM450,000,000 from the proceeds of CPS for the subscription of AMFB Holdings Berhad ("AMFB")'s rights issue of 30,000,000 new ordinary shares of RM1.00 each at an issue price RM5.00 per share amounting to RM150,000,000 and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stock issued by AMFB on rights entitlement basis. The issue price of RM5.00 per share is derived at based on 17.6% premium on the net tangible assets per share of AMFB of approximately RM4.25 as at 31 March 2007.
- (c) AMFB has subscribed for RM150,000,000 Irredeemable Non-cumulative Convertible Preference Shares of RM1.00 each and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stock issued by AmBank on rights entitlement basis to further increase the capital funds of AmBank.
- (d) On 18 May 2007, the Group obtained approval from BNM for the sale of its portfolio of non-performing loans (net) totalling RM574.0 million ("NPL sale"). The NPL sale is subject to the approval of Securities Commission and it will further reduce the Group's non-performing loans (net) ratio to 5.5% from 6.2% as at 31 March 2007.

### FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before share in results of associated companies, taxation and zakat	22,077	60,748
Share in results of associated companies	1,043	-
<b>Profit before taxation and zakat</b>	<b>23,120</b>	<b>60,748</b>
Taxation and zakat	(73,373)	(22,256)
(Loss)/Profit before minority interests	(50,253)	38,492
Minority shareholders' interests in results of subsidiary companies	(153,559)	-
Net (loss)/profit attributable to the equity holders of the Company	(203,812)	38,492
Unappropriated profit at beginning of year (as restated)	1,199,136	762,930
Profit available for appropriation	995,324	801,422
Transfer to statutory reserve	(107,340)	-
Arising from restricted offer for sale of AmFirst REIT	(12,783)	(12,783)
Dividends paid	(76,699)	(76,699)
Unappropriated profit at end of year	798,502	711,940

# Directors' Report (cont'd)

## BUSINESS PLAN AND STRATEGY

The Group is committed to maintaining its standing as Malaysia's leading and dynamic banking and financial services group and is dedicated to exploring new frontiers and international opportunities to enhance its capabilities whilst strengthening its position in the global economy. On this basis, upon the approval of the Minister of Finance and other regulatory authorities, the Group had on 2 March 2007 formalized the entry of ANZ as a strategic partner of the Group by executing the relevant definitive agreements with ANZ. The capital infusion of RM1.075 billion to be provided by ANZ through the partnership terms as set out in the definitive agreements has strengthened the Group's balance sheet and enhance its banking operations in the Malaysian and international markets.

ANZ is a major international banking and financial services group which is among the top 50 banks in the world. It is one of the largest and most successful companies in Australia and the largest bank in New Zealand. On the whole, the partnership with ANZ will enable the Group to leverage on the international expertise and strengths of ANZ, as it will bring with it ANZ's international best practices, as well as exposure to international products, banking systems and cross border capabilities. Coupled with the enhancement of product development capabilities arising from cross-cultural exchanges, the partnership will also enable the Group to sharpen its competitive edge and elevate itself to a level that is on par with international banks.

On the retail and commercial divisional business front, the Group's brand values and culture of placing its customers on top priority was evident throughout the financial year with the formation and active promotion of several customer service enhancement initiatives by AmBank to significantly improve its customer satisfaction. AmBank will continue to strive for service excellence by providing a combination of quality, competitive pricing and excellent sales delivery and experience for its customers. AmBank will also continue to roll out innovative campaigns and promotions like the AmBank Mad Gold Rush and the Towering FD promotion, which have successfully increased and strengthened the Group's customer and deposit base during the year. With its strong customer franchise and wide branch network, the Group will continue to strengthen its cross-selling and operational capabilities whilst enhancing its product development initiatives.

AmIslamic Bank, the Group's Islamic banking subsidiary had been established by the Group on 1 May 2006 and is currently providing a full spectrum of Islamic banking services including personal, commercial and Islamic investment banking facilities which are in accordance with Shariah principles. In conjunction with the official launch of AmIslamic Bank, the Cashline facility-i was launched to complement the existing current account-i, while the free-for-life Al-Tasrif Card-i which was also newly launched, has received good interest. In June 2006, the Group also launched the AmOasis Global Islamic Equity fund which was the first global Islamic equity fund to be launched in Malaysia. AmIslamic Bank will continue to focus on developing new innovative products to suit customer needs and promotion of its products and services as it leverages on group synergies to reach a wider consumer market span. The Group will also leverage on the incentives provided by the Government for Islamic business expansion and in exploring international joint venture opportunities with potential partners from the Middle East.

Effective 3 March 2007, the entire stock and share-broking operations of AmSecurities has been transferred to AmInvestment Bank. This evolution is a direct response to Bank Negara Malaysia and the Securities Commission's framework for the establishment of investment banks, which calls for the rationalization of merchant banking and stock and share-broking operations within a single banking group into one entity. Going forward as a full-fledge investment bank, AmInvestment Bank is confident that it will be able to leverage on growth opportunities in the capital markets more efficiently to further diversify its revenue. AmInvestment Bank will continue to provide more innovative products and services and will continue to focus on forming proactive customer relationships. Following the integration of the Group's operations in Singapore and Indonesia and the Group's strategic partnership with ANZ, AmInvestment Bank will maintain its leading status in the capital markets as it strives to position itself as a "Domestic Franchise with Access to Global and Regional Distribution".

The Group is confident that its insurance business will be a more significant contributor to the overall Group profits as AmAssurance Berhad ("AmAssurance") leverages on the international expertise, business connections and product development capabilities of IAG, its strategic partner of a 30.0% shareholding in AmAssurance. AmAssurance will continue to focus on diversifying its revenue sources whilst leveraging on its multiple distribution channels to further expand its customer base. As per overall Group strategies, continued emphasis will be placed by AmAssurance on delivering efficient service and in providing a comprehensive range of products and services for its customers.

# Directors' Report (cont'd)

## OUTLOOK FOR NEXT FINANCIAL YEAR

In tandem with the thrusts of the Ninth Malaysian Plan (9MP), the Malaysian economy is projected to see sustained growth in 2007 with GDP growth projected at 5.9%. On the back of favorable macroeconomic conditions, the banking sector is expected to remain robust with strong capitalization and continuous improvement in asset quality.

For the upcoming year, capital market activities are expected to be robust. The active promotion of Islamic financing by the Malaysian government and growing demand for Shariah compliant securities from local and international investors provide an impetus for more capital market issues.

The Group will continue to pursue its strategy of expanding its business operations regionally whilst maintaining its leadership position in the industry. The Group is confident that it has built an infrastructure, customer base and brand-awareness that enables it to take advantage of industry growth opportunities. Further, it is envisaged that the Group's strategic tie-up with ANZ will elevate the Group to a level on par with international banks.

## 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 above and Note 52 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 of 5.0% (effectively 4.9% after restatement for the change in statutory tax rate from 28.0% to 27.0%), less 28.0% taxation, in respect of the previous financial year totalling RM76,699,213 which amount had been dealt with in the directors' report for that financial year and paid on 5 September 2006 to shareholders whose names appeared in the Record of Depositors on 18 August 2006.

In respect of the current financial year, the directors now recommend the payment of a first and final dividend of 5.0%, less 26.0% taxation, amounting to RM78,830,920 to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profits in the next financial year ending 31 March 2008.

## 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		107,340	-
(b) Available-For-Sale Reserve Arising from net unrealised gain on revaluation of securities available-for-sale		26,649	-
(c) Exchange Fluctuation Reserve Arising from translation of subsidiary and associated companies expressed in foreign currency		(5,439)	-
(d) Allowances/(Reversal of allowances):			
Interest suspended	31	108,502	-
Allowance for losses on loans and financing:			
Specific allowance - net	35	1,735,902	-
General allowance	35	55,567	-
Transfer from profit equalisation reserve	23	(60,912)	-
Impairment loss on:			
Securities		283,758	-
Amount recoverable under asset-backed securitisation transaction		10,000	-

## Directors' Report (cont'd)

### **BAD AND DOUBTFUL DEBTS AND FINANCING**

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

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

### **CURRENT ASSETS**

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

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

### **VALUATION METHODS**

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

### **CONTINGENT AND OTHER LIABILITIES**

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

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business.

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

### **CHANGE OF CIRCUMSTANCES**

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



# Directors' Report (cont'd)

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from 2,130,533,695 ordinary share of RM1.00 each to 2,130,565,410 ordinary shares of RM1.00 each by the issue of 31,715 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM37,741 has been credited to share premium account.

The 31,715 new ordinary shares issued rank pari passu in all respect with the then existing ordinary shares of the Company.

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

## SHARES OPTIONS

There are no options granted by the Company to take up unissued shares of the Company.

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

## WARRANTS

The Company has not issued any new warrants during the financial year.

- (i) The Warrants 1997/2007 were constituted under the Deed Poll dated 19 March 1997.

The salient features of the Warrants 1997/2007 are as follows:

- (a) Each Warrant 1997/2007 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- (b) The exercise price is RM6.51 per share and shall be paid fully in cash. The exercise price of the Warrants 1997/2007 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- (c) The Warrants 1997/2007 are for an initial period of five (5) calendar years. This period was extended for a further period of five (5) years and expired on 13 May 2007.

The movements in the Company's unissued number of shares under Warrants 1997/2007 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Issued	Exercised	
Number of unissued shares under warrants 1997/2007	143,534,078	-	-	143,534,078

## Directors' Report (cont'd)

(ii) The Warrants 2003/2008 were constituted under the Deed Poll dated 29 November 2002 and 29 January 2003.

The salient features of the Warrants 2003/2008 are as follows:

- (a) Each Warrant 2003/2008 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- (b) The exercise price is RM2.19 per share and is payable fully in cash for every Warrant 2003/2008 held from the date of allocation. The exercise price of the Warrants 2003/2008 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- (c) The Warrants 2003/2008 are for a period of five (5) calendar years to expire on 20 March 2008.

The movements in the Company's unissued number of shares under Warrants 2003/2008 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Issued	Exercised	
Number of unissued shares under warrants 2003/2008	132,105,145	-	31,715	132,073,430

Subsequent to the balance sheet date, the issued and fully paid-up share capital of the Company was increased from 2,130,565,410 ordinary shares of RM1.00 each to 2,130,598,844 ordinary shares of RM1.00 each by the issue of the following:

- (i) 70 new ordinary shares of RM1.00 each at RM6.51 per share by virtue of the exercise of share warrants 1997/2007 of the Company. The resulting share premium amounting to RM386 has been credited to share premium account; and
- (ii) 33,364 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM39,703 has been credited to share premium account.

The 33,434 new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company, except for entitlement to the dividend for the financial year ended 31 March 2007.

### DIRECTORS

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

Tan Sri Dato' Azman Hashim  
 Dato' Azlan Hashim  
 Tun Mohammed Hanif Omar (Independent Director)  
 Tan Sri Datuk Dr Aris Osman @ Othman (Independent Director)  
 Tan Sri Datuk Clifford Francis Herbert (Independent Director)  
 Tan Sri Dato' Mohd Ibrahim Mohd Zain (Independent Director)  
 Dato' Izhah Mahmud (Independent Director)  
 Mr Cheah Tek Kuang  
 Mr Soo Kim Wai  
 Puan Shalina Azman

In accordance with Article 89 of the Company's Articles of Association, Tan Sri Dato' Azman Hashim, Tun Mohammed Hanif Omar, Tan Sri Datuk Clifford Francis Herbert and Mr Cheah Tek Kuang retire, and being eligible, offer themselves for re-election.

# Directors' Report (cont'd)

## DIRECTORS' INTERESTS

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

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

## DIRECT INTERESTS

### In the Company

Shares	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Bought	Sold	
Dato' Azlan Hashim	90,000	-	-	90,000
Dato' Izham Mahmud	4,670	-	-	4,670
Mr Cheah Tek Kuang	23,800	-	-	23,800

Warrants 2003/2008	No. of Warrants of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Bought	Exercised/ Sold	
Mr Cheah Tek Kuang	46,189	-	-	46,189

### In the subsidiary company, AmlInvestment Group Berhad

Shares	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Bought	Sold	
Tan Sri Dato' Azman Hashim	94,554,848	-	-	94,554,848
Dato' Azlan Hashim	223,331	763,338	6,669	980,000
Tun Mohammed Hanif Omar	200,000	-	-	200,000
Tan Sri Datuk Dr Aris Osman @ Othman	50,000	-	-	50,000
Tan Sri Datuk Clifford Francis Herbert	50,000	-	-	50,000
Tan Sri Dato' Mohd Ibrahim Mohd Zain	50,000	-	-	50,000
Dato' Izham Mahmud				
- Held directly	101,070	-	-	101,070
- Held through nominees	6,000	-	-	6,000
Mr Cheah Tek Kuang	1,120,100	-	750,000	370,100
Mr Soo Kim Wai	100,000	-	-	100,000
Puan Shalina Azman	100,000	-	-	100,000

## Directors' Report (cont'd)

### DEEMED INTEREST

#### In the Company

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
		Balance at 1.4.2006	Bought	Sold	
Tan Sri Dato' Azman	AmCorpGroup Berhad	671,252,421	29,490,000	-	700,742,421
Hashim	AMDB Equipment Trading Sdn Bhd	439,047	-	-	439,047
	Regal Genius Sdn Bhd	29,490,000	-	29,490,000	-

Warrants 2003/2008	Name of Company	No. of Warrants of RM1.00 each			Balance at 31.3.2007
		Balance at 1.4.2006	Bought	Exercised/ Sold	
Tan Sri Dato' Azman	AmCorpGroup Berhad	5,954,097	34,648,674	-	40,602,771
Hashim	AMDB Equipment Trading Sdn Bhd	22,682	-	-	22,682
	Regal Genius Sdn Bhd	2,989,936	-	2,989,936	-
	Corporateview Sdn Bhd	31,658,738	68,100	31,726,838	-

#### In the subsidiary company, AmInvestment Group Berhad

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
		Balance at 1.4.2006	Bought	Sold	
Tan Sri Dato' Azman	AmCorpGroup Berhad	150,896,688	6,760,238	-	157,656,926
Hashim	AMDB Equipment Trading Sdn Bhd	100,646	-	-	100,646
	Azman Hashim Holdings Sdn Bhd	209,502	-	-	209,502
	Regal Genius Sdn Bhd	6,760,238	-	6,760,238	-

By virtue of their shareholdings as mentioned above, the above directors are deemed to have an interest in the shares of the Company and its related companies.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 37 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 36 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.

# Directors' Report (cont'd)

## CORPORATE GOVERNANCE

### (i) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group, since the Company is a holding company. Its major business activities are conducted through its various subsidiary companies. The Board 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 monthly to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

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

The Board currently comprises ten (10) directors with wide skills and experience, of which five (5) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiary companies. The Independent Non-Executive Directors ensure strategies proposed by the management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and Chief Executive Officers of the operating subsidiary companies.

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

### (ii) COMMITTEES OF THE BOARD

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

1. Nomination Committee
2. Remuneration Committee
3. Audit and Examination Committee

The Risk Management Committee has been established at AmInvestment Bank, AmBank and AmIslamic Bank.

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

## Directors' Report (cont'd)

The 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") 2007

	Board of Directors	Nomination Committee	Remuneration Committee	Audit and Examination Committee	Risk Management Committee		
					<sup>(1)</sup> AmInvestment Bank	<sup>(2)</sup> AmBank	<sup>(3)</sup> AmIslamic Bank
Tan Sri Dato' Azman Hashim	13	3	N/A	N/A	N/A	N/A	N/A
Dato' Azlan Hashim	12	2	2	4	N/A	N/A	N/A
Tun Mohammed Hanif Omar	12	N/A	N/A	N/A	N/A	N/A	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	13	3 (Chairman)	N/A	4 (Chairman)	6	N/A	N/A
Tan Sri Datuk Clifford Francis Herbert	13	2	N/A	N/A	6 (Chairman)	6 (Chairman)	6 (Chairman effective 29/5/2006)
Tan Sri Dato' Mohd Ibrahim Mohd Zain	13	N/A	N/A	N/A	N/A	N/A	N/A
Dato' Izham Mahmud	13	3 (Chairman)	2	4	N/A	N/A	N/A
Mr Cheah Tek Kuang	13	N/A	N/A	N/A	N/A	N/A	6
Mr Soo Kim Wai	11	N/A	2	N/A	N/A	N/A	N/A
Puan Shalina Azman	13	N/A	N/A	N/A	N/A	N/A	N/A
Dato' Gan Nyap Liou @ Gan Nyap Liow (Appointed (on 15.6.2006) ^ **	N/A	N/A	N/A	N/A	3 (Member, effective 15.6.2006 and resigned on 2.3.2007)	2 (Member, effective 15.6.2006)	-
Mr Tan Kheng Soon **	N/A	N/A	N/A	N/A	N/A	6	-
Number of meetings held in FY2007	13	3	2	4	6	6	6

- Note: 1) <sup>(1)</sup>The Risk Management Committee of Directors established at AmInvestment Bank.  
 2) <sup>(2)</sup>The Risk Management Committee of Directors established at AmBank.  
 3) <sup>(3)</sup>The Risk Management Committee of Directors established at AmIslamic Bank.  
 4) ^ : Member of AmInvestment Group Berhad Board of Directors.  
 5) \*\* : Member of AmBank Board of Directors.  
 6) All attendances reflect the number of meetings attended during Directors' duration of service.  
 7) N/A represents non committee member.

# Directors' Report (cont'd)

## **The Nomination Committee**

This Committee comprises five (5) directors of which the majority are independent directors. It is responsible for regularly reviewing the board structure, size and composition, as well as making recommendation to the Board 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 performance of the Board, Committees of the Board and of individual Directors, the mix of skills and experience and other qualities and competencies that Non-Executives Directors should bring to the Board.

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

There were three (3) Nomination Committee meetings held during the financial year ended 31 March 2007.

## **The Remuneration Committee**

All members of this Committee are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board the framework or broad policy for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff.

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 Audit And Examination Committee**

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

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board acting through the AEC. The AEC met during the year to review the scope of both the internal audit functions and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The consolidated financial statements of the Group and the financial statements of its subsidiaries were reviewed by the AEC prior to their submission to the directors of the Group for adoption.

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

## Directors' Report (cont'd)

### **Risk Management Committee**

Risk management is an integral part of the Group's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Boards of AmlInvestment Bank, AmBank and Amlslamic Bank approve the risk management strategy and set the broad risk tolerance level; and approve the engagement of new products or activities after considering the risk bearing capacity and readiness of both AmlInvestment Bank, AmBank and Amlslamic Bank.

The Risk Management Committee of Directors have been established at AmlInvestment Bank, AmBank and Amlslamic Bank to oversee the overall management of credit, market, liquidity, operational, legal, capital and strategic risks impacting the Group, and to ensure that the risk management process is in place and functioning.

The Committee is independent from management and comprises only non-executive directors. The Committee ensures that the Board's risk tolerance level is effectively enforced; and reviews high-level risk exposures, and capital allocation decisions to ensure that they are within the overall interests of AmlInvestment Bank, AmBank and Amlslamic Bank. It also assesses AmlInvestment Bank's, AmBank's and Amlslamic Bank's ability to accommodate risks under normal and stress scenarios.

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

### **Internal Audit And Internal Control Activities**

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

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

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

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

The Internal Audit also participates actively in major systems development activities and project committees to advise on risk management and internal control measures.



# Directors' Report (cont'd)

## (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 subsidiary companies that are important to the Directors' understanding of the agenda items and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Group, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

## RATINGS BY EXTERNAL AGENCIES

The Company's RM150.0 million 3.0% 5-year Redeemable Unsecured Bank-Guaranteed Bonds 2002/2007 with detachable warrants was accorded a long term ratings of AAA (bg) and AA3 (bg) for Tranche 1 of RM100.0 million and Tranche 2 of RM50.0 million respectively by Rating Agency Malaysia Berhad ("RAM").

AmInvestment Bank long-term and short-term rating of AA3/P1 from RAM and AA-/MARC-1 from Malaysian Rating Corporation Berhad was complemented by international ratings of BB+(Stable)/B from Standard & Poor's, BB+(Stable)/B from Capital Intelligence and BB+(Stable)/B from Fitch Ratings Singapore Pte Ltd ("Fitch"). The RM460.0 million Redeemable Unsecured Subordinated Bonds and RM200.0 million Subordinated Tier 2 Bonds have been accorded a long-term rating of A1 by RAM respectively.

AmBank's long-term and short-term rating of A2/P1 was reaffirmed by RAM. AmBank's rating was complemented by international ratings of Baa2/P3 by Moody's Investors Service, BBB-(Stable)/A-3 by Standard & Poor's and BBB- by Fitch.

AmBank's RM200.0 million Redeemable Unsecured Subordinated Bonds' long-term rating of A3 was also reaffirmed by RAM.

The Hybrid Securities are rated Baa2/P3 by Moody's Investors Service, BB by Standard & Poor's and BB by Fitch.

AmIslamic Bank's long-term and short-term rating of A2/P1 was reaffirmed by RAM. AmIslamic Bank's RM400.0 million Subordinated Sukuk Musyarakah is rated A3 by RAM.

## SHARIAH COMMITTEE

The Shariah Committee, comprising three (3) advisers, was established under BNM "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise and provide guidance to the Board of Directors on all matters pertaining to Shariah principles including product development, marketing and implementation activities. The Shariah advisors also assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

## AUDITORS

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

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



**TAN SRI DATO' AZMAN HASHIM**



**CHEAH TEK KUANG**

## Statement By Directors

Pursuant to section 169(15) of the Companies Act, 1965

We, **TAN SRI DATO' AZMAN HASHIM** and **CHEAH TEK KUANG**, being two of the directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable 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 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

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



**TAN SRI DATO' AZMAN HASHIM**



**CHEAH TEK KUANG**

Kuala Lumpur, Malaysia  
Date: 18 May 2007

## Statutory Declaration

Pursuant to section 169(16) of the Companies Act, 1965

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

Subscribed and solemnly declared by the abovenamed **ARUNASALAM MUTHUSAMY** at Kuala Lumpur in the Wilayah Persekutuan on 18 May 2007.



**ARUNASALAM MUTHUSAMY**

Before me,



**COMMISSIONER FOR OATHS**

Lodged on behalf by :  
Address: 22nd Floor, Bangunan AmBank Group,  
No. 55 Jalan Raja Chulan,  
50200 Kuala Lumpur.  
Telephone Number: 03-20782633/44/55



18th Floor, Bangunan AmBank Group  
Letter Box No: 18D,  
55, Jalan Raja Chulan,  
50200 Kuala Lumpur.

# Report Of The Auditors To Members

We have audited the accompanying financial statements. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

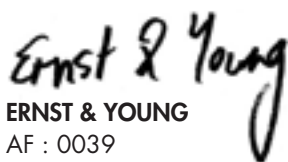
In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 March 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 of the financial statements, being financial statements that have been included in the consolidated financial statements.

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

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

  
**ERNST & YOUNG**  
 AF : 0039  
 Chartered Accountants

  
**LIM SAW KENG**  
 No.2215/10/07(J)  
 Partner

Kuala Lumpur, Malaysia  
 Date: 18 May 2007

# Balance Sheets

As at 31 March 2007

	Note	2007		2006	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>ASSETS</b>					
Cash and short-term funds	5	10,593,220	52,964	9,455,262	19,959
Securities purchased under resale agreements	6	501,431	43,450	719,590	78,050
Deposits and placements with banks and other financial institutions	7	1,639,857	146,331	752,693	37,101
Securities held-for-trading	8	6,918,905	20,000	6,098,040	170,197
Securities available-for-sale	9	1,855,529	2,000	1,604,005	-
Securities held-to-maturity	10	2,312,570	-	2,712,641	-
Loans, advances and financing	11	47,610,755	-	44,860,468	-
Other assets	12	2,222,645	29,697	1,372,457	33,992
Statutory deposits with Bank Negara Malaysia	13	1,807,058	-	1,776,693	-
Investments in subsidiary companies	14	-	3,700,154	-	3,700,154
Investments in associated companies	15	1,754	-	40,295	-
Property and equipment	16	241,156	1,129	448,896	460
Life fund assets	50	1,458,908	-	1,162,488	-
Deferred tax assets	39	870,443	-	811,097	-
Intangible assets	17	588,442	-	564,059	-
<b>TOTAL ASSETS</b>		<b>78,622,673</b>	<b>3,995,725</b>	<b>72,378,684</b>	<b>4,039,913</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	42,381,662	-	38,918,164	-
Deposits and placements of banks and other financial institutions	19	17,441,339	-	14,640,801	-
Obligations on securities sold under repurchase agreements	20	3,140,243	-	3,572,257	-
Bills and acceptances payable	21	1,461,577	-	912,723	-
Recourse obligation on loans sold to Cagamas Berhad	22	755,061	-	1,868,649	-
Other liabilities	23	3,148,347	7,044	2,281,779	3,468
Term loans	24	309,680	206,000	482,232	206,000
Subordinated term loans	25	460,000	-	680,000	-
Redeemable unsecured bonds	26	1,322,795	147,795	919,638	144,638
Hybrid capital	27	666,474	-	684,047	-
Life fund liabilities	50	172,281	-	152,315	-
Life policyholder funds	50	1,286,627	-	1,010,173	-
Total liabilities		72,546,086	360,839	66,122,778	354,106
Share capital	29	2,130,565	2,130,565	2,130,534	2,130,534
Reserves	30	2,744,506	1,504,321	3,016,552	1,555,273
Equity attributable to equity holders of the Company		4,875,071	3,634,886	5,147,086	3,685,807
Minority interests		1,201,516	-	1,108,820	-
Total equity		6,076,587	3,634,886	6,255,906	3,685,807
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>78,622,673</b>	<b>3,995,725</b>	<b>72,378,684</b>	<b>4,039,913</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	45	48,568,133	-	37,310,423	-
<b>NET ASSETS PER SHARE (RM)</b>	48	2.29	1.71	2.42	1.73

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

# Income Statements

For the year ended 31 March 2007

	Note	2007		2006	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>Operating revenue</b>	49	6,025,613	107,217	4,871,268	244,644
Interest income	31	3,742,681	10,068	3,091,989	9,980
Interest expense	32	(2,370,571)	(22,732)	(1,741,728)	(27,556)
Net interest income/(expense)		1,372,110	(12,664)	1,350,261	(17,576)
Net Income from Islamic banking business	54(xxv)	506,102	-	504,375	-
Other operating income	33	1,302,595	97,149	904,014	234,664
Net Income		3,180,807	84,485	2,758,650	217,088
Other operating expenses	34	(1,407,067)	(23,737)	(1,296,659)	(3,253)
Operating profit		1,773,740	60,748	1,461,991	213,835
Allowances for losses on loans and financing	35	(1,514,082)	-	(774,689)	-
Transfer from/(to) profit equalisation reserve	23	60,912	-	(4,494)	-
Impairment (loss)/writeback on:					
Securities		(283,758)	-	100,724	-
Amount recoverable under asset-backed securitisation transactions		(10,000)	-	(10,500)	-
Assets acquired in exchange of debts		(2,555)	-	(660)	-
Allowance for doubtful sundry receivables - net		(2,205)	-	(16,470)	-
Writeback of provision/(Provision) for commitments and contingencies		25	-	(262)	-
Profit before share in results of associated companies, net of taxation		22,077	60,748	755,640	213,835
Share in results of associated companies		1,043	-	2,202	-
<b>Profit before taxation and zakat</b>		23,120	60,748	757,842	213,835
Taxation and zakat	38	(73,373)	(22,256)	(244,433)	(12,164)
(Loss)/Profit for the year		(50,253)	38,492	513,409	201,671
Attributable to:					
Equity holders of the Company		(203,812)	38,492	399,874	201,671
Minority interests		153,559	-	113,535	-
(Loss)/Profit for the year		(50,253)	38,492	513,409	201,671
<b>(Loss)/Earnings per share (sen)</b>	41				
Basic		(9.57)	1.81	18.77	9.47
Fully diluted		(9.57)	1.76	18.51	9.33
<b>First and final dividend per ordinary share (sen)</b>					
Gross		5.0	5.0	4.9	4.9
Net		3.7	3.7	3.6	3.6

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

# Statements Of Changes In Equity

For the year ended 31 March 2007

Group	Note	Attributable to Equity Holders of the Company							Minority interests RM'000	Total equity RM'000
		Non-Distributable			Distributable					
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profits RM'000	Total RM'000		
<b>At 1 April 2005</b>										
As previously stated		2,130,534	798,356	913,438	26,730	15,086	929,146	4,813,290	36,347	4,849,637
Prior year adjustments		-	-	-	-	-	83,678	83,678	-	83,678
At 1 April 2005 (restated)		2,130,534	798,356	913,438	26,730	15,086	1,012,824	4,896,968	36,347	4,933,315
Arising from Group Reorganisation <sup>^</sup>		-	-	-	-	-	(65,224)	(65,224)	-	(65,224)
Expenses relating to Group Reorganisation		-	(6,806)	-	-	-	-	(6,806)	-	(6,806)
Net unrealised loss on revaluation of securities available-for-sale		-	-	-	(17,017)	-	-	(17,017)	-	(17,017)
Transfer from unappropriated profits		-	-	86,979	-	-	(86,979)	-	-	-
Exchange fluctuation adjustments		-	-	-	-	650	-	650	-	650
Net (expense)/income recognised directly in equity		-	(6,806)	86,979	(17,017)	650	(152,203)	(88,397)	-	(88,397)
Profit for the year		-	-	-	-	-	399,874	399,874	113,535	513,409
Total recognised net income/ (expense) for the year		-	(6,806)	86,979	(17,017)	650	247,671	311,477	113,535	425,012
Acquisition and subscription of shares in Investment Banking subsidiary company		-	-	-	-	-	-	-	968,918	968,918
Acquisition of shares in AmAssurance subsidiary company		-	-	-	-	-	-	-	17,241	17,241
Subscription of shares in private equity subsidiary company		-	-	-	-	-	-	-	260	260
Disposal of shares in assets management and unit trust subsidiary companies		-	-	-	-	-	-	-	(7,413)	(7,413)
Dividends paid		-	-	-	-	-	(61,359)	(61,359)	(20,068)	(81,427)
<b>At 31 March 2006</b>		2,130,534	791,550	1,000,417	9,713	15,736	1,199,136	5,147,086	1,108,820	6,255,906
<b>At 1 April 2006</b>										
As previously stated		2,130,534	791,550	1,000,417	9,713	15,736	1,081,089	5,029,039	1,108,820	6,137,859
Prior year adjustments	53(ii)	-	-	-	-	-	118,047	118,047	-	118,047
At 1 April 2006 (restated)		2,130,534	791,550	1,000,417	9,713	15,736	1,199,136	5,147,086	1,108,820	6,255,906
Net unrealised gain on revaluation of securities available-for-sale		-	-	-	26,649	-	-	26,649	-	26,649
Transfer from unappropriated profits		-	-	107,340	-	-	(107,340)	-	-	-
Exchange fluctuation adjustments		-	-	-	-	(5,439)	-	(5,439)	-	(5,439)
Net income/(expense) recognised directly in equity		-	-	107,340	26,649	(5,439)	(107,340)	21,210	-	21,210
(Loss)/Profit for the year		-	-	-	-	-	(203,812)	(203,812)	153,559	(50,253)
Total recognised net income/ (expense) for the year		-	-	107,340	26,649	(5,439)	(311,152)	(182,602)	153,559	(29,043)
Arising from restricted offer for sale of AmFirst REIT <sup>^^</sup>		-	-	-	-	-	(12,783)	(12,783)	-	(12,783)
Issue of shares pursuant to exercise of Warrants 2003/2008		31	38	-	-	-	-	69	-	69
Arising from acquisition of Am Private Equity Sdn Bhd		-	-	-	-	-	-	-	4,500	4,500
Arising from acquisition of Am ARA REIT Holdings Sdn Bhd		-	-	-	-	-	-	-	300	300
Acquisition of shares in P.T. AmCapital Indonesia		-	-	-	-	-	-	-	(822)	(822)
Disposal of shares in P.T. AmCapital Indonesia		-	-	-	-	-	-	-	511	511
Dividends paid	40	-	-	-	-	-	(76,699)	(76,699)	(65,352)	(142,051)
<b>At 31 March 2007</b>		2,130,565	791,588	1,107,757	36,362	10,297	798,502	4,875,071	1,201,516	6,076,587

# Statements Of Changes In Equity (cont'd)

For the year ended 31 March 2007

Company	Note	Share capital RM'000	Non-Distributable		Distributable	Total equity RM'000
			Share premium RM'000	Revaluation reserve RM'000	Unappropriated profits RM'000	
<b>At 1 April 2005</b>						
As previously stated		2,130,534	798,356	532,154	441,475	3,902,519
Prior year adjustments		-	-	(153,324)	(197,687)	(351,011)
At 1 April 2005 (restated)		2,130,534	798,356	378,830	243,788	3,551,508
Expenses relating to						
Group Reorganisation		-	(6,013)	-	-	(6,013)
Transfer to unappropriated profit*		-	-	(378,830)	378,830	-
Profit for the year		-	-	-	201,671	201,671
Dividends paid		-	-	-	(61,359)	(61,359)
<b>As at 31 March 2006</b>		2,130,534	792,343	-	762,930	3,685,807
<b>At 1 April 2006</b>						
As previously stated		2,130,534	792,343	153,324	960,617	4,036,818
Prior year adjustments	53(ii)	-	-	(153,324)	(197,687)	(351,011)
At 1 April 2006 (restated)		2,130,534	792,343	-	762,930	3,685,807
Arising from restricted						
offer for sale of AmFirst REIT^^		-	-	-	(12,783)	(12,783)
Issue of shares pursuant to						
exercise of Warrants 2003/2008		31	38	-	-	69
Profit for the year		-	-	-	38,492	38,492
Dividends paid	40	-	-	-	(76,699)	(76,699)
<b>As at 31 March 2007</b>		2,130,565	792,381	-	711,940	3,634,886

^ This relates to the dilution in net attributable assets of the Group arising from the 49.0% Restricted Offer For Sale of the investment banking group under the Group Reorganisation.

^^ This relates to the remaining RM0.15 per AmFirst Real Estate Investment Trust ("AmFirst REIT") paid for in cash by the Company pursuant to the Restricted Offer For Sale of AmFirst REIT.

\* This relates to the realisation of revaluation of subsidiary companies under the Group Reorganisation.

# Cash Flow Statements

For the year ended 31 March 2007

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation and zakat	23,120	60,748	757,842	213,835
Add/(Less) adjustments for:				
Allowance for losses on loans and financing - net	1,514,082	-	774,689	-
Impairment loss/(writeback) on securities	283,758	-	(100,724)	-
Interest-in-suspense - net	108,502	-	115,958	-
Depreciation of property and equipment	51,752	127	51,451	117
Amortisation of computer software	21,238	-	15,628	-
Impairment loss on amount recoverable under asset-backed securitisation transactions	10,000	-	10,500	-
Impairment loss on assets acquired in exchange of debts	2,555	-	660	-
Allowance for doubtful sundry receivables - net	2,205	-	16,470	-
Computer software written off	981	-	1	-
Sundry receivables written off	805	-	981	-
Provision for foreclosed properties	423	-	22	-
Property and equipment written off	257	-	1,603	-
Loss/(Income) from asset securitisation	179	-	(1,695)	-
Net (gain)/loss from sale of securities held-for-trading	(197,902)	-	13,051	-
Gain on revaluation of securities held for trading	(93,465)	-	(53,884)	-
Transfer (from)/to profit equalisation reserve	(60,912)	-	4,494	-
Net gain on redemption of securities held-to-maturity	(53,177)	-	(19,561)	-
Gross dividend income from investments	(49,054)	(97,002)	(73,858)	(59,968)
Net gain from sale of securities available-for-sale	(28,033)	-	(28,296)	-
Gain on disposal of assets held-for-sale	(19,284)	-	-	-
Amortisation of premium less accretion of discounts on money market securities net	(14,912)	-	(5,554)	-
Gain on disposal of property and equipment – net	(1,700)	-	(1,807)	-
Share in results of associated companies	(1,043)	-	(2,202)	-
Gain on revaluation of derivatives	(628)	-	(6,165)	-
(Write back of provision)/Provision for commitments and contingencies	(25)	-	262	-
Amortisation of goodwill and premium on consolidation	-	-	27,977	-
Gain on disposal of 10.0% equity interest in insurance subsidiary company	-	-	(29,962)	-
Gain on listing of investment banking subsidiary company	-	-	-	(174,497)
Operating profit/(loss) before working capital changes carried forward	1,499,722	(36,127)	1,467,881	(20,513)



# Cash Flow Statements (cont'd)

For the year ended 31 March 2007

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Operating profit/(loss) before working capital changes brought forward	1,499,722	(36,127)	1,467,881	(20,513)
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreement	402,555	34,600	(572,070)	(46,100)
Deposits and placements with banks and other financial institutions	(883,585)	(109,230)	28,859	(10,472)
Securities held-for-trading	(469,030)	150,197	(2,214,835)	154,533
Loans, advances and financing	(4,372,870)	-	(5,651,560)	-
Other assets	(743,227)	30,485	(77,609)	232,045
Statutory deposits with Bank Negara Malaysia	(30,365)	-	(230,816)	-
Deposits and monies held in trust with financial institutions	(268,729)	-	137,061	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	3,463,498	-	4,470,824	-
Deposits and placements of banks and other financial institutions	2,800,538	-	2,454,270	-
Obligations on securities sold under repurchase agreements	(432,014)	-	2,121,371	-
Bills and acceptances payable	548,854	-	393,785	-
Term loans	(172,553)	-	(770,268)	(755,000)
Recourse obligation on loans sold to Cagamas Berhad	(1,113,587)	-	(917,799)	-
Other liabilities	819,875	(15,522)	305,376	(11,104)
Cash generated from/(used in) operations	1,049,082	54,403	944,470	(456,611)
Taxation paid	(111,362)	-	(105,177)	-
Net cash generated from/(used in) operating activities	937,720	54,403	839,293	(456,611)

# Cash Flow Statements (cont'd)

For the year ended 31 March 2007

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends received from subsidiary companies	-	70,811	-	43,177
Proceeds from disposal of/(Purchase of ) securities – net	67,560	(2,000)	(412,699)	-
Dividends received from other investments	35,809	-	53,178	-
Proceeds from disposal of property and equipment	10,311	-	2,017	-
Disposal of 1.0% equity interest in stock and share-broking subsidiary company	422	-	-	-
Purchase of property and equipment	(45,662)	(796)	(70,992)	-
Purchase of computer software	(39,098)	-	(22,655)	-
Acquisition of remaining 51.0% equity interest in FIPL (Note 2 )	(1,353)	-	-	-
Acquisition of remaining 16.93% equity interest in stock and share-broking subsidiary company	(1,554)	-	-	-
Proceeds from disposal of 10.0% equity interest in insurance subsidiary company	-	-	64,400	-
Acquisition of remaining 30.0% equity interest in unit trust and asset management subsidiary companies	-	-	(44,790)	-
Acquisition of shares in venture capital management subsidiary company	-	-	(105)	-
Proceeds from disposal of shares in commercial banking subsidiary company	-	-	-	436,242
Acquisition of additional shares in insurance subsidiary company	-	-	-	(26,159)
Net cash generated from/(used in) investing activities	26,435	68,015	(431,646)	453,260
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from redeemable unsecured bonds	400,000	-	118,157	-
Arising from restricted offer and offer for sale of AmFirst REIT	62,898	(12,783)	-	-
Proceeds from issue of shares by subsidiary companies to minority shareholders	4,800	-	905,780	-
Proceeds from exercise of warrants 2003/2008 in the Company	69	69	-	-
Net repayment of subordinated term loans	(220,000)	-	-	-
Dividends paid by the Company to its shareholders	(76,699)	(76,699)	(61,359)	(61,359)
Dividends paid to minority interests by subsidiary companies	(65,352)	-	(20,068)	-
Proceeds from issue of hybrid capital	-	-	684,047	-
Redemption of subordinated certificates of deposits	-	-	(200,000)	-
Share issuance expenses	-	-	(8,632)	(6,013)
Net cash generated from/(used in) financing activities	105,716	(89,413)	1,417,925	(67,372)
Net increase/(decrease) in cash and cash equivalents	1,069,871	33,005	1,825,572	(70,723)
Cash and cash equivalents at beginning of year	9,420,551	19,959	7,594,979	90,682
Cash and cash equivalents at end of year (Note 1)	10,490,422	52,964	9,420,551	19,959

# Cash Flow Statements (cont'd)

For the year ended 31 March 2007

## NOTE 1 : CASH AND CASH EQUIVALENTS

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

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and short-term funds	10,593,220	52,964	9,455,262	19,959
Bank overdrafts (Note 23)	(9,515)	-	(26,081)	-
	10,583,705	52,964	9,429,181	19,959
Less: Cash and bank balances and deposits held in trust (Note 5)	(92,900)	-	(8,567)	-
	10,490,805	52,964	9,420,614	19,959
Effect of exchange rates changes	(383)	-	(63)	-
Cash and cash equivalents	10,490,422	52,964	9,420,551	19,959

## NOTE 2 : ACQUISITION OF FRASERS INTERNATIONAL PTE. LTD ("FIPL")

The fair values of assets and liabilities assumed arising from the acquisition of the remaining 51.0% equity interest in FIPL, during the financial year ended 31 March 2007 were as follows:

	Unaudited As at 31 August 2006 RM'000
<b>Net assets acquired:</b>	
Cash and short-term funds	48,603
Deposits and placements with banks and other financial institutions	3,578
Property and equipment	1,740
Other assets	119,233
Other liabilities	(94,000)
Net assets acquired	79,154
Goodwill on acquisition	10,424
	89,578
Less: Amount accounted for as an associate	(39,622)
Purchase price paid	49,956
Less: Cash and short-term funds	(48,603)
Cash flow on acquisition, net of cash acquired	1,353

# Notes To The Financial Statements

31 March 2007

## 1. PRINCIPAL ACTIVITIES

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

The subsidiary companies, as listed in Note 14 to the financial statements, provide a wide range of investment banking, commercial banking, retail financing and related financial services which also include the Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investments and unit trusts management.

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

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

The financial statements of the Group and of the Company have been approved and authorised for issue by the Board of Directors on 24 April 2007.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated and in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Insurance Act, 1996 and the applicable Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines.

The financial statements 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.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000), unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to exercise judgement in use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are disclosed in Note 4.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those adopted in the previous audited annual financial statements except for the adoption of the following:

- (a) The new and revised FRSs that are applicable to the Group and the Company with effect from the financial period beginning on or after 1 April 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

# Notes To The Financial Statements (cont'd)

31 March 2007

- (b) BNM circular dated 16 October 2006 on the Accounting Treatment of Handling Fees for Hire Purchase Loans ("Circular on Handling Fees").

The Group and the Company has early adopted the following FRSs, amendments to FRSs and IC Interpretations:

FRS	Effective for financial periods beginning on or after
FRS 119 <sub>2004</sub> Employee Benefits : Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendments to FRS 121 : The Effects of Changes in Foreign Exchange rates – Net Investment in a Foreign Operations	1 July 2007
IC Interpretation 7 : Applying the Restatement Approach Under FRS 129 <sub>2004</sub> : Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8 : Scope of FRS 2	1 July 2007

The Group and the Company has not early adopted the following FRSs and IC Interpretations which are not relevant except for FRS 117, FRS 124 and FRS 139 :

FRS	Effective for financial periods beginning on or after
FRS 117 : Leases	1 October 2006
FRS 124 : Related Party Transactions	1 October 2006
FRS 139 : Financial Instruments : Recognition and Measurement	Effective date deferred
FRS 6 : Exploration for and Evaluation of Mineral Resources	1 January 2007
IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6 : Liabilities arising from Participating In a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007

The impact of applying FRS 117, 124 and 139 on this financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108 are not required to be disclosed by virtue of exemptions provided under paragraph 67B of FRS 117, Paragraph 22A of FRS 124 and paragraph 103AB of FRS 139 respectively.

The adoption of FRS 2, 5, 108, 110, 116, Amendments to FRS 119<sub>2004</sub>, 121, 128, 132 and 133 does not result in significant changes in accounting policies of the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRSs and BNM's Circular on Handling Fees are disclosed in Note 53.

## BASIS OF ACCOUNTING

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

# Notes To The Financial Statements (cont'd)

31 March 2007

## **BASIS OF CONSOLIDATION**

The Group's financial statements include the financial statements of the Company and all its subsidiary companies listed under Note 14 made up to the end of the financial year except for P.T. AmCapital Indonesia, the financial statements of which were made up to 31 December 2006 with adjustments, where appropriate, made for any significant transactions that occurred between 1 January 2007 to 31 March 2007.

The Company adopts both the purchase method and merger method (or "pooling of interests" method) in preparing the consolidated financial statements.

Under the purchase method, the results of the subsidiary companies acquired or disposed of during the financial year are included in the Group financial statements from the effective date of acquisition or to the effective date of disposal, as applicable. The cost of an acquisition is measured as fair value of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill on consolidation. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

The merger method was adopted in respect of the transfer of subsidiary companies pursuant to a scheme of arrangement under the group restructuring exercise completed in 1992. The purchase method is adopted for all other acquisitions.

Under the merger method, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with those used by other members of the Group.

All significant intercompany transactions, balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary company being disposed. All gains or losses on disposal of subsidiaries are recognised in the consolidated income statement.

Minority interest represents that part of the net results of operations and net assets of a subsidiary company attributable to equity interests and debentures that are not owned, directly or indirectly through subsidiary companies, by the Company or subsidiary companies. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary companies' equity since that date, except when the losses applicable to the minority interest exceed the minority interest in the equity of that subsidiary company. In such cases, the excess and further losses applicable to the minority interest are attributable to the equity holders of the Company or subsidiary companies, unless the minority interest has a binding obligation to, and is able to, make good the losses. When that subsidiary company subsequently reports profits, the profits applicable to the minority interest are attributed to the equity holders of the Company or subsidiary companies until the minority interest's share of losses previously absorbed by the equity holders of the Company or subsidiary companies has been recovered.

For business combinations where the Group's equity interest in a subsidiary company is increased by virtue of a subscription to a higher proportion of the subsidiary company's new issue of shares as compared to its existing equity interest and where the share issue price is above or below the subsidiary company's net asset value, the resultant dilution or accretion of its share of net assets in the subsidiary company is recognized in equity.

# Notes To The Financial Statements (cont'd)

31 March 2007

## INVESTMENTS IN SUBSIDIARY COMPANIES

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. It is generally accompanied by a shareholding of more than 50.0% of voting rights. Potential voting rights that are exercisable or convertible are considered when determining whether an entity is considered a subsidiary company.

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost less impairment losses, if any.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is charged or credited to the income statement.

## INVESTMENTS IN ASSOCIATED COMPANIES

An associated company 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.

Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes premium on consolidation identified on acquisition, net of accumulated impairment losses, if any.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves from the date that significant influence commences and until the date that significant influence ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies to bring their accounting policies into line with those used by other members of the Group.

The results of the associated companies are taken from the latest audited accounts or unaudited management accounts of the associated companies, prepared at dates not more than three months prior to the end of the financial year of the Group.

Premium on consolidation relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associated company's 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 associated company's profit or loss in the period in which the investment is acquired.

Investments in associated companies are stated at cost less accumulated impairment losses, if any, in the Company's balance sheet.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is charged or credited to the income statement.

# Notes To The Financial Statements (cont'd)

31 March 2007

## INTANGIBLE ASSETS

### (i) Goodwill/Premium On Consolidation

Goodwill on consolidation of subsidiary companies is included in intangible assets on the balance sheet. Premium on consolidation of associated companies is included in investments in associated companies.

Goodwill/premium 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 associated company recognised at the date of acquisition.

Goodwill/premium 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 associated company recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On disposal of a subsidiary or an associated company, the attributable amount of goodwill/premium on consolidation is included in the determination of the gain or loss on disposal.

### (ii) Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their expected useful lives of three (3) to five (5) years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one (1) year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives of three (3) to five (5) years.

### (iii) Other intangible assets

Other intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, intangible assets are carried at costs less accumulated amortisation and accumulated impairment losses, if any.

For other intangible assets with finite useful lives, they are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortisation charges are recognised in the income statement. The useful life and amortisation method are reviewed at each financial year-end.

Other intangible assets with indefinite useful lives are not amortised but reviewed and tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. The useful life of the asset is also reviewed annually to ensure its continuing relevance.



# Notes To The Financial Statements (cont'd)

31 March 2007

## REPURCHASE AGREEMENTS

Securities purchased under resale agreements as collateralized borrowing repo, are securities which the Group and the Company purchases without the transfer of ownership, with commitments to resell at future dates and cannot be further transacted during the period of the repo. The commitments to resell the securities are reflected as an asset on the balance sheet.

Securities purchased under resale agreements as sell buy-back repo are securities which the Group and the Company purchases with the transfer of ownership, with commitments to resell at future dates and can be further transacted during the period of the repo. The commitments to resell these securities, which are further transacted and recognised as securities sold not-yet repurchased under other liabilities, are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities, which the Group and the Company had sold from its portfolio, with commitments to repurchase at future dates for funding purposes. The carrying values of the securities underlying these repurchase agreements remain as assets on the balance sheet of the Group and of the Company while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as a liabilities on the balance sheet.

## SECURITIES

The holdings of the securities portfolio of the Group and of the Company are recognised based on the following categories and valuation methods.

### (i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values or the derecognition of securities held-for-trading are recognised in the income statement.

### (ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity and are measured at cost.

Securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method less impairment losses, if any. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from the derecognition of securities held-to-maturity are recognised in the income statement.

Any sale or reclassification of a significant amount of securities held-to-maturity not close to their maturity would result in the reclassification of all securities held-to-maturity to securities available-for-sale, and prevent the Group from classifying the similar class of securities as securities held-to-maturity for the current and following two financial years.

### (iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised costs (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed off or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### ALLOWANCE FOR DOUBTFUL DEBTS AND FINANCING

Based on management's evaluation of the portfolio of loans, advances and financing, specific allowances for doubtful debts and financing are made when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on set percentages of the net increase in receivables is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowance, if necessary.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of management, there is no prospect of recovery.

The specific and general allowances for loans, advances and financing of the Group are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. However, the Group has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

During the financial year, the Group adopted a more stringent basis for specific allowances on non-performing loans and are as follows:

- (i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:
  - (a) assigning only fifty percent (50.0%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
  - (b) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.

The financial impact of this adoption was an additional specific allowance charge of RM493.3 million for the financial year ended 31 March 2007.

- (ii) Specific allowance of 20.0% is provided on non-performing loans which are three (3) to less than six (6) months-in-arrears. Previously, specific allowance was only made when a non-performing loan was in arrears of six (6) months and above. The financial impact of this adoption was an additional specific allowance charge of RM22.1 million for the financial year ended 31 March 2007.

The Directors are of the view that such treatment will reflect a more prudent provisioning policy for loans, advances and financing.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

The investment banking subsidiary company's stock and share-broking operations' policies for the suspension of interest in respect of bad and doubtful accounts and the making of specific and general allowances are in accordance with Schedule 7 of the Rules of Bursa Malaysia, are as follows:

- (i) Specific allowance is made against bad and doubtful receivables at rates of 50.0% and 100.0%, respectively, subject to deduction of interest-in-suspense and the value of collateral held. In addition, a general allowance is maintained based on 1.5% of total trade receivables after deducting the amount of interest-in-suspense and the specific allowance.
- (ii) Interest income accrued on these accounts are suspended when they are considered non-performing in accordance with Schedule 7 of the Rules of Bursa Malaysia.

# Notes To The Financial Statements (cont'd)

31 March 2007

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

Types	Criteria for classification as non-performing	
	Doubtful	Bad
Contra losses	When the account remains outstanding for 16 to 30 calendar days from the date of contra transactions.	When the account remains outstanding for more than 30 calendar days from the date of contra transactions.
Overdue purchase contracts	When the account remains outstanding from T+5 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.

## FORECLOSED PROPERTIES

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment loss, if any.

## AMOUNTS RECOVERABLE UNDER ASSET-BACKED SECURITISATION ('ABS') TRANSACTIONS

This relates to the balance of purchase consideration recoverable under ABS transactions with Special Purpose Vehicle ("SPV"), of which the amount will be recovered upon maturity of the underlying bonds. Under such ABS transactions, portfolios of receivables are sold to a SPV, which are funded through the issuance of bonds secured by the receivables.

When an indication of impairment exists, the carrying amount of the amount recoverable under the ABS transactions is assessed and written down to its recoverable amount.

The difference between the purchase consideration and the carrying value of the receivables sold is recognised in the income statement.

## PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any impairment loss. Costs include expenditure that is directly attributable to the acquisition of the respective items of property and equipment.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when 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. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated. Leasehold land is amortised over the shorter of the lease period or fifty years. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

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

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
Long-term leasehold land	2%
Short-term leasehold land	Over the term of leases
Motor vehicles	20%
Leasehold improvements	10% - 33 1/3%
Computer hardware	20% - 33 1/3%
Office and residential equipment, furniture and fittings	10% - 33 1/3%

Long-term leases are leases with a term of fifty (50) years and above. Short-term leases are leases with a term of less than fifty (50) years.

The residual values, useful lives and depreciation methods of assets are reviewed, and adjusted if appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising from derecognition of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is charged or credited to the income statement.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### INVESTMENT PROPERTIES

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties of the Group are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write off the cost of the assets to their residual value over their estimated useful lives.

Investment properties of the life insurance fund of the Group are stated at cost and include related and incidental expenditure incurred. Subsequent to initial recognition, investment properties are stated at fair value. 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 of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

### NON-CURRENT ASSETS (OR DISPOSAL GROUPS) 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 a 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 of 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 company acquired exclusively with a view to resale.

### ASSETS PURCHASED UNDER LEASE

Assets purchased under finance leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the Group's incremental borrowing rate is used.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

# Notes To The Financial Statements (cont'd)

31 March 2007

## IMPAIRMENT OF ASSETS

### (i) Securities available-for-sale

Impairment of securities available-for-sale is calculated as the difference between the asset's carrying amount and the estimated recoverable amount. For equity investment classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from the available-for-sale reserve within equity and recognised in the income statement.

Impairment losses on equity investments recognised in the income statement are not reversed through the income statement, until the investments are disposed of. For debt instrument, reversal of impairment is recognised in the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

### (ii) Securities held-to-maturity

For securities held-to-maturity which are carried at amortised cost, the amount of the impairment loss is measured as the difference between the assets's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities held-to-maturity which are carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### (iii) 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 periods.

### (iv) 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 such an indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised in the income statement when the carrying amount of the asset (or CGU) exceeds the recoverable amount of the asset (or CGU). An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

# Notes To The Financial Statements (cont'd)

31 March 2007

## BILLS AND ACCEPTANCES PAYABLE

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

## LIABILITIES

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for services received.

Trade payables in respect of the stock and share-broking operations of the investment banking subsidiary company represent contra gains owing to non-margin clients and outstanding sale contracts of the company which were entered into on behalf of clients where settlement has yet to be made. The credit term for trade settlement of the company is three (3) market days according to rules of the Stock Exchanges. Clients and trust monies relate to monies owing to clients maintained in aggregated accounts.

Deposits from customers and deposits and placement of banks and other financial institutions are stated at placement values.

## GENERAL INSURANCE FUND

The general insurance underwriting results, other than those arising from inward treaty business, are determined for each class of business, after taking into account reinsurances, unearned premium reserves, net commissions, net claims incurred and any other additional reserves.

The Unearned Premium Reserves represent the unexpired risks at the end of the financial year. In determining the unexpired risks at the balance sheet date, the method that most accurately reflects the actual unexpired risks used is as follows:

- (i) 25% method for marine cargo, aviation cargo and transit business;
- (ii) 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:
 

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of three (3) or more	10%
Workmen's compensation and employer's liability	
- Foreign workers	10%
- Others	25%
Other classes	10% - 25%
- (iii) 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission; and
- (iv) Non-annual policies are time apportioned over the period of the risks.

# Notes To The Financial Statements (cont'd)

31 March 2007

## LIFE INSURANCE FUND

The surplus of life insurance underwriting results transferable from the life insurance fund to the income statement is based on the surplus determined by annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the Group's appointed actuary. Any deficit arising from the actuarial valuation is recoverable from the shareholders' fund. The latest valuations were made up to 31 March 2007 and the results have been reflected accordingly.

## PROVISION FOR CLAIMS

For general insurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at balance sheet date using the case-basis method. Provision is also made for the cost of claims together with related expenses incurred but not reported at balance sheet date based on an actuarial estimation by the qualified independent actuary using a mathematical method of estimation.

For life insurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified and/or when a claimable event occurs but not settled at balance sheet date, using the case-basis method.

## PROFIT EQUALISATION RESERVE ("PER")

PER is a mechanism to reduce the fluctuation in the profit rates payable to depositors under the Islamic banking business. It is provided based on the Framework of the Rate of Return issued by BNM. The account of PER is appropriated from and written back to the total Islamic banking gross income. PER is reflected under "other liabilities" of the Group.

## PROVISIONS

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present legal or constructive obligation as a result of a past event and a reliable estimate can be made of the amount.

## INTEREST BEARING BORROWINGS

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using effective interest method.

## HYBRID CAPITAL

Hybrid capital is classified as liabilities in the balance sheet 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 another financial instrument.

## EQUITY INSTRUMENTS

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of equity are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction, which would have otherwise been avoided.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### PROVISIONS FOR COMMITMENTS AND CONTINGENCIES

Based on management's evaluation of the guarantees given on behalf of customers, specific provisions for commitments and contingencies are made in the event of a call or potential liability and there is a shortfall in the security value supporting these guarantees.

### FINANCIAL INSTRUMENTS

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

### TRADING DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Trading derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statements unless they are part of a hedging relationship, which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

### 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.

### 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 by the occurrence or non-occurrence of one or more uncertain future events beyond 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 recognized because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.



# Notes To The Financial Statements (cont'd)

31 March 2007

## **OPERATING REVENUE**

Operating revenue of the Group comprises of all types of revenue derived from investment banking, commercial banking, retail financing, insurance and related financial services but after elimination of all related companies transactions.

Operating revenue of the Company comprises of interest income and other operating income.

## **INTEREST AND FINANCING INCOME AND EXPENSE RECOGNITION**

Interest income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Interest and financing income on securities are recognised on an effective yield basis.

The Group follows the financing method of accounting for income from leasing activities. Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the end of the lease) of the leased property is taken as income over the term of the lease in decreasing amounts proportionate to the declining balance of the unrecovered sum using the 'sum-of-digits' method.

Interest and financing income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements. Interest and financing income from hire purchase financing and block discounting of the Group is recognised using the 'sum-of-digits' method. Income from Islamic Banking financing is recognised on an accrual basis in accordance with the principle of Shariah.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statement over the tenor of the loan in accordance with BNM Circular on Handling Fees dated 16 October 2006 and is set off against interest income recognised on the hire purchase loans.

Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans is recognised as income on a cash basis.

An account is classified as non-performing where repayment is in arrears for more than three months and after maturity dates for trade bills, bankers' acceptances and trust receipts.

The Group's policy on recognition of interest income on loans and advances is in conformity with BNM's "Guideline on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts" ("BNM/GP3") and revised "Guidelines on Financial Reporting for Licensed Institutions" ("BNM/GP8").

Interest expense and attributable income on deposits and borrowings (pertaining to activities relating to Islamic banking business) of the Group are accrued on a straight-line basis while block discounting finance charges are accrued using the "sum-of-digits" method.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### **FEE AND OTHER INCOME RECOGNITION**

Loan arrangement, management and participation fees, net brokerage income, acceptance and factoring commissions and underwriting commissions, are recognised as income upon execution of contracts.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

Asset, real estate investment trust and unit trusts management fees, margin rollover fees, agency and commitment fees are recognised as income based on time apportionment.

All gains or losses on disposal of non-performing loans are recognised in the income statement upon execution of contracts. The gain or loss on disposal of non-performing loans is the difference between the net disposal proceeds and the carrying value of the non-performing loans being disposed.

Guarantee fees are recognised as income upon issuance and, where the guarantee periods are longer than one year, over the duration of the guarantee period.

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

Equipment and property rental are recognised on an accrual basis.

Dividends are recognised when the right to receive payment is established.

Premium income from general insurance is recognised in a financial period in respect of risks assumed during the particular financial year. Inward treaty reinsurance premium are recognised on the basis of periodic advices received from ceding insurers.

Premium income from life insurance is recognised as soon as the amount of the premium can be reliably measured. First premium income is recognised from inception date and subsequent premium income is recognised when it is due. Premium outstanding at balance sheet date is recognised as income for the year, provided it is still within the grace period allowed for payment.

Rental income is recognised on an accrual basis when it falls due.

### **EMPLOYEE BENEFITS**

#### (i) Short-term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### (ii) Defined Contribution Plan

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

#### (iii) 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 balance sheet date are discounted to present value.

# Notes To The Financial Statements (cont'd)

31 March 2007

## INCOME TAXES

Tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case the income tax is also recognised in equity.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based on the taxable profits.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Temporary differences are not recognised for goodwill or negative goodwill or from the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

## FOREIGN CURRENCIES

### (i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

### (ii) Foreign Currency Transactions

In preparing the financial statements of the Company, subsidiary and associated companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions or, if covered by foreign exchange contracts, at contracted rates. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (iii) Foreign Operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of subsidiary and associated companies expressed in foreign currencies are translated into RM at the rates of exchange ruling at the balance sheet date while income statement is translated into RM at the average exchange rate for the year. Gains or losses arising on translation into RM are classified as equity and transferred to the Group's exchange fluctuation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used for translation of foreign operations are as follows:

	31.3.2007	31.3.2006
Singapore Dollar (SGD)	2.28	2.28
United States Dollar (USD)	3.46	3.68
Indonesia Rupiah (IDR)	0.0004	0.0004
Hong Kong Dollar (HKD)	0.44	0.47

## CASH FLOW STATEMENTS

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

## CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdrafts.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of the financial statements involved making certain estimates, assumptions concerning the future and judgments. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

### (a) Liabilities of insurance business

There are several sources of uncertainty that need to be considered in the estimation of the liabilities under life and general insurance businesses that the Group will ultimately be required to pay as claims.

For life insurance business, estimates are made for future deaths, disabilities, maturities, voluntary terminations, investment returns and administration expenses in accordance with regulatory requirements. The Group bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to disability, estimates are made based on recent past experience and emerging trends. However, epidemic as well as wide ranging changes to life style, could result in significant changes to the expected future exposure. All of this will give rise to estimation uncertainty of projected ultimate liability of the life insurance fund.

For general insurance business, the principal uncertainty arises from the technical provisions which include the provisions of premium and claims liabilities. The premium liabilities comprise unearned premium reserves while claim liabilities comprise provision for outstanding claims. Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the Group's projections. The estimates of premiums and claims liabilities are therefore sensitive to various factors and uncertainties.

# Notes To The Financial Statements (cont'd)

31 March 2007

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

(b) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The recoverable amounts of CGU are determined based on the value-in-use method, which requires the use of estimates. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on the most recent one year budget approved by management. Cash flows for the second to fifth years are extrapolated using estimated weighted average growth rates. No growth rate is estimated for the sixth to tenth years. The discount rates applied to the cash flow projections are derived from the CGU's pre-tax weighted average cost of capital at the date of assessment. Changes to the assumptions used by management, particularly the discount rate and growth rate, may significantly affect the results of the impairment test.

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices or dealer quotes for similar instruments and discounted cash flows are some of the common techniques used to calculate the fair value of these instruments.

(d) Classification between investment properties and property and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is 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 portion could be sold separately, the Group would account for the portion separately. If the portion could not be sold separately, the property is an investment property only if insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(e) Deferred tax assets

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.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 5. CASH AND SHORT-TERM FUNDS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and bank balances	339,168	1,480	240,370	427
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	51,484	-	19,532
Others	1,232,143	-	1,157,138	-
Licensed investment/merchant banks:				
Others	-	-	30,000	-
Bank Negara Malaysia	8,809,990	-	7,940,600	-
Other financial institutions	211,919	-	87,154	-
	10,593,220	52,964	9,455,262	19,959

Included in the above are interbank lendings of RM8,604,103,000 (RM9,184,981,000 in 2006) for the Group and short-term deposits and money held on behalf of remisiers and clients amounting to approximately RM92,900,000 (RM8,567,000 in 2006) for the Group.

As at 31 March 2007, the net interbank borrowing and lending position of the Group is as follows:

	Group	
	2007 RM'000	2006 RM'000
Interbank lendings		
Cash and short-term funds	8,604,558	9,184,981
Deposits with financial institutions (Note 7)	1,207,544	747,593
	9,812,102	9,932,574
Interbank borrowings (Note 19)	(1,101,039)	(895,590)
Net interbank lendings	8,711,063	9,036,984

# Notes To The Financial Statements (cont'd)

31 March 2007

## 6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Licensed banks:				
Subsidiary	-	43,450	-	78,050
Others	501,431	-	719,590	-
	501,431	43,450	719,590	78,050

Included in the above are money held on behalf of remisers and clients amounting to approximately RM316,400,000 (RM132,004,000 in 2006) for the Group.

## 7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Licensed banks:				
Subsidiary	-	146,331	-	7,943
Others	547,901	-	615,487	-
Licensed investment/merchant banks:				
Subsidiary	-	-	-	29,158
Bank Negara Malaysia	458,028	-	26,713	-
Other financial institutions	633,928	-	110,493	-
	1,639,857	146,331	752,693	37,101

The deposits and placements with banks and other financial institutions mature within one year.

Deposits with financial institutions amounting to RMNil (RM103,000 in 2006) for the Group are pledged to certain banks for banking facilities granted to the subsidiary companies.

Included in the above is an amount of RM200,000 (RM200,000 in 2006) 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 RM1,207,544,000 (RM747,593,000 in 2006) for the Group.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 8. SECURITIES HELD-FOR-TRADING

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>At Fair Value Money Market Securities:</b>				
Treasury Bills	166,303	-	34,282	-
Islamic Treasury Bills	48,442	-	48,541	-
Malaysian Government Securities	1,505,936	-	1,349,901	-
Malaysian Government Investment Certificates	575,313	-	147,063	-
Cagamas bonds	60,230	-	273,869	-
Cagamas Mudharabah bearer bonds	16,217	-	264,207	-
Khazanah bonds	11,741	-	912	-
Bank Negara Malaysia bills	-	-	5,143	-
Islamic Bank Negara Malaysia bills	-	-	2,491	-
Bank Negara Monetary Notes	580,986	-	-	-
Negotiable instruments of deposits	-	-	574,417	150,197
Negotiable Islamic Debt Certificates	12,442	-	296,124	-
Sukuk Bank Negara Malaysia	-	-	95,798	-
	2,977,610	-	3,092,748	150,197
<b>Securities Quoted:</b>				
In Malaysia:				
Shares	294,296	-	242,939	-
Trust units	198,185	-	353,011	-
Corporate bonds	33,922	-	20,927	-
Outside Malaysia:				
Shares	43,072	-	110	-
Trust units	1,996	-	1,996	-
	571,471	-	618,983	-
<b>Unquoted Securities Of Companies Incorporated:</b>				
In Malaysia:				
Shares	2,200	-	2,200	-
Outside Malaysia:				
Shares	18,910	-	-	-
	21,110	-	2,200	-
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	244,739	-	67,701	-
Islamic corporate bonds	103,119	-	-	-
Corporate notes	39,749	-	-	-
Islamic corporate notes	30,425	-	10,379	-
	418,032	-	78,080	-
<b>Unquoted Private Debt Securities Of Companies Incorporated:</b>				
In Malaysia:				
Shares	405,822	-	178,763	-
Corporate bonds	687,002	20,000	665,062	20,000
Corporate notes	50,224	-	38,420	-
Islamic corporate bonds	1,604,502	-	1,305,975	-
Islamic corporate notes	63,947	-	117,809	-
Outside Malaysia:				
Corporate bonds	119,185	-	-	-
	2,930,682	20,000	2,306,029	20,000
<b>Total</b>	<b>6,918,905</b>	<b>20,000</b>	<b>6,098,040</b>	<b>170,197</b>

Certain money market securities held have been sold under repurchase agreements for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as liabilities as shown in Note 20.



# Notes To The Financial Statements (cont'd)

31 March 2007

## 9. SECURITIES AVAILABLE-FOR-SALE

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>At Fair Value</b>				
<b>Money Market Securities:</b>				
Malaysian Government Securities	44,474	-	50,394	-
Cagamas bonds	14,624	-	24,714	-
Khazanah bonds	9,604	-	10,138	-
Negotiable instruments of deposits	353,612	-	69,340	-
	422,314	-	154,586	-
<b>Securities Quoted:</b>				
In Malaysia:				
Trust units	76,334	-	3,773	-
Corporate bonds	17,329	-	18,576	-
Outside Malaysia:				
Shares	13,505	-	8,907	-
	107,168	-	31,256	-
<b>Unquoted Securities In Malaysia:</b>				
Shares	2,400	2,000	400	-
<b>Debt Equity Converted Securities Quoted:</b>				
In Malaysia:				
Shares	46,043	-	248,502	-
Shares - with options	82,815	-	19,822	-
Loan stocks - collateralised	-	-	1,064	-
Corporate bonds	50	-	648	-
Outside Malaysia:				
Shares	229	-	-	-
	129,137	-	270,036	-
<b>Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	323,592	-	337,567	-
Islamic corporate bonds	558,857	-	217,183	-
Islamic corporate notes	-	-	18,729	-
	882,449	-	573,479	-
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	312,061	-	574,248	-
<b>Total</b>	<b>1,855,529</b>	<b>2,000</b>	<b>1,604,005</b>	<b>-</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

## 10. SECURITIES HELD-TO-MATURITY

	Group	
	2007 RM'000	2006 RM'000
<b>At Amortised Cost</b>		
<b>Money Market Securities:</b>		
Negotiable instruments of deposits	89,589	-
<b>Securities Quoted In Malaysia:</b>		
Shares	99	99
Trust units	1,001	-
Corporate bonds	34,560	55,247
	35,660	55,346
<b>Unquoted Securities Of Companies Incorporated:</b>		
In Malaysia:		
Shares	102,636	102,636
Corporate bonds	959	959
Outside Malaysia:		
Shares	7,597	8,706
	111,192	112,301
<b>Debt Equity Converted Securities Quoted:</b>		
In Malaysia:		
Shares	13,193	8,201
Loan stocks - collateralised	971	971
Loan stocks - with options	843,061	956,783
Outside Malaysia:		
Shares - with options	15	15
	857,240	965,970
<b>Unquoted Debt Equity Converted Securities Of Companies Incorporated In Malaysia:</b>		
Shares	44,971	122,870
Loan stocks	783,509	804,744
Corporate bonds	502,224	621,435
	1,330,704	1,549,049
<b>Unquoted Private Debt Securities Of Companies Incorporated:</b>		
In Malaysia:		
Shares	21,220	21,220
Corporate bonds and notes denominated in USD	56,871	68,674
Islamic corporate bonds	193,598	196,703
Outside Malaysia:		
Corporate bonds and notes denominated in USD	103,680	110,493
	375,369	397,090
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	79,216	82,729
	2,878,970	3,162,485
Accumulated impairment losses	(566,400)	(449,844)
<b>Total</b>	<b>2,312,570</b>	<b>2,712,641</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

	Group	
	2007 RM'000	2006 RM'000
<b>Market/Indicative value Money Market Securities:</b>		
Negotiable instruments of deposit	89,604	-
<b>Securities Quoted In Malaysia:</b>		
Shares	43	32
Trust units	980	-
Corporate bonds	28,215	56,077
<b>Debt Equity Converted Securities Quoted In Malaysia:</b>		
Shares	5,422	4,176
Loan stocks - collateralised	971	971
Loan stocks - with options	624,335	701,342
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	79,240	82,692

## 11. LOANS, ADVANCES AND FINANCING

	Group	
	2007 RM'000	2006 RM'000
Loans and financing:		
Term loans and revolving credit	14,037,374	13,468,701
Housing loans	11,074,856	9,791,514
Staff loans	185,536	181,641
Hire-purchase receivables	24,474,377	23,110,318
Credit card receivables	2,218,724	2,138,331
Lease receivables	1,430,654	1,316,480
Overdrafts	1,343,383	1,031,079
Claims on customers under acceptance credits	1,656,939	1,250,752
Trust receipts	215,921	200,702
Block discount receivables	56,751	64,575
Factoring receivables	52,047	32,887
Bills receivable	17,765	6,878
	56,764,327	52,593,858
Less: Unearned interest and income	6,022,129	5,478,909
Total	50,742,198	47,114,949
Less:		
Allowance for bad and doubtful debts and financing:		
General	778,396	721,817
Specific	2,353,047	1,532,664
	3,131,443	2,254,481
Net loans, advances and financing	47,610,755	44,860,468

Claims on customers under acceptance credits represent the investment banking and commercial banking subsidiary companies' own acceptances created and discounted. Own acceptances discounted and held in hand by the Group as at 31 March 2007 amounted to RM158,400,000 (RM909,620,000 in 2006).

# Notes To The Financial Statements (cont'd)

31 March 2007

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

	Group	
	2007 RM'000	2006 RM'000
Maturing within one year	13,925,586	12,327,220
One year to three years	12,229,615	12,419,042
Three to five years	8,840,263	8,410,936
Over five years	15,746,734	13,957,751
	50,742,198	47,114,949

Loans, advances and financing analysed by their economic purposes are as follows:

	Group				Loans Growth
	2007 RM'000	%	2006 RM'000	%	
Purchase of transport vehicles	22,739,226	42.5	21,237,388	43.1	
Purchase of landed properties:					
(a) Residential	10,777,779	20.2	9,614,563	19.5	
(b) Non-residential	2,491,641	4.7	2,460,288	5.0	
Working capital	7,921,566	14.8	6,203,967	12.6	
Credit cards	2,207,352	4.1	2,138,423	4.3	
Personnel use	1,651,691	3.1	1,301,856	2.6	
Fixed assets	1,561,570	2.9	1,153,771	2.3	
Construction	1,160,173	2.2	1,266,236	2.6	
Purchase of securities	1,237,484	2.3	1,042,937	2.1	
Merger and acquisition	207,044	0.4	404,571	0.8	
Consumer durables	4,648	0.1	7,801	0.0	
Other purpose	1,500,857	2.7	2,488,975	5.1	
Gross loans, advances and financing	53,461,031	100.0	49,320,776	100.0	
Less: Islamic financing sold to Cagamas Berhad	2,718,833		2,205,827		
	50,742,198		47,114,949		7.7%

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

	Group	
	2007 RM'000	2006 RM'000
Domestic:		
Business enterprises:		
Small medium enterprises	4,806,779	4,738,220
Others	9,932,336	9,294,073
Other non-bank financial institutions	760,703	453,199
Government and statutory bodies	140,282	105,809
Individuals	34,583,382	32,009,995
Other domestic entities	327,991	346,711
Foreign entities	190,725	166,942
	50,742,198	47,114,949

# Notes To The Financial Statements (cont'd)

31 March 2007

Loans, advances and financing analysed by interest rate sensitivity are as follows:

	Group	
	2007 RM'000	2006 RM'000
Variable rate:		
BLR-plus	14,154,129	12,873,455
Cost-plus	4,919,740	4,435,782
Other variable rates	567,196	736,388
	19,641,065	18,045,625
Fixed rate:		
Housing loans	3,129,736	3,069,126
Hire purchase receivables	21,100,285	19,976,247
Other fixed rates	6,871,112	6,023,951
	31,101,133	29,069,324
	50,742,198	47,114,949

Movements in non-performing loans, advances and financing ("NPLs") are as follows:

	Group	
	2007 RM'000	2006 RM'000
Gross		
Balance at beginning of year	6,136,695	7,597,662
Non-performing during the year	1,604,797	2,381,238
Amount written off	(935,779)	(1,235,771)
Reclassification to performing loans and financing	(818,554)	(2,016,743)
Recoveries	(457,448)	(580,814)
Debt equity conversion	(6,182)	(7,088)
Transfer from stock and share-broking operations	8,811	-
Exchange fluctuation adjustments	2,001	(1,789)
Balance at end of year	5,534,341	6,136,695
Less: Specific allowance	(2,353,047)	(1,532,664)
Non-performing loans and financing - net	3,181,294	4,604,031
Ratios of non-performing loans and financing (including islamic financing sold to Cagamas Berhad) to total loans, advances and financing - net	6.2%	9.6%
Loan loss coverage excluding collateral values	56.6%	36.7%

On 18 May 2007, the Group obtained approval from BNM for the sale of its portfolio of non-performing loans (net) totalling RM574.0 million ("NPL sale"). The NPL sale is subject to the approval of Securities Commission and it will further reduce the Group's non-performing loans (net) ratio to 5.5% from 6.2% as at 31 March 2007.

# Notes To The Financial Statements (cont'd)

31 March 2007

Non-performing loans, advances and financing analysed by their economic purposes are as follows:

	Group			
	2007		2006	
	RM'000	%	RM'000	%
Working capital	1,205,711	21.8	1,189,815	19.4
Purchase of landed properties:				
(a) Residential	1,372,850	24.8	1,375,485	22.4
(b) Non-residential	781,598	14.1	905,105	14.7
Purchase of transport vehicles	806,824	14.6	854,974	13.9
Construction	364,953	6.6	609,611	9.9
Purchase of securities	273,202	4.9	295,681	4.8
Credit cards	216,850	3.9	153,751	2.5
Fixed assets	62,217	1.1	96,904	1.6
Personnel use	54,394	1.0	68,248	1.1
Merger and acquisition	15,020	0.3	58,311	1.0
Consumer durables	327	0.0	895	0.0
Other purpose	380,395	6.9	527,915	8.7
	5,534,341	100.0	6,136,695	100.0

Movements in allowances for bad and doubtful debts and financing are as follows:

	Group	
	2007 RM'000	2006 RM'000
<b>General allowance</b>		
Balance at beginning of year	721,817	629,784
Allowance during the year	55,567	92,171
Transfer from stock and share-broking operations	1,321	-
Exchange fluctuation adjustments	(309)	(138)
Balance at end of year	778,396	721,817
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less specific allowances	1.52%	1.51%
<b>Specific allowance</b>		
Balance at beginning of year	1,532,664	1,815,088
Allowance during the year	2,162,855	1,422,770
Amount written back in respect of recoveries and reversals	(426,953)	(470,856)
Net charge to income statements	1,735,902	951,914
Transfer from stock and share-broking operations	8,741	-
Reclassification from sundry receivables	8,205	17,372
Adjustment from/(to) deferred asset account	7,792	(1,594)
Amount written off	(935,929)	(1,246,663)
Debt equity conversion	(3,182)	(3,251)
Exchange fluctuation adjustments	(1,146)	(202)
Balance at end of year	2,353,047	1,532,664

# Notes To The Financial Statements (cont'd)

31 March 2007

## 12. OTHER ASSETS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade receivables, net of allowance for doubtful debts for the Group of RM56,669,000 (RM67,910,000 in 2006)	777,650	-	291,126	-
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM15,700,000 (RM9,990,000 in 2006)	879,788	28,140	547,752	33,165
Interest receivables on treasury assets, net of allowance for doubtful debts for the Group of RM5,708,000 (RM6,083,000 in 2006)	173,229	1,557	122,523	787
Fee receivables, net of allowance for doubtful debts for the Group of RM5,961,000 (RM4,669,000 in 2006)	34,336	-	28,886	-
Amount due from subsidiary companies	-	-	-	40
Amount due from agents, brokers and reinsurers, net of allowance for the Group of RM12,310,000 (RM10,406,000 in 2006)	85,334	-	37,118	-
Amount due from originators	52,421	-	89,694	-
Amount recoverable under asset-backed securitisation transactions, net of impairment loss of RM20,500,000 (RM10,500,000 in 2006)	77,066	-	87,066	-
Foreclosed properties net of allowance for impairment in value of RM94,911,000 (RM92,986,000 in 2006)	98,882	-	103,714	-
Deferred asset	43,939	-	64,578	-
	2,222,645	29,697	1,372,457	33,992

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

Included in the allowance for doubtful debts for trade receivables in the previous financial year above is general allowance amounting to RM770,000, specific allowance amounting to RM54,596,000 and interest-in-suspense amounting to RM66,411,000 pertaining to bad and doubtful accounts of the stock and share-broking operations of the investment banking subsidiary company.

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 22.

# Notes To The Financial Statements (cont'd)

31 March 2007

In 1998, the subsidiary company, AMFB Holdings Berhad ("AMFB"), participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya, whereby certain assets and liabilities of Abrar Finance Berhad ("AFB"), a licensed finance company incorporated in Malaysia, were transferred with effect from 18 December 1998 to AMFB with financial assistance from BNM.

The net asset deficiency representing the excess of liabilities over the assets transferred from AFB arising from the scheme, is shown as deferred asset, and is reduced progressively by net income derived from the utilisation of the deposit placed by BNM, as mentioned in Note 19, and net recoveries of defaulted loans of AFB computed based on a formula determined by BNM.

Subsequent to the vesting order of assets and liabilities from AMFB to AmBank, the deferred assets arising from the takeover of AFB were vested over to AmBank.

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 million, subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operative. The tax benefit is a fixed monetary sum and is not dependant on any changes in tax rates.

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

	Group	
	2007 RM'000	2006 RM'000
Deferred assets are as follows:		
Arising from takeover of Abrar Finance Berhad	4,048	3,394
Arising from takeover of Kewangan Usahasama Makmur Berhad	39,891	61,184
	43,939	64,578

## 13 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA (CENTRAL BANK OF MALAYSIA)

The non-interest bearing statutory deposits pertaining to the investment banking, commercial and Islamic banking subsidiary companies are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

## 14. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2007 RM'000	2006 RM'000
<b>At cost</b>		
<b>In Malaysia</b>		
Quoted	673,200	673,200
Unquoted	3,026,954	3,026,954
	3,700,154	3,700,154
<b>Market value:</b>		
Shares quoted in Malaysia	1,481,040	1,137,708



# Notes To The Financial Statements (cont'd)

31 March 2007

The subsidiary companies, all incorporated in Malaysia, except for P.T. AmCapital Indonesia, which is incorporated in Indonesia, AmSecurities (H.K.) Limited and AmTrade Services Limited which are incorporated in Hong Kong and Frasers International Pte. Ltd. and its subsidiary companies which are incorporated in Singapore, are as follows:

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2007 RM'000	2006 RM'000	2007 %	2006 %	
<b>Direct Subsidiary Companies</b>					
<b>Quoted</b>					
AmInvestment Group Berhad ("AIGB")	Investment holding	1,320,000	1,320,000	51.00	51.00
<b>Unquoted</b>					
AMFB Holdings Berhad ("AMFB")	Investment holding	731,516	731,516	100.00	100.00
AmAssurance Berhad ("AMAB")	Life assurance and general insurance	100,000	100,000	70.00	70.00
AmManagement Services Sdn Bhd	Dormant	_**	_**	100.00	100.00
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
AmInvestment Bank Berhad ("AmInvestment Bank") (formerly known as AmMerchant Bank Berhad)	Investment banking	240,000	210,000	51.00	51.00
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	10,000	10,000	51.00	51.00
AmIslamic Bank Berhad ("AmIslamic Bank")	Islamic banking	403,038	153,038	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	610,364	610,364	100.00	100.00
Arab-Malaysian Credit Berhad	Hire-purchase financing and leasing	288,500	288,500	100.00	100.00
AmSecurities Sdn Bhd ("AmSecurities")	Stock and share-broking	100,000	100,000	51.00	51.00
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
AmInvestment Services Berhad ("AIS")	Management of unit trusts	5,539	5,539	51.00	51.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management	2,000	2,000	51.00	51.00
AMMB Consultant Sdn Bhd	Investment consultant	500	500	51.00	51.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	51.00	51.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	51.00	51.00
AmProperty Trust Management Berhad	Management of real estate investment trusts	500	500	51.00	51.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding	4	_*****	40.80	40.80
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100.00	100.00
AMCB Mezzanine Sdn Bhd	Dormant	400	400	100.00	100.00

# Notes To The Financial Statements (cont'd)

31 March 2007

	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2007 RM'000	2006 RM'000	2007 %	2006 %
AmTrustee Berhad	Trustee services	500	500	60.40	60.40
Arab-Malaysian Services Berhad	Dormant	6,000	6,000	70.00	70.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	51.00	51.00
South Johor Securities Nominees (Tempatan) Sdn Bhd	Dormant	..**	..**	51.00	51.00
South Johor Securities Nominees (Asing) Sdn Bhd	Dormant	..**	..**	51.00	51.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	51.00	51.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	51.00	51.00
AmFutures Sdn Bhd ("AmFutures")	Futures and options trading	15,000	10,000	51.00	51.00
AmResearch Sdn Bhd	Publishing and selling research materials and reports	500	500	51.00	51.00
AM Nominees (Tempatan) Sdn Bhd	Nominee services	..**	..**	51.00	51.00
AM Nominees (Asing) Sdn Bhd	Nominee services	..**	..**	51.00	51.00
AMMB Properties Sdn Bhd	Dormant	..**	..**	51.00	51.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Management of private equity fund	500	500	40.80	40.80
Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings")	Investment holding	1,000	-	35.70	-
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
Am ARA REIT Managers Sdn Bhd ("Am ARA REIT Managers")	Management of real estate investment trusts	1,000	-	35.70	-
Anning Sdn Bhd	Dormant	250	250	100.00	100.00
Everflow Credit & Leasing Corp Sdn Bhd	Dormant	684	684	100.00	100.00
MBF Information Services Sdn Bhd	Property holding	27,500	27,500	100.00	100.00
MBF Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
MBF Trustees Berhad	Trustee services	250	250	60.00	60.00
AmProperty Holdings Sdn Bhd	Property investment	500	500	100.00	100.00
MBF Equity Partners Sdn Bhd	Dormant	10,000	10,000	100.00	100.00
MBF Nominees (Asing) Sdn Bhd	Dormant	..**	..**	100.00	100.00

# Notes To The Financial Statements (cont'd)

31 March 2007

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2007 RM'000	2006 RM'000	2007 %	2006 %	
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
Lekir Development Sdn Bhd	Dormant	450	450	100.00	100.00
Li & Ho Sdn Bhd	Dormant	850	850	100.00	100.00
Teras Oak Pembangunan Sdn Bhd	Dormant	1,200	1,200	100.00	100.00
AmCredit & Leasing Sdn Bhd	Dormant	500	500	100.00	100.00
Crystal Land Sdn Bhd	Dormant	400	400	80.00	80.00
Bougainvillaea Development Sdn Bhd	Property holding	1,000	1,000	100.00	100.00
Malco Properties Sdn Bhd	Dormant	157	157	51.00	51.00
Komuda Credit & Leasing Sdn Bhd	Dormant	500	500	100.00	100.00
Natprop Sdn Bhd	Dormant	500	500	100.00	100.00
		<b>US\$'000</b>	<b>US\$'000</b>		
AMMB Labuan (L) Ltd	Dormant	200	200	51.00	51.00
AmInternational (L) Ltd ("AMIL")	Offshore banking	10,000	10,000	51.00	51.00
AMBB Capital (L) Ltd	Special purpose vehicle	***	***	100.00	100.00
		<b>RP'000</b>	<b>RP'000</b>		
P.T. AmCapital Indonesia* ("AMCI")	Stock-broking, underwriting and investment management	146,186,000	26,000,000	50.49	42.36
		<b>HK\$000</b>	<b>HK\$000</b>		
AmSecurities (H.K.) Limited^	Dormant	33,000	33,000	51.00	51.00
AmTrade Services Limited^	Trade finance services	****	****	100.00	100.00
		<b>S\$'000</b>	<b>S\$'000</b>		
Fraser International Pte. Ltd. ("FIPL")*#	Investment holding	18,910	18,910	51.00	24.99^^
Fraser Securities Pte. Ltd.*	Stock and share broking	32,528	32,528	51.00	24.99^^
Fraser Financial Planners Pte. Ltd.*	Dormant	1,000	1,000	51.00	24.99^^
Fraser Financial Services Pte. Ltd.*	Dormant	200	200	51.00	24.99^^
Fraser-AMMB Research Pte. Ltd.*	Dormant	500	500	51.00	24.99^^
Fraser Nominees (Private) Limited*	Nominee services	1	1	51.00	24.99^^

\* Subsidiary company not audited by Ernst & Young.

\*\* Subsidiary company with an issued and paid-up ordinary capital of RM2.00.

\*\*\* Subsidiary company with an issued and paid-up ordinary capital of USD2.00.

\*\*\*\* Subsidiary company with an issued and paid-up ordinary capital of HK\$2.00.

\*\*\*\*\* Subsidiary company with an issued and paid-up ordinary capital of RM195.00.

^ Subsidiary companies audited by a firm affiliated with Ernst & Young.

# Pursuant to the Singapore's Companies (Amendments) Act 2005, the amount in the share premium account ( and any capital redemption reserve) become part of the company's share capital. As a result, the issued and paid-up share capital of FIPL have increased from SGD14,856,402 to SGD18,910,188.

^^ Investment in associated companies as at 31 March 2006 (Note 15)

# Notes To The Financial Statements (cont'd)

## 31 March 2007

1. On 1 May 2006, Amlslamic Bank received its licence to transact Islamic banking business with immediate effect.

Pursuant to the vesting order of the High Court of Malaya dated 18 April 2006 under Origination Summons No. 04-22A-151-2006 and made pursuant to Section 50 of the Banking and Financial Institutions Act 1989, the Islamic Banking business of AmBank has been vested in Amlslamic Bank with effect from 1 May 2006. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of an issue of 250.0 million new ordinary shares of RM1.00 each on 28 April 2006 by Amlslamic Bank to AmBank at RM3.14 per share.

2. AmFutures increased its issued and fully paid-up share capital from RM10,000,000 to RM15,000,000 through a rights issue of RM5,000,000 new ordinary shares of RM1.00 each at par in cash for the purpose of meeting its working capital requirements.
3. AIGB had on 5 May 2006 acquired seven (7) ordinary shares of RM1.00 each, representing 70% equity interest, in Am ARA Holdings, the holding company of Am ARA REIT Managers, for a cash consideration of RM7.00, in connection with the joint venture ("JV") between AIGB and ARA Asset Management (Malaysia) Limited ("ARA Management") in the business of REIT management. Am ARA Holdings and Am ARA REIT Managers were both incorporated on 20 April 2006.

Pursuant to the JV agreement entered into between AIGB and ARA Management on 16 February 2006, the balance of three (3) ordinary shares of RM1.00 each, representing 30.0% equity interest in Am ARA Holdings, are held by ARA Management.

On 26 September 2006, Am ARA Holdings increased its issued and fully paid-up share capital from RM10.00 to RM1,000,000 through a rights issue of RM999,990 new ordinary shares of RM1.00 each at par in cash for the purpose of capital injection into Am ARA REIT Managers to meet its working capital requirements.

4. On 31 August 2006, AmlInvestment Bank completed the acquisition of 6,599,592 ordinary shares of S\$1.00 each in FIPL, representing 44.42% of the issued and paid-up share capital of FIPL not already owned by AmlInvestment Bank, for an aggregate cash purchase consideration of S\$18,519,705, thus making it a 93.42%-owned subsidiary of AmlInvestment Bank.

Further thereto, AmlInvestment Bank had on 8 September 2006 completed the acquisition of the remaining 977,174 ordinary shares in FIPL, representing a 6.58% equity interest in FIPL, for an aggregate cash purchase consideration of S\$2,742,135, thereby making FIPL a wholly-owned subsidiary of AmlInvestment Bank.

The effects of this acquisition on the financial results of the Group for the financial year is as follows:

	<b>2007 RM'000</b>
Operating revenue	16,571
Interest income	1,184
Other operating income	15,387
Net income	16,571
Other operating expenses	(12,915)
Writeback of allowance for doubtful sundry receivables - net	438
Profit before taxation	4,094
Taxation	(1,112)
Increase in profit attributable to equity holders of the Company	2,982

# Notes To The Financial Statements (cont'd)

31 March 2007

If the acquisition had occurred on 1 April 2006, FIPL's operating revenue and profit after taxation attributable to equity holders of the Company for the year would have been RM28,672,000 and RM6,580,000, respectively. Accordingly, the Group's operating revenue and loss after taxation attributable to equity holders of the Company would have been RM6,037,714,000 and RM200,213,000, respectively.

The fair values of assets and liabilities assumed arising from the acquisition were as follows:

	<b>Unaudited As at 31 August 2006 RM'000</b>
<b>Net assets acquired:</b>	
Cash and short-term funds	48,603
Deposits and placements with banks and other financial institutions	3,578
Property and equipment	1,740
Other assets	119,233
Other liabilities	(94,000)
Net assets acquired	79,154
Goodwill on acquisition	10,424
	89,578
Less: Amount accounted for as an associate	(39,622)
Purchase price paid	49,956
Less: Cash and short term funds	(48,603)
Cash flow on acquisition, net of cash acquired	1,353

5. On 26 October 2006, Am ARA REIT Managers has entered into an arrangement for the payment of acquisition and divestment fees to ARA Management, a company with a 30.0% equity interest in Am ARA REIT Managers, pursuant to the provision of services by ARA Management to Am ARA REIT Managers in connection with Am ARA REIT Managers's management of AmFIRST REIT.
6. On 15 November 2006, Am ARA REIT Managers received approval from Mayban Trustees Berhad ("Mayban Trustees"), the trustee of AmFIRST REIT, in relation to the proposed acquisition from Brem Holding Berhad a leasehold land held under lot no. PT5135, title no. H.S. (M) 8547, Mukim of Damansara, District of Petaling, State of Selangor, together with the buildings erected thereon and known as "Kelana Brem Towers" for a cash consideration of RM85 million ("Proposed Acquisition"). The Proposed Acquisition is conditional upon approvals being obtained from the State of Selangor Authority and other relevant authorities.
7. AIGB had obtained all regulatory approvals and the vesting order of the High Court of Malaya for the transfer of the stock and share-broking operations of AmSecurities to AmlInvestment Bank, both wholly-owned subsidiaries of AIGB, in respect of the transformation of AmlInvestment Bank to an investment bank (the "Business Transfer") pursuant to the guidelines of Bank Negara Malaysia and Securities Commission for the establishment of investment bank within a banking group.

Accordingly, on 3 March 2007, AmlInvestment Bank completed the Business Transfer for a cash consideration of RM86.7 million based on the unaudited net tangible assets (save for certain non-transferable assets and liabilities) as at 2 March 2007 pursuant to the agreement dated 10 January 2007 entered into with AmSecurities.

# Notes To The Financial Statements (cont'd)

31 March 2007

8. On 3 August 2006, AMSH completed the acquisition of 2,200 "A" shares of Rupiah 1,000,000 each in AMCI from Libra Capital (Asia) Ltd and 2,200 "A" shares of Rupiah 1,000,000 each in AMCI from P.T. Tridana Pratama Finance, representing 16.93% of the issued and paid-up share capital of AMCI not already owned by AMSH, for an aggregate cash purchase consideration of RM1,554,250 thus making it a wholly-owned subsidiary of AMSH.

On 19 October 2006, AMSH entered into a share sale agreement with Mr. Mustofa, the Chief Executive Officer of AMCI, for the disposal of 1,462 "A" shares of Rupiah 1,000,000 each in AMCI, representing 1.0% of the existing issued and paid-up share capital of AMCI, for a total sale consideration of RM422,518 to be satisfied wholly in cash. The disposal was completed on 19 October 2006.

On 7 November 2006 and 15 December 2006, AMSH had subscribed fully for AMCI rights issues of 90,000 new ordinary "A" shares of Rupiah 1,000,000 each in cash. The purpose of the rights issues is to increase the working capital of AMCI.

On 10 January 2007, following the receipt of approval of Bank Negara Malaysia on 7 December 2006, AMSH acquired 25,186 "B" shares of Rupiah 1,000,000 each in AMCI from AMIL, for a cash consideration of RM18,999,900. After the acquisition, AMIL continue to hold 5,000 "B" shares of Rupiah 1,000,000 each in AMCI. On completion of the acquisition, AMCI has converted all its "B" shares to "A" shares, thereafter, AMCI only has one class of issued share capital. After the conversion, AMIL's shareholding represent 3.4% of the existing issued and paid-up share capital of AMCI.

With the completion of the rights issues, acquisition of shares from Libra Capital (Asia) Ltd, P.T. Tridana Pratama Finance and AMIL and disposal of shares to Mr Mustofa, AMSH's shareholding in AMCI has increased from 79.4% to 95.6%. Accordingly, the issued and fully paid-up share capital of AMCI has increased from Rupiah 26,000.0 million to Rupiah 146,186.0 million.

9. During the financial year, AIGB subscribed for its entitlement of 2,700 new ordinary shares of RM1.00 each and 225,000 redeemable preference shares of RM0.01 each ("RPS") in AmPrivate Equity pursuant to its second to sixth notice of subscription, respectively of :
- (a) 3,375 new ordinary shares of RM1.00 each at an issue price of RM1.00 per shares; and
  - (b) 281,250 new RPS at an issue price of RM79.988 per share.

The cash raised from the issue of shares are for the purpose of meeting AmPrivate Equity's working capital requirement.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 15. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2007 RM'000	2006 RM'000
Unquoted shares, at cost	38	21,848
Exchange fluctuation adjustments	-	6,166
Share in net post acquisition profit of associated companies	1,716	14,769
	1,754	42,783
Less: Accumulated amortisation of premium	-	(2,488)
	1,754	40,295

As at 31 March 2007, the carrying values of the investments in associated companies are represented by:

	Group	
	2007 RM'000	2006 RM'000
Group's share of aggregate net tangible assets	1,754	31,673
Group's share of aggregate intangible assets	-	1,787
Premium on acquisition, net of accumulated amortisation of RMNil (RM2,488,000 in 2006)	-	6,835
	1,754	40,295

The summarised financial information of the associated companies are as follows:

Total assets	1,340	252,352
Total liabilities	245	176,335
Operating revenue	2,027	21,780
Profit after taxation	513	4,756

The associated companies, all unquoted and held through AmInvestment Bank, are as follows:

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2007 RM'000	2006 RM'000	2007 %	2006 %	
<b>Incorporated in Malaysia</b>					
Malaysian Ventures Sendirian Bhd*	Ceased operations	17	17	13.98	13.98
Malaysian Ventures (Two) Sdn Bhd*	Ceased operations	19	19	17.68	17.68

\* Associated company under members' voluntary liquidation.

Frasers International Pte. Ltd and its subsidiary companies, which are associated companies as at 31 March 2006, became subsidiary companies of AmInvestment Bank on 31 August 2006 (Note 14).

# Notes To The Financial Statements (cont'd)

31 March 2007

## 16. PROPERTY AND EQUIPMENT

2007 Group	Freehold land RM'000	Leasehold 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
<b>COST</b>								
At beginning of year	43,504	8,481	300,774	15,241	193,404	459,060	160,027	1,180,491
Additions	-	150	100	2,921	9,666	21,698	11,127	45,662
Acquisition of a subsidiary company	-	-	-	598	-	6,274	2,645	9,517
Disposals	(2,458)	-	(4,747)	(1,329)	(1,749)	(2,132)	(3,316)	(15,731)
Written off	-	-	-	(4)	(3,316)	(1,237)	(1,598)	(6,155)
Reclassified as held for sale	(28,027)	-	(228,871)	-	-	-	-	(256,898)
Reclassification/ Transfer	71	(71)	-	(82)	(3,163)	(5,588)	2,220	(6,613)
Exchange adjustments	-	(29)	-	(38)	(45)	(81)	(130)	(323)
At end of year	13,090	8,531	67,256	17,307	194,797	477,994	170,975	949,950
<b>ACCUMULATED DEPRECIATION</b>								
At beginning of year	-	1,218	78,809	10,403	134,620	384,843	121,702	731,595
Additions	-	176	2,019	1,976	13,986	19,595	14,000	51,752
Acquisition of a subsidiary company	-	-	-	395	-	5,267	2,115	7,777
Disposals	-	-	(2,484)	(1,374)	(32)	(2,094)	(1,136)	(7,120)
Written off	-	-	-	(2)	(3,293)	(1,014)	(1,589)	(5,898)
Reclassified as held for sale	-	-	(64,238)	-	-	-	-	(64,238)
Reclassification/ Transfer	-	(11)	10	(140)	103	(2,565)	(2,276)	(4,879)
Exchange adjustments	-	(8)	-	(25)	(12)	(46)	(104)	(195)
At end of year	-	1,375	14,116	11,233	145,372	403,986	132,712	708,794
<b>NET BOOK VALUE</b>								
As at 31 March 2007	13,090	7,156	53,140	6,074	49,425	74,008	38,263	241,156



# Notes To The Financial Statements (cont'd)

31 March 2007

2006 Group	Freehold land RM'000	Leasehold 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
<b>COST</b>								
At beginning of year	43,684	17,279	300,854	14,648	173,749	433,044	147,489	1,130,747
Additions	-	-	-	2,345	19,705	34,782	14,160	70,992
Disposals	(120)	-	-	(1,747)	(50)	(6,951)	(1,181)	(10,049)
Written off	(60)	-	(80)	-	-	(1,774)	(397)	(2,311)
Reclassification/ Transfer	-	(8,783)	-	-	-	(25)	-	(8,808)
Exchange adjustments	-	(15)	-	(5)	-	(16)	(44)	(80)
At end of year	43,504	8,481	300,774	15,241	193,404	459,060	160,027	1,180,491
<b>ACCUMULATED DEPRECIATION</b>								
At beginning of year	-	1,738	72,835	10,539	122,385	373,602	110,339	691,438
Additions	-	186	5,986	1,636	12,285	18,493	12,865	51,451
Disposals	-	-	-	(1,766)	(50)	(6,946)	(1,077)	(9,839)
Written off	-	-	(12)	-	-	(300)	(396)	(708)
Reclassification/ Transfer	-	(703)	-	-	-	-	12	(691)
Exchange adjustments	-	(3)	-	(6)	-	(6)	(41)	(56)
At end of year	-	1,218	78,809	10,403	134,620	384,843	121,702	731,595
<b>NET BOOK VALUE</b>								
As at 31 March 2006	43,504	7,263	221,965	4,838	58,784	74,217	38,325	448,896

(a) Details of leasehold land is as follows:

Group	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Total RM'000
Cost	7,997	534	8,531
Accumulated depreciation	(1,161)	(214)	(1,375)
Net book value	6,836	320	7,156

The long-term leasehold land for the Group are for lease periods of 66-999 years and with unexpired lease periods of 53-874 years, respectively.

The short-term leasehold land for the Group are for lease periods of 20-99 years and with unexpired lease periods of 1-33 years.

# Notes To The Financial Statements (cont'd)

31 March 2007

(b) Details of fully depreciated property and equipment which are still in use are as follows:

2007	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
<b>Group</b>						
Cost	75	7,734	100,717	365,025	87,444	560,995

2007 Company	Motor vehicles RM'000	Total RM'000
<b>COST</b>		
At beginning of year	673	673
Additions	796	796
At end of year	1,469	1,469
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of year	213	213
Additions	127	127
At end of year	340	340
<b>NET BOOK VALUE</b>		
As at 31 March 2007	1,129	1,129

<b>2006</b>		
<b>COST</b>		
At beginning and end of year	673	673
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of year	96	96
Additions	117	117
At end of year	213	213
<b>NET BOOK VALUE</b>		
As at 31 March 2006	460	460

As at 31 March 2007, a motor vehicle costing RM86,000 in the Company is fully depreciated and still in use.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 17. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Group	
	2007 RM'000	2006 RM'000
Goodwill	527,121	515,976
Computer software	61,321	48,083
	588,442	564,059
The movements in intangible assets are as follows:		
(a) Goodwill		
<b>COST</b>		
At beginning of year		
As previously reported	617,627	597,342
Adjustments due to FRS 3 *	(101,651)	-
As restated	515,976	597,342
Arising on acquisition of remaining 51.0% equity interest in stock and share-broking subsidiary company, FIPL	10,424	-
Arising from acquisition of remaining 16.93% equity interest in stock-broking, underwriting and investment management company, AMCI	732	-
Arising from disposal of 1.0% equity interest in AMCI	(11)	-
Arising from acquisition of remaining 30.0% equity interest in unit trust, AIS, and asset management, AIM, subsidiary companies	-	37,377
Arising from acquisition of additional 21.0% equity interest in management of venture capital subsidiary company, MVMI	-	105
Arising on disposal of 20.0% equity interest in insurance subsidiary company, AMAB	-	(17,197)
At end of year	527,121	617,627
<b>ACCUMULATED AMORTISATION</b>		
At beginning of year		
As previously reported	101,651	74,296
Adjustments due to FRS 3 *	(101,651)	-
As restated	-	74,296
Amortisation for the year	-	27,355
At end of year	-	101,651
<b>NET CARRYING AMOUNT</b>	<b>527,121</b>	<b>515,976</b>

\* With effect from 1 April 2006, upon the adoption of FRS 3: Business Combination, goodwill ceased to be amortised and the accumulated amortisation for goodwill is netted off against gross goodwill.

# Notes To The Financial Statements (cont'd)

31 March 2007

## IMPAIRMENT TESTS FOR GOODWILL

Following the adoption of FRS 3: Business Combination on 1 April 2006, goodwill is no longer subject to amortisation. It is reviewed for impairment annually or when there are indications of impairment. Prior to 1 April 2006, goodwill was amortised evenly over its estimated useful life of twenty (20) to fifty (50) years.

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. 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 were ranging from 8.0% to 12.0%. Cash flow projection is based on the most recent one-year financial budget approved by senior management, taking into account projected regulatory capital requirements. Cash flows for the second to fifth years are extrapolated using the weighted average growth rates ranging from 13.0% to 58.0% to extrapolate cash flows beyond the projected years. Cash flows for the sixth to tenth years are projected to remain constant. The growth rates do not exceed the long-term average growth rate for the market in which the businesses operate. Impairment is recognised in the income statement when the carrying amount of a cash-generating unit exceeds its recoverable amount.

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.

	Group	
	2007 RM'000	2006 RM'000
(b) Computer software		
<b>COST</b>		
At beginning of year	151,910	142,556
Additions	39,098	22,720
Disposals	(20)	(100)
Reclassification/Transfer	95	-
Written off	(1,312)	(13,266)
At end of year	189,771	151,910
<b>ACCUMULATED AMORTISATION</b>		
At beginning of year	103,827	101,499
Additions	21,238	15,628
Disposals	(20)	(35)
Reclassification/Transfer	3,736	-
Written off	(331)	(13,265)
At end of year	128,450	103,827
<b>NET CARRYING AMOUNT</b>	61,321	48,083

# Notes To The Financial Statements (cont'd)

31 March 2007

## 18. DEPOSITS FROM CUSTOMERS

	Group	
	2007 RM'000	2006 RM'000
Term/Investment deposits	35,981,135	32,192,382
Savings deposits	3,160,423	2,940,219
Current deposits	2,162,453	1,558,199
Negotiable instruments of deposits	16,950	2,227,364
Other deposits	1,060,701	-
	42,381,662	38,918,164
The maturity structure of deposits from customers is as follows:		
Due within six months	31,056,154	31,140,577
Six months to one year	7,325,760	6,220,145
One year to three years	3,141,092	802,608
Three to five years	858,656	754,834
	42,381,662	38,918,164
The deposits are sourced from the following types of customers:		
Individuals	23,029,293	19,895,623
Business enterprises	12,535,438	12,876,710
Government	4,877,907	5,006,893
Others	1,939,024	1,138,938
	42,381,662	38,918,164

## 19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2007 RM'000	2006 RM'000
Deposits from:		
Licensed banks	4,807,110	4,192,542
Licensed investment/merchant banks	499,284	555,522
Bank Negara Malaysia	1,278,320	1,160,280
Other financial institutions	10,856,625	8,732,457
	17,441,339	14,640,801

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

	Group	
	2007 RM'000	2006 RM'000
Negotiable instruments of deposits	6,871,719	7,379,984
Interbank borrowings	1,101,039	895,590

Included in deposits from BNM of the Group are long-term deposits placed amounting to RM315,000,000 (RM315,000,000 in 2006) bearing interest at 1.0% (1.0% in 2006) per annum and interest free loans amounting to RM493,000,000 (RM493,000,000 in 2006) with the commercial banking subsidiary company in connection with the transfer of assets and liabilities of AFB and KUMB as mentioned in Note 12. Long-term deposits of RM180,000,000 (RM180,000,000 in 2006) is repayable on 18 December 2008 or when the deferred assets relating to AFB as mentioned in Note 12 are fully recovered, whichever is earlier. The remaining deposits from BNM are repayable when the deferred assets relating to KUMB as mentioned in Note 12 are fully recovered.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 20. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements pertain to subsidiary companies and represent the obligations to repurchase these securities sold as mentioned in Note 8.

## 21. BILLS AND ACCEPTANCES PAYABLE

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

## 22. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

These represents proceeds received from housing loans, hire purchase and leasing receivables (excluding Islamic financing) sold directly or indirectly to Cagamas Berhad with recourse to the AmInvestment Bank, AmBank and AmIslamic Bank. Under this arrangement, the subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria. For loans sold indirectly, AmInvestment Bank acts as the intermediary financial institution with recourse against the originators.

## 23. OTHER LIABILITIES

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade payables	962,845	-	353,380	-
Securities sold not yet re-purchased	98,209	-	91,437	-
Other payables and accruals	1,281,432	748	1,129,562	762
Interest payable on deposits and borrowings	473,091	2,485	326,109	2,434
Lease deposits and advance rentals	57,665	-	50,881	-
General insurance funds	194,637	-	181,987	-
Provision for commitments and contingencies	300	-	325	-
Bank overdrafts	9,515	-	26,081	-
Amount due to subsidiary companies	-	3,811	-	272
Profit equalization reserve	55,837	-	116,755	-
Deferred tax liabilities (Note 39)	8,475	-	2,846	-
Tax payable	6,341	-	2,416	-
	3,148,347	7,044	2,281,779	3,468

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

Included in other payables and accruals of the Group are the following:

	Group	
	2007 RM'000	2006 RM'000
Amount due to reinsurers, reinsurers and agents	29,819	31,421
Treaty premium reserve withheld	3	13
Outstanding insurance claims	279,829	227,904
The movements in provision for commitments and contingencies are as follows:		
Balance at beginning of year	325	13,063
(Writeback of provision)/Provision during the year	(25)	262
Payment during the year	-	(13,000)
Balance at end of year	300	325

# Notes To The Financial Statements (cont'd)

31 March 2007

On 31 May 2004, AmBank entered into a Settlement Agreement with the plaintiffs in connection with three legal suits relating to the Highland Tower tragedy, whereby the plaintiffs had contended that AMFB caused or contributed to the collapse of Block 1 and forced evacuation of Blocks 2 and 3 of the Highland Towers, whereby AmBank agreed to pay the plaintiffs a settlement sum of RM52.0 million in full and final settlement inclusive of costs and the plaintiffs shall, among others, release and assign to AmBank all their rights of action in the suits against Highland Properties Sdn Bhd (the developer of Highland Towers) as well as all their rights and title to their individual apartment units and their rights to common property, unencumbered and free from claims of end financiers.

AmBank had made full provision in prior years of which the balance of RM13.0 million was paid during the previous financial year.

The bank overdrafts pertaining to subsidiary companies are unsecured and bear interest at rates ranging from 7.50% to 8.75% (6.30% to 8.50% in 2006) per annum.

Amount due to subsidiary companies is interest-free and represents expenses paid on behalf.

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

	Group	
	2007 RM'000	2006 RM'000
Balance at beginning of year	116,755	112,261
Provision during the year	-	9,459
Amount written back	(60,912)	(4,965)
Transfer (to)/from income statements	(60,912)	4,494
Exchange fluctuation adjustments	(6)	-
Balance at end of year	55,837	116,755

## 24. TERM LOANS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Unsecured:				
Local financial institutions	309,680	206,000	482,232	206,000

The term loans obtained from local financial institutions bear interests at rates ranging from 4.8% to 6.1% and 0.25% per annum above LIBOR (4.9% to 5.9% and 0.175% per annum above LIBOR in 2006).

Loans amounting to RMNil (RM276,000,000 in 2006) are guaranteed by either the Company, investment banking subsidiary or other financial institutions.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 25. SUBORDINATED TERM LOANS

	Note	Group	
		2007 RM'000	2006 RM'000
Subordinated term loan - RM680.0 million	(a)	-	680,000
Subordinated term loan - RM460.0 million	(b)	460,000	-
		460,000	680,000

- (a) The subordinated term loan amounting to RM680.0 million pertaining to AmBank is unsecured, subordinated to all other liabilities and obtained from Danamodal Nasional Berhad, a company incorporated for the purpose of recapitalising the local banking and financial institutions, to strengthen the capital base of AmBank. The loan bears interest at 7.5% per annum in the prior year and interest was repayable on a monthly basis.

Pursuant to the acquisition of AmBank by AMFB, on 20 December 2001, Danamodal Nasional Berhad has extended the loan for a further period of ten (10) years to be repaid on 20 December 2011. The loan bears interest at 6.5% per annum for the first five (5) years and at 7.5% per annum or 1.0% above 3 months KLIBOR, whichever is higher, for the next five (5) years. The interest is payable on a half yearly basis.

On 28 October 2003, AmBank entered into a Supplemental Facility Agreement with Danamodal Nasional Berhad, whereby the RM680.0 million subordinated term loan obtained from Danamodal Nasional Berhad was novated to Astute Assets Berhad.

The terms and conditions of the loan remain the same, except for interest payable on the loan, which is charged at 6.5% per annum until 19 December 2006, 7.0% per annum from 20 December 2006 until 19 December 2007, and 7.5% per annum from 20 December 2007 until 19 December 2011.

On 20 December 2006, AmBank prepaid the RM680.0 million loan facility to Astute Assets Berhad after obtaining the necessary approvals from Bank Negara Malaysia on 12 December 2006.

- (b) The subordinated term loan amounting to RM460.0 million pertaining to AmBank represents an unsecured loan obtained from AmInvestment Bank for the purpose of supplementing the AmBank capital adequacy position and it is subordinated to all other liabilities. The term loan is repayable in a lump sum at the end of ten (10) years from the date of drawdown and interest is charged at a rate of 6.875% per annum for the first five (5) years and 7.0% to 9.0% per annum or 3.0% per annum plus yield of 5-year Malaysian Government Securities, whichever is the higher for the next five (5) years. The term loan was drawdown on 30 September 2003.

On 19 May 2006, AmInvestment Bank entered into a Supplemental Agreement with AmBank for the purpose of varying the terms of the subordinated term loan. The terms and conditions of the subordinated term loan remain the same, except for interest payable on the subordinated term loan, which is charged at 6.875% for the first five (5) years and subsequently at 7.375% to 9.375% per annum.

On 19 May 2006, AmInvestment Bank also entered into a Novation Agreement with Quanto Assets Berhad ("Quanto Assets") (formerly known as CLO Assets Berhad) and AmBank, whereby the RM460.0 million subordinated term loan was novated to Quanto Assets (Note 26(b)).



# Notes To The Financial Statements (cont'd)

31 March 2007

## 26. REDEEMABLE UNSECURED BONDS

Redeemable Unsecured Bonds of the Group and the Company are as follows:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
3.0% 5-Year Redeemable Unsecured Bank-Guaranteed Bonds 2002/2007	147,795	147,795	144,638	144,638
Redeemable Unsecured Subordinated Bonds	775,000	-	775,000	-
Subordinated Sukuk Musyarakah	400,000	-	-	-
	1,322,795	147,795	919,638	144,638

### (a) 3.0% 5-YEAR REDEEMABLE UNSECURED BANK-GUARANTEED BONDS 2002/2007 (3.0% Bonds 2007)

	Group and Company	
	2007 RM'000	2006 RM'000
Balance at beginning and end of year	150,000	150,000
Less:		
Unamortised discount	(2,205)	(5,362)
	147,795	144,638

Pursuant to a Trust Deed dated 29 November 2002 and a Deed Poll dated 29 November 2002, the Company issued RM150,000,000 nominal amount of 3.0% Bonds 2007 together with renounceable rights to allotment of 125,201,248 Warrants 2003/2008 on a 'bought deal' basis to two primary subscribers.

The salient features of the Bonds 2007 are as follows:

- The 3.0% Bonds 2007 bear interest at 3.0% per annum based on the nominal amount of the Bonds 2007, payable semi-annually in arrears and on the basis of actual number of days elapsed in a year of 365 days.
- The 3.0% Bonds 2007 will be redeemed at its nominal value on maturity date together with interest accrued to the date of redemption.
- The 3.0% Bonds 2007 are for a period of five (5) calendar years maturing on 13 December 2007.

Pursuant to Deed Poll dated 29 November 2002 and on 29 January 2003, the primary subscribers jointly offered for sale the provisional rights to allotment of 125,201,248 Warrants 2003/2008 to the shareholders of the Company on a renounceable rights basis of one (1) Warrant 2003/2008 for every eight (8) existing ordinary shares of RM1.00 each held in the Company as at 5.00pm on 22 January 2003 at an offer price of 12.37 sen per Warrant 2003/2008 payable in full upon acceptance.

### (b) REDEEMABLE UNSECURED SUBORDINATED BONDS

	Group	
	2007 RM'000	2006 RM'000
Balance at beginning of year	775,000	660,000
Issued during the year	-	115,000
Balance at end of year	775,000	775,000

# Notes To The Financial Statements (cont'd)

## 31 March 2007

Pursuant to a Trust Deed dated 24 April 2003, AmBank issued RM200,000,000 nominal amount of Negotiable Interest-bearing Redeemable Unsecured Subordinated Bonds ("SubBonds I") for the purpose of increasing AmBank's capital funds.

The salient features of the SubBonds I are as follows:

- (a) The SubBonds I bear interest at 7.95% per annum for the first five (5) years and subsequently at 8.45% to 10.45% per annum. The interest is payable on a semi-annual basis.
- (b) The SubBonds I are redeemable on 30 April 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds I are for a period of ten (10) years maturing on 30 April 2013. However, subject to the prior approval of BNM, the AmBank may redeem the SubBonds on 30 April 2008 or on each anniversary date thereafter.

Pursuant to a Trust Deed dated 23 September 2003, AmlInvestment Bank issued RM460,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("SubBonds II") to be used to grant a RM460,000,000 10-year unsecured subordinated term loan ("SubLoan") to AmBank, its related licensed commercial bank for the purpose of refinancing its RM460,000,000 exchangeable subordinated capital loan to Danamodal Nasional Berhad. On 19 May 2006, AmlInvestment Bank entered into a Novation Agreement with Quanto Assets and AmBank, whereby the RM460,000,000 SubLoan was novated to Quanto Assets.

The salient features of the SubBonds II are as follows:

- (a) The SubBonds II bear interest at 6.5% per annum for the first five (5) years and at 7.0% to 9.0% per annum or 3.0% above the yield of 5-year Malaysian Government Securities, whichever is higher. The interest is payable on a semi-annual basis.
- (b) The SubBonds II are redeemable on 30 September 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds II are for a period of ten (10) years maturing on 30 September 2013. However, subject to the prior approval of BNM, AmlInvestment Bank may redeem the SubBonds on 30 September 2008 or on each anniversary date thereafter.

Pursuant to a Trust Deed dated 27 October 2005, AmlInvestment 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:

- (a) The SubBonds III bear interest at 4.75% per annum for the first five (5) years and at 5.25% to 7.25% per annum between years six (6) to ten (10). The interest is payable on a semi-annual basis.
- (b) The SubBonds III are redeemable on 31 October 2010 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds III are for a period of ten (10) years maturing on 31 October 2015. However, subject to the prior approval of BNM, AmlInvestment Bank may redeem the SubBonds on 31 October 2010 or on each anniversary date thereafter.

As at 31 March 2007, AmlInvestment Bank had purchased and cancelled RM65,000,000 of the SubBonds III.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (c) SUBORDINATED SUKUK MUSYARAKAH

On 21 December 2006, Amlslamic Bank issued RM400,000,000 of Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing Amlslamic Bank's capital funds.

The salient features of the Sukuk Musyarakah are as follows:

- (i) The Sukuk Musyarakah carries a profit rate of 4.80% per annum for the first five (5) years and shall be stepped up by 0.05% per annum every subsequent year to maturity date. The profit is payable on a semi-annual basis.
- (ii) The Sukuk Musyarakah is for a period of ten (10) years. Amlslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100.0% of the principal amount together with the expected profit payments.

## 27. HYBRID CAPITAL

	Group	
	2007 RM'000	2006 RM'000
Non-Cumulative Non-Voting Guaranteed Preference Shares - USD200.0 million (net of capitalised issuance expense of RM7,033,000 (RM8,886,000 in 2006))	666,474	684,047

On 27 January 2006, AMBB Capital, an indirect wholly-owned subsidiary of the Company issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each. ("Hybrid Capital") The Hybrid Capital is subordinated, guaranteed by AmBank. The gross proceeds of USD200,000,000 from the issue of Hybrid Capital was 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 Capital are as follows:

- (a) The Hybrid Capital bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, a floating rate per annum equal to three (3) month US dollar LIBOR plus 2.90 per cent. If not redeemed on 27 January 2016. The non-cumulative dividends is payable on a semi-annual basis.
- (b) The Hybrid Capital are perpetual securities and have no fixed final redemption date. The Hybrid Capital may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances. In each case, not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) must be given.

The Hybrid Capital is listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and is offered to international institutional investors outside Malaysia.

The Hybrid Capital are classified as liabilities in accordance with FRS 132: Financial Instruments – Disclosure and Presentation. FRS132 requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As the coupon of the Hybrid Capital will step up at the end of year ten (10) to a level that is considered to be sufficiently higher than market rate, AMBB Capital is deemed likely to redeem the Hybrid Capital at that time. As such, they have been accounted for as long-term liabilities.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 28. SHARE WARRANTS

The Warrants 1997/2007 were constituted under the Deed Poll dated 19 March 1997.

The salient features of the Warrants 1997/2007 are as follows:

- Each Warrant 1997/2007 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- The exercise price is RM6.51 per share and shall be paid fully in cash. The exercise price of the Warrants 1997/2007 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 1997/2007 are for an initial period of five (5) calendar years. This period was extended for a further period of five (5) years and matured in 13 May 2007.

The movements in the Company's unissued number of shares under Warrants 1997/2007 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Issue	Exercised	
Number of unissued shares under warrants 1997/2007	143,534,078	-	-	143,534,078

The Warrants 2003/2008 were constituted under the Deed Poll dated 29 November 2002 and 29 January 2003.

The salient features of the Warrants 2003/2008 are as follows:

- Each Warrant 2003/2008 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise year.
- The exercise price is RM2.19 per share and is payable fully in cash for every warrant 2003/2008 held from the date of allocation. The exercise price of the Warrants 2003/2008 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 2003/2008 are for an initial period of five (5) calendar years to mature on 20 March 2008.

The movements in the Company's unissued number of shares under Warrants 2003/2008 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Issue	Exercised	
Number of unissued shares under warrants 2003/2008	132,105,145	-	31,715	132,073,430

Subsequent to the balance sheet date, the issued and fully paid-up share capital of the Company was increased from 2,130,565,410 ordinary shares of RM1.00 each to 2,130,598,844 ordinary shares of RM1.00 each by the issue of the following:

- 70 new ordinary shares of RM1.00 each at RM6.51 per share by virtue of the exercise of share warrants 1997/2007 of the Company. The resulting share premium amounting to RM386 has been credited to share premium account and
- 33,364 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM39,703 has been credited to share premium account.

The 33,434 new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company, except for entitlement to the dividend for the financial year ended 31 March 2007.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 29. SHARE CAPITAL

	Group and Company	
	2007 RM'000	2006 RM'000
Authorised: Shares of RM1.00 each: Balance at beginning and end of year	5,000,000	5,000,000
Issued and fully paid: Ordinary shares of RM1.00 each Balance at beginning of year Issued during the year pursuant to the exercise of Warrants 2003/2008	2,130,534 31	2,130,534 -
Balance at end of year	2,130,565	2,130,534

During the financial year, the issued and fully paid-up share capital of the Company was increased from 2,130,533,695 ordinary share of RM1.00 each to 2,130,565,410 ordinary shares of RM1.00 each by the issue of 31,715 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM37,741 has been credited to share premium account.

The 31,715 new ordinary shares issued rank pari passu in all respect with the then existing ordinary shares of the Company.

## 30. RESERVES

Reserves as at 31 March are analysed as follows:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Non-distributable reserves:				
Share premium	791,588	792,381	791,550	792,343
Statutory reserve	1,107,757	-	1,000,417	-
Available-for-sale reserve	36,362	-	9,713	-
Exchange fluctuation reserve	10,297	-	15,736	-
Total non-distributable reserves	1,946,004	792,381	1,817,416	792,343
Distributable reserve:				
Unappropriated profit	798,502	711,940	1,199,136	762,930
Total reserves	2,744,506	1,504,321	3,016,552	1,555,273

Movements in reserves are shown in the statements of changes in equity.

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

The statutory reserves of the investment banking and commercial banking subsidiaries are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

Available-for-sale reserve is in respect of unrealised fair value gains and losses on securities available-for-sale.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

Exchange differences arising on translation of foreign subsidiary and associated companies are taken to exchange fluctuation reserve, as described in the accounting policies.

Distributable reserve are those available for distribution by way of dividends.

As at 31 March 2007, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends amounting to approximately RM443,321,000 out of its distributable reserves. If the balance of the distributable reserve of RM268,619,000 were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM99,352,000.

### 31. INTEREST INCOME

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Short-term funds and deposits with financial institutions	274,621	8,723	201,283	6,234
Securities held-for-trading	215,829	950	179,658	393
Securities available-for-sale	84,781	-	49,808	-
Securities held-to-maturity	73,749	395	71,556	3,353
Loans and advances:				
Interest income other than recoveries from NPLs	2,498,278	-	2,263,102	-
Recoveries from NPLs	302,849	-	313,721	-
Interest rate swap	375,769	-	98,300	-
Others	10,395	-	24,965	-
Gross interest income	3,836,271	10,068	3,202,393	9,980
Amortisation of premium less accretion of discounts	14,912	-	5,554	-
Interest suspended	(108,502)	-	(115,958)	-
Total after net interest suspension	3,742,681	10,068	3,091,989	9,980

### 32. INTEREST EXPENSE

Deposits from customers	1,267,716	-	1,084,459	-
Deposits of banks and other financial institutions	310,228	-	201,141	-
Securities sold under repurchase agreements	91,029	-	57,389	-
Amount due to Cagamas Berhad	47,012	-	77,349	-
Bank borrowings:				
Term loans	27,062	11,777	23,377	15,376
Overdrafts	1,087	-	1,555	-
Subordinated deposits and term loans	52,986	-	59,355	-
Interest on Bonds	65,182	7,656	56,437	7,657
Interest rate swap	425,468	-	124,913	-
Hybrid securities	49,273	-	9,204	-
Others	33,528	3,299	46,549	4,523
	2,370,571	22,732	1,741,728	27,556

# Notes To The Financial Statements (cont'd)

31 March 2007

## 33. OTHER OPERATING INCOME

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Fee income:				
Fees on loans and advances	127,855	-	121,634	-
Corporate advisory	20,805	-	17,796	-
Guarantee fees	27,938	146	23,725	167
Underwriting commissions	14,480	-	5,115	-
Portfolio management fees	9,540	-	7,641	-
Unit trust management fees	37,920	-	29,118	-
Brokerage rebates	1,161	-	602	-
Real estate investment trust management fees	2,298	-	1,983	-
Brokerage fees and commissions	102,630	-	43,327	-
Bancassurance commission	26,104	-	25,822	-
(Loss)/Income from asset securitisation	(179)	-	1,695	-
Other fee income	45,619	-	28,453	-
	416,171	146	306,911	167
Investment and trading income:				
Net gain/(loss) from sale of securities held-for-trading	197,902	-	(13,051)	-
Net gain from sale of securities available-for-sale	28,033	-	28,296	-
Net gain on redemption of securities held-to-maturity	53,177	-	19,561	-
Gain on revaluation of securities held-for-trading	93,465	-	53,884	-
Gain on revaluation of derivatives	628	-	6,165	-
Gain on listing of investment banking subsidiary company	-	-	-	174,497
Gain on disposal of 10.0% equity interest in insurance subsidiary company	-	-	29,962	-
Gross dividend income from: Subsidiary companies:				
Quoted in Malaysia	-	90,098	-	26,928
Unquoted	-	6,904	-	33,040
Securities held-for-trading	19,285	-	14,286	-
Securities available-for-sale	5,965	-	34,627	-
Securities held-to-maturity	23,804	-	24,945	-
	422,259	97,002	198,675	234,465
Premium income general insurance business	404,664	-	369,928	-
Surplus transfer from life insurance business	13,500	-	-	-
	418,164	-	369,928	-
Other income:				
Foreign exchange gain	13,034	-	14,511	-
Gain on disposal of property and equipment - net	1,700	-	1,807	-
Gain on disposal of assets held for sale	19,284	-	-	-
Rental income	7,986	-	9,648	-
Other non-operating income	3,997	1	2,534	32
	46,001	1	28,500	32
	1,302,595	97,149	904,014	234,664

# Notes To The Financial Statements (cont'd)

31 March 2007

## 34. OTHER OPERATING EXPENSES

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Personnel/Staff costs:				
Salaries, allowances and bonuses	494,434	1,440	460,245	1,440
Others	82,636	370	66,021	453
	577,070	1,810	526,266	1,893
Establishment costs:				
Depreciation (Note 16)	51,752	127	51,451	117
Amortisation of computer software (Note 17)	21,238	-	15,628	-
Computerisation costs	73,259	-	74,832	-
Rental	49,719	-	41,829	-
Cleaning & maintenance	18,495	-	22,708	-
Others	16,506	-	19,945	-
	230,969	127	226,393	117
Marketing and communication expenses:				
Sales commission	12,878	-	14,420	-
Advertising, promotional and other marketing activities	63,966	555	78,525	202
Telephone charges	16,113	2	16,805	-
Postage	12,060	294	13,900	16
Travel and entertainment	14,311	-	12,530	1
Others	23,450	41	22,302	107
	142,778	892	158,482	326
Administration and general:				
Amortisation of goodwill and premium on consolidation	-	-	27,977	-
Professional services	50,182	20,717	26,934	588
Donations	484	-	4,997	-
Administration and management expenses	12,769	-	10,924	-
Others	59,339	191	40,225	329
	122,774	20,908	111,057	917
Overheads	1,073,591	23,737	1,022,198	3,253
Insurance commission	44,823	-	41,237	-
General insurance claims	288,653	-	233,224	-
	1,407,067	23,737	1,296,659	3,253
Included in the above expenditure are the following statutory disclosure:				
Directors' remuneration (Note 37)	6,513	1,932	5,996	1,964
Computer software written off	981	-	1	-
Property and equipment written off	257	-	1,603	-
Hire of motor vehicles and office equipment	10,349	-	5,233	-
Auditors' remuneration:				
Group auditor:				
Statutory audit	1,114	50	1,047	50
Half year limited review/audit	264	-	252	-
Other services	232	2	1,005	5
Other auditors:				
Statutory audit	198	-	14	-
Provision for foreclosed properties	423	-	22	-
Sundry receivables written off	805	-	981	-

Staff costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund of the Group amounted to RM73,792,288 (RM53,553,715 in 2006).



# Notes To The Financial Statements (cont'd)

31 March 2007

## 35. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group	
	2007 RM'000	2006 RM'000
Allowance/(Reversal of allowance) for bad and doubtful debts and financing:		
Specific allowance – net	1,735,902	951,914
Allowance during the year	2,162,855	1,422,770
Amount written back in respect of recoveries and reversal	(426,953)	(470,856)
General allowance	55,567	92,171
Recoveries of value impairment on amount recoverable from Danaharta	(17,282)	(881)
Bad debts and financing recovered - net	(260,105)	(268,515)
Written off	215	5,295
Recovered	(260,320)	(273,810)
	1,514,082	774,689

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Transactions and balances with subsidiary companies.

The significant transactions and outstanding balances of the Company with its subsidiary companies which are eliminated on consolidation are as follows:

	2007 RM'000	2006 RM'000
<b>Income</b>		
Interest on deposits	8,723	6,234
Guarantee fees	146	167
Dividend income – gross	97,002	59,968
	105,871	66,369
<b>Assets</b>		
Current accounts	1,480	427
Money at call and deposits	51,484	19,532
Securities purchased under resale agreements	43,450	78,050
Deposits and placements with banks and other financial institutions	146,331	37,101
Amount due from subsidiary companies	-	40
	242,745	135,150
<b>Liabilities</b>		
Amount due to subsidiary companies	3,811	272

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent third parties.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (b) Directors related transactions

The significant non-banking transactions of the Group with companies in which Tan Sri Dato' Azman Hashim is deemed to have a substantial interest, are as follows :

Company	Types of transactions	2007 RM'000	2006 RM'000
<b>Expense</b>			
Harpers Travel (M) Sdn Bhd	Traveling expenses	2,049	1,778
Restoran Seri Melayu	Food and beverage	110	243
AON Insurance Brokers (M) Sdn Bhd	Insurance premium	1,184	4,431
AmFirst Property Trust	Rental of premises	15,386	12,572
AmFIRST Real Estate Investment Trust	Rental of premises	4,016	-
Dion Realities Sdn Bhd	Rental of premises	3,452	3,469
Troost Sdn Bhd	Rental of premises	277	253
Syarikat Kompleks Damai Sdn Bhd	Rental of premises	-	1,102
Medan Delima Sdn Bhd	Rental of premises	-	96
Melawangi Sdn Bhd	Rental of premises	212	67
AmRealty Sdn Bhd	Rental of premises	113	331
MCM Consulting Sdn Bhd	Computer maintenance	907	1,671
MCM Horizon Sdn Bhd	Computer maintenance	1,303	1,894
Gubahan Impian Sdn Bhd	Gifts and flower arrangement	7	50
MCM Systems Sdn Bhd	Computer maintenance	4,315	7,423
<b>Capital expenditure</b>			
MCM Consulting Sdn Bhd	Purchase of computer hardware, software and related consultancy services	3,415	1,133
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	9,377	13,285
MCM Horizon	Purchase of computer hardware, software and related consultancy services	60	6,864
Modular Corp Sdn Bhd	Provision of PMPC cards	1,400	5,608
Syarikat Kompleks Damai	Purchase of thirteen (13) units of office lots at Bangunan AMDB	-	54,109

The significant non-banking transactions of the Group with a company in which Mr. Cheah Tek Kuang is deemed to have a substantial interest, is as follows:

Company	Types of transactions	2007 RM'000	2006 RM'000
Financial Park (L) Sdn Bhd	Rental of premises	188	188

The significant non-banking transactions of the Group with a company in which Tun Mohammed Hanif Omar is deemed to have a substantial interest, is as follows:

Company	Types of transactions	2007 RM'000	2006 RM'000
Unigaya Protection Systems Sdn Bhd	Provision of security services	149	254

The above transactions have been entered into in the normal course of business and have been established under terms and conditions not materially different from those arranged with independent third parties.

As at 31 March 2007 and 2006, there are no outstanding balances arising from directors' related transactions.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 37. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all directors charged to the income statement for the financial year are as follows:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Executive directors:				
Fees	174	-	181	36
Salaries	990	-	840	-
Other remuneration	474	-	417	-
Bonuses	1,097	-	837	-
Benefits-in-kind	131	-	141	-
	2,866	-	2,416	36
Non-executive directors:				
Fees	826	324	977	348
Other remuneration	2,821	1,608	2,598	1,580
Benefits-in-kind	-	-	5	-
	3,647	1,932	3,580	1,928
Total directors' remuneration	6,513	1,932	5,996	1,964
Total directors' remuneration excluding benefits-in-kind	6,382	1,932	5,850	1,964

\* Directors' fees for directors who are executives of companies of the Group are paid to their respective companies.

The number of directors of the Company whose total remuneration for the financial year which fall within the required disclosure bands is as follows:

Group	Number of Directors	
	2007	2006
Executive director:		
RM2,400,001 – RM2,450,000	-	1
RM2,850,001 – RM2,900,000	1	1
Non-executive director:		
Below RM50,000	1	4
RM50,001 – RM100,000	3	-
RM100,001 – RM150,000	-	1
RM150,001 – RM200,000	1	3
RM200,001 – RM250,000	2	2
RM300,001 – RM350,000	1	-
RM2,250,001 – RM2,300,000	-	1
RM2,450,001 – RM2,500,000	1	-

# Notes To The Financial Statements (cont'd)

31 March 2007

## 38. TAXATION AND ZAKAT

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Estimated current tax payable	161,625	22,256	92,637	12,164
Transfer (to)/from deferred tax assets (Note 39)	(59,920)	-	141,106	-
Transfer from deferred tax liabilities (Note 39)	6,203	-	784	-
	107,908	22,256	234,527	12,164
(Over)/Under provision of current taxation in respect of prior years	(35,321)	-	9,906	-
Taxation	72,587	22,256	244,433	12,164
Zakat	786	-	-	-
Taxation and zakat	73,373	22,256	244,433	12,164

Domestic current income tax is calculated at the statutory tax rate of 27.0% (2006: 28.0%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26.0% from the current year's rate of 27.0%, effective year of assessment 2008, as announced in the 2007 Malaysian Budget. The computation of deferred tax as at 31 March 2007 has reflected these changes.

As at 31 March 2007, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM94,000,000 (RM82,000,000 in 2006) and RM29,000,000 (RM29,000,000 in 2006) 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:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Profit before taxation	23,120	60,748	757,842	213,835
Taxation at Malaysian statutory tax rate of 27.0% (2006 : 28.0%)	6,242	16,402	212,196	59,874
Effect of different tax rates in Labuan and certain subsidiaries	(3,107)	-	(2,279)	-
Deferred tax relating to changes in tax rates	39,402	-	-	-
Income not subject to tax	(12,532)	-	(22,952)	(48,859)
Expenses not deductible for tax purposes	37,287	5,854	31,149	1,149
Deferred tax assets charged out/ (not recognised in prior years)	5,295	-	26,319	-
Tax expense for the year	72,587	22,256	244,433	12,164

# Notes To The Financial Statements (cont'd)

31 March 2007

## 39. DEFERRED TAXATION

Deferred taxation pertains to subsidiary companies and is as follows:

(a) Deferred tax assets

	Group	
	2007 RM'000	2006 RM'000
Balance at beginning of year		
- As previously reported	(857,003)	(984,745)
- Prior year's adjustments	45,906	32,542
As restated	(811,097)	(952,203)
Transfer from deferred tax liabilities arising from transfer of stock and share-broking operations	574	-
Transfer (from)/to income statement (Note 38)	(59,920)	141,106
Balance at end of year	(870,443)	(811,097)
The deferred tax credits/(debits) are in respect of the following:		
Unutilised tax losses	(655,786)	(317,148)
Temporary differences arising from general allowance for loans, advances and financing	(208,840)	(200,502)
Temporary differences arising from impairment on:		
Securities held-to-maturity	(28,439)	(176,322)
Assets acquired in exchange of debts	(6,092)	(820)
Temporary differences arising from impairment loss on foreclosed properties	(25,469)	(26,036)
Temporary differences arising from profit equalization reserve	(15,035)	(77)
Temporary differences arising from allowance for value impairment on amount recoverable from Danaharta	(1,417)	(134,008)
Temporary differences between depreciation and tax allowances on property and equipment	27,875	24,050
Temporary differences arising from deferred charges	49,322	45,906
Temporary differences arising from gain on revaluation of securities held-for-trading	-	6,761
Others	(6,562)	(32,901)
	(870,443)	(811,097)

(b) Deferred tax liabilities

Balance at beginning of year	2,846	2,062
Transfer to deferred tax assets arising from transfer of stock and share-broking operations	(574)	-
Transfer to income statement (Note 38)	6,203	784
Balance at end of year	8,475	2,846

Deferred tax liabilities of the Group is in respect of temporary difference between capital allowances and book depreciation of property and equipment.

As mentioned in Note 3, the effects of temporary differences and unutilised tax losses which would give rise to deferred tax assets are recognised only when it is probable that the respective subsidiary companies will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2007, the amount of estimated deferred tax assets of the Group, pertaining to unutilised tax losses and unabsorbed capital allowances, calculated at applicable tax rate which is not recognised in the financial statements amounted to RM163,000,000 (RM170,000,000 in 2006).

# Notes To The Financial Statements (cont'd)

31 March 2007

## 40. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
<b>In respect of financial year ended 2007</b>	
Proposed dividend – 5.0% less 26.0% taxation, on 2,130,565,410 ordinary shares of RM1.00 each	78,831
<b>In respect of financial year ended 2006</b>	
Dividend paid– 5.0%, (effectively 4.9% after restatement for the change in statutory tax rate from 28.0% to 27.0%) less 28.0% taxation, on 2,130,533,695 ordinary shares of RM1.00 each	76,699

The directors now recommend the payment of a first and final ordinary dividend of 5.0 %, less 26.0% taxation, in respect of the current financial year amounting to RM78,830,920 based on issued and paid-up share capital as at 31 March 2007, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend is proposed by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profit in the next financial year ending 31 March 2008.

## 41. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year.

	2007		2006	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net (loss)/profit attributable to equity holders of the Company	(203,812)	38,492	399,874	201,671
Number of ordinary shares at beginning of year	2,130,534	2,130,534	2,130,534	2,130,534
Effect of ordinary shares issued pursuant to exercise of Warrants 2003/2008	16	16	-	-
Weighted average number of ordinary shares in issue	2,130,550	2,130,550	2,130,534	2,130,534
Basic (loss)/earnings per share (sen)	(9.57)	1.81	18.77	9.47

### (b) Fully diluted (loss)/earnings per share

Fully diluted (loss)/earnings per share is calculated by dividing the adjusted net (loss)/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.

The Company has two categories of dilutive potential ordinary shares:

- i) Warrants 1997/2007; and
- ii) Warrants 2003/2008

The basis for the maximum number of ordinary shares of RM1.00 each to be issued upon exercise of outstanding warrants 1997/2007 and 2003/2008, the respective latest dates for exercise and their respective prices are mentioned in Note 28.

# Notes To The Financial Statements (cont'd)

31 March 2007

	2007		2006	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net (loss)/profit attributable to equity holders of the Company	(203,812)	38,492	399,874	201,671
Weighted average number of ordinary shares in issue (as in (a) above)	2,130,550	2,130,550	2,130,534	2,130,534
Adjusted for:				
Exercise of Warrants 2003/2008	-	55,148	29,875	29,875
Adjusted weighted average number of ordinary shares in issue and issuable	2,130,550	2,185,698	2,160,409	2,160,409
Fully diluted (loss)/earnings per share (sen)	(9.57)	1.76	18.51	9.33

For the financial year ended 31 March 2007 outstanding share warrants 2003/2008 and 1997/2007 whilst for 31 March 2006, the outstanding share warrants 1997/2007 have been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Group, as their exercise and conversion to ordinary shares would increase earnings per share.

For the financial year ended 31 March 2007 and 2006 outstanding share warrants 1997/2007 have been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Company, as their exercise and conversion to ordinary shares would increase earnings per share.

The Group and the Company's adjusted weighted average number of ordinary shares in issue and issuable for the financial year ended 31 March 2007 and 2006 have been arrived at based on the assumption that dilutive share warrants 2003/2008 is exercised at beginning of year.

## 42. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2007 amounted to RM14,501,417,000 (RM10,269,483,000 in 2006).

# Notes To The Financial Statements (cont'd)

31 March 2007

## 43. CAPITAL COMMITMENTS

As at 31 March 2007, capital commitments pertaining to subsidiary companies are as follows:

	Group	
	2007 RM'000	2006 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	25,351	53,238
Purchase of other investments	22,860	13,976
Purchase of leasehold improvements	147	300
	48,358	67,514
Authorised but not contracted for:		
Purchase of other investments	415	20,100
Purchase of office equipment, information technology equipment and solutions	20,411	192
	20,826	20,292
	69,184	87,806

## 44. LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

	RM'000
12 months ending 31 March	
2008	17,885
2009	38,981
2010 and thereafter	176,377
	233,243

The lease commitments represent minimum rentals not adjusted for operating expenses which the Group is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than the rental expenses for the financial year.



# Notes To The Financial Statements (cont'd)

31 March 2007

## 45. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmInvestment Bank, AmBank, AmIslamic Bank and AmInternational, make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements as mentioned in Note 23. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2007, the commitments and contingencies outstanding are as follows:

Group	2007			2006		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
<b>Derivative Financial Instruments</b>						
Interest rate related contracts:						
Interest rate futures	290,000	7,438	3,719	580,000	-	-
Interest rate swaps	23,131,423	667,038	137,537	13,067,759	325,210	66,305
Foreign exchange related contracts:						
Forward exchange contracts	4,370,080	128,442	26,830	4,034,678	67,946	14,014
Cross currency swaps	811,310	92,886	18,577	375,676	32,666	6,533
Malaysian Government securities futures	5,000	6	3	10,000	-	-
Equity related contracts:						
Options	165,618	-	-	-	-	-
	28,773,431	895,810	186,666	18,068,113	425,822	86,852
<b>Commitments</b>						
Irrevocable commitments to extend credit maturing:						
Within one year	9,565,515	-	-	9,453,604	-	-
More than one year	1,225,230	612,615	611,985	1,467,076	733,538	733,046
Sell and buy back agreements	1,923,143	1,923,143	1,221,740	2,174,849	2,174,849	915,378
Forward purchase commitments	834,911	834,911	218,958	331,127	331,127	153,377
	13,548,799	3,370,669	2,052,683	13,426,656	3,239,514	1,801,801
<b>Contingent Liabilities</b>						
Guarantees given on behalf of customers	1,404,043	1,404,043	1,210,877	1,384,893	1,384,893	1,202,004
Certain transaction-related contingent items	897,800	448,900	423,564	637,248	318,624	284,116
Underwriting liabilities	815,000	407,500	267,100	1,133,152	566,576	541,819
Short term self liquidating trade-related contingencies	283,789	56,758	56,758	345,374	69,075	69,075
Islamic financing sold to						
Cagamas	2,718,833	2,718,833	2,718,833	2,205,827	2,205,827	2,205,827
Others	126,438	250	250	109,160	250	150
	6,245,903	5,036,284	4,677,382	5,815,654	4,545,245	4,302,991
	48,568,133	9,302,763	6,916,731	37,310,423	8,210,581	6,191,644

# Notes To The Financial Statements (cont'd)

## 31 March 2007

The credit equivalent amount is arrived at using the credit conversion factor as per BNM guidelines.

As at 31 March 2007, other contingencies and commitments of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantees totalling RM329,600,000 (RM383,600,000 in 2006) to various financial institutions in respect of credit facilities extended to certain subsidiary companies.
- (b) AIGB has given unsecured guarantees totalling RM10,000,000 (RM10,000,000 in 2006) to a financial institution in respect of credit facilities extended to a subsidiary company.
- (c) AIGB has given a continuing undertaking totalling S\$50,000,000 (S\$Nil in 2006) to Monetary Authority of Singapore on behalf of FIPL to meet its liabilities and financial obligations and requirements.
- (d) As required, AmInvestment Bank has given a continuing guarantee to BNM on behalf of AmInternational, to meet all its liabilities and financial obligations and requirements.
- (e) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee, a subsidiary of the Company in respect of a claim amounting to RM27.6 million for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ("MAA") has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178.83, 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 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.

Parties have filed several interim applications in the Meridian suit which are pending hearing including as follows:-

- (i) an application by AmTrustee to dispose the Meridian claim on the grounds that no loss was suffered by Meridian;
- (ii) an application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank as 2nd Defendant;
- (iii) an application by Meridian 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;
- (iv) an application by Meridian for Further and Better particulars in respect of the statement of defence filed by AmTrustee;
- (v) an application for leave for Meridian to serve on an officer of AmTrustee Interrogatories allegedly relating to matters in question between Meridian and AmTrustee and
- (vi) an application by AmTrustee for Stay of Proceedings pending disposal of the application for disposal under (a) above.

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. AmTrustee has applied for Directions in respect of the Third Party Proceedings.

Neither material financial loss nor operational impact on the Group is expected as a result of the writs and statements of claim.

# Notes To The Financial Statements (cont'd)

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## 46. RISK MANAGEMENT POLICY

Risk management is about managing uncertainties such that deviations from the Group's intended objectives are kept within acceptable levels. Sustainable profitability forms the core objectives of the Group's risk management strategy.

Every risk assumed by the Group carries with it potential for gains as well as potential to erode shareholders' value. The Group's risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

The management approach towards the significant risks of the Group are enumerated below.

### MARKET RISK MANAGEMENT

Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates and foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Group to reduce its position without incurring potential loss that is beyond the sustainability of the Group.

The market risk of the Group's trading and non-trading portfolio is managed separately using value-at-risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market condition.

To complement value at risk measurement, the Group also institute a set of scenario analysis under various potential market conditions such as shifts in currency rates, general equity prices and interest rate movements to assess the changes in portfolio value.

The Group controls the market risk exposure of its trading and non-trading activities primarily through a series of risk thresholds. Risk thresholds are approved by the Board of directors. These risk threshold structure aligns specific risk-taking activities with the overall risk appetite of the Group.

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The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

Group 2007	Non Trading Book							Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	7,752,304	-	-	100	-	-	2,840,816	-	10,593,220	3.83
Securities purchased under resale agreements	501,431	-	-	-	-	-	-	-	501,431	2.92
Deposits and placements with banks and other financial institutions	16,705	1,083,744	20,227	103,981	-	-	415,200	-	1,639,857	4.91
Securities held-for-trading	-	-	-	-	-	-	-	6,918,905	6,918,905	3.75
Securities available-for-sale	5,002	5,007	359,712	106,793	336,437	818,465	224,113	-	1,855,529	4.01
Securities held-to-maturity	1,340	-	139,763	148,073	1,036,424	768,406	218,564	-	2,312,570	4.70
Loans, advances and financing:										
Performing	14,215,473	2,123,047	1,516,986	305,935	7,242,069	13,509,946	6,294,401	-	45,207,857	6.90
Non-performing *	-	-	-	-	-	-	2,402,898	-	2,402,898	-
Amount due from Originators	-	400	9,441	2,980	39,600	-	-	-	52,421	4.30
Other non-interest sensitive balances	-	-	-	-	-	-	7,137,985	-	7,137,985	-
<b>TOTAL ASSETS</b>	<b>22,492,255</b>	<b>3,212,198</b>	<b>2,046,129</b>	<b>667,862</b>	<b>8,654,530</b>	<b>15,096,817</b>	<b>19,533,977</b>	<b>6,918,905</b>	<b>78,622,673</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	15,915,899	6,089,788	4,493,895	6,886,263	3,899,893	-	5,095,924	-	42,381,662	3.36
Deposits and placements of banks and other financial institutions	5,672,228	2,846,742	1,922,095	717,885	1,762,364	1,507,384	3,012,641	-	17,441,339	3.89
Obligations on securities sold under repurchase agreements	3,087,896	49,275	3,072	-	-	-	-	-	3,140,243	3.36
Bills and acceptances payable	278,358	547,637	188,968	-	-	-	446,614	-	1,461,577	3.56
Recourse obligation on loans sold to Cagamas Berhad	18,934	38,438	201,770	244,996	250,923	-	-	-	755,061	3.71
Term loans	-	206,000	-	103,680	-	-	-	-	309,680	5.60
Subordinated term loans	-	-	-	-	460,000	-	-	-	460,000	6.87
Redeemable unsecured bonds	-	-	-	-	727,795	595,000	-	-	1,322,795	5.64
Hybrid capital	-	-	-	-	-	666,474	-	-	666,474	6.80
Other non-interest sensitive balances	-	-	-	-	-	-	4,607,255	-	4,607,255	-
<b>Total Liabilities</b>	<b>24,973,315</b>	<b>9,777,880</b>	<b>6,809,800</b>	<b>7,952,824</b>	<b>7,100,975</b>	<b>2,768,858</b>	<b>13,162,434</b>	<b>-</b>	<b>72,546,086</b>	
Share capital	-	-	-	-	-	-	2,130,565	-	2,130,565	
Reserves	-	-	-	-	-	-	2,744,506	-	2,744,506	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	4,875,071	-	4,875,071	
Minority interests	-	-	-	-	-	-	1,201,516	-	1,201,516	
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,076,587</b>	<b>-</b>	<b>6,076,587</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>24,973,315</b>	<b>9,777,880</b>	<b>6,809,800</b>	<b>7,952,824</b>	<b>7,100,975</b>	<b>2,768,858</b>	<b>19,239,021</b>	<b>-</b>	<b>78,622,673</b>	
On-balance sheet interest rate gap sensitivity	(2,481,060)	(6,565,682)	(4,763,671)	(7,284,962)	1,553,555	12,327,459	294,956	6,918,905	-	
Off-balance sheet interest rate gap sensitivity	2,145,559	14,893,960	(1,500,860)	(1,040,081)	(15,270,228)	856,740	-	-	85,091	
<b>Total interest rate gap sensitivity</b>	<b>(335,501)</b>	<b>8,328,278</b>	<b>(6,264,531)</b>	<b>(8,325,043)</b>	<b>(13,716,673)</b>	<b>13,184,699</b>	<b>294,956</b>	<b>6,918,905</b>	<b>85,091</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>(335,501)</b>	<b>7,992,777</b>	<b>1,728,246</b>	<b>(6,596,796)</b>	<b>(20,313,470)</b>	<b>(7,128,770)</b>	<b>(6,833,814)</b>	<b>85,091</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

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Group 2006	Non Trading Book							Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	7,617,976	-	-	-	-	-	1,837,286	-	9,455,262	3.43
Securities purchased under resale agreements	688,666	30,924	-	-	-	-	-	-	719,590	3.16
Deposits and placements with banks and other financial institutions	26,661	100,775	122,840	326,628	73,662	-	102,127	-	752,693	4.77
Securities held-for-trading	6,287	-	-	-	-	-	681,450	5,410,303	6,098,040	3.76
Securities available-for-sale	-	-	82,223	23,694	608,123	452,393	437,572	-	1,604,005	4.93
Securities held-to-maturity	-	55,247	23,899	167,109	839,162	1,033,353	593,871	-	2,712,641	5.38
Loans, advances and financing:										
Performing	12,708,861	2,239,092	1,030,662	319,353	7,099,566	11,996,766	5,583,954	-	40,978,254	7.30
Non-performing *	-	-	-	-	-	-	3,882,214	-	3,882,214	-
Amount due from Originators	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	6,086,291	-	6,086,291	-
<b>TOTAL ASSETS</b>	<b>21,049,267</b>	<b>2,426,038</b>	<b>1,261,591</b>	<b>856,348</b>	<b>8,687,860</b>	<b>13,482,512</b>	<b>19,204,765</b>	<b>5,410,303</b>	<b>72,378,684</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	16,367,813	6,676,416	4,023,014	5,883,054	1,506,108	-	4,461,759	-	38,918,164	3.39
Deposits and placements of banks and other financial institutions	4,056,727	1,813,945	792,037	1,733,009	1,765,459	1,866,814	2,612,810	-	14,640,801	3.89
Obligations on securities sold under repurchase agreements	3,398,217	173,766	274	-	-	-	-	-	3,572,257	3.37
Bills and acceptances payable	224,464	366,006	93,799	-	-	-	228,454	-	912,723	5.70
Recourse obligation on loans sold to Cagamas Berhad	141,957	55,928	16,487	667,413	986,864	-	-	-	1,868,649	3.70
Term loans	-	482,232	-	-	-	-	-	-	482,232	5.15
Subordinated certificates of deposits	-	-	-	-	680,000	-	-	-	680,000	6.72
Subordinated term loans	-	-	-	-	324,638	595,000	-	-	919,638	6.57
Redeemable unsecured bonds	-	-	-	-	-	684,047	-	-	684,047	6.77
Other non-interest sensitive balances	-	-	-	-	-	-	3,444,267	-	3,444,267	-
<b>Total Liabilities</b>	<b>24,189,178</b>	<b>9,568,293</b>	<b>4,925,611</b>	<b>8,283,476</b>	<b>5,263,069</b>	<b>3,145,861</b>	<b>10,747,290</b>	<b>-</b>	<b>66,122,778</b>	
Share capital	-	-	-	-	-	-	2,130,534	-	2,130,534	
Reserves	-	-	-	-	-	-	3,016,552	-	3,016,552	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	5,147,086	-	5,147,086	
Minority interests	-	-	-	-	-	-	1,108,820	-	1,108,820	
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,255,906</b>	<b>-</b>	<b>6,255,906</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>24,189,178</b>	<b>9,568,293</b>	<b>4,925,611</b>	<b>8,283,476</b>	<b>5,263,069</b>	<b>3,145,861</b>	<b>17,003,196</b>	<b>-</b>	<b>72,378,684</b>	
On-balance sheet interest rate gap sensitivity	(3,139,911)	(7,142,255)	(3,664,020)	(7,427,128)	3,424,791	10,336,651	2,201,569	5,410,303	-	
Off-balance sheet interest rate gap sensitivity	662,731	5,146,170	499,430	(1,387,358)	(6,849,710)	1,935,099	-	-	6,362	
<b>Total interest rate gap sensitivity</b>	<b>(2,477,180)</b>	<b>(1,996,085)</b>	<b>(3,164,590)</b>	<b>(8,814,486)</b>	<b>(3,424,919)</b>	<b>12,271,750</b>	<b>2,201,569</b>	<b>5,410,303</b>	<b>6,362</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>(2,477,180)</b>	<b>(4,473,265)</b>	<b>(7,637,855)</b>	<b>(16,452,341)</b>	<b>(19,877,260)</b>	<b>(7,605,510)</b>	<b>(5,403,941)</b>	<b>6,362</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

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2007 Company	Non Trading Book				Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>							
Cash and short-term funds	51,484	-	-	1,480	-	52,964	3.25
Securities purchased under resale agreements	43,450	-	-	-	-	43,450	3.00
Deposits and placements with banks and other financial institutions	-	146,331	-	-	-	146,331	3.38
Securities held-for-trading	-	-	-	-	20,000	20,000	4.75
Securities available-for-sale	-	-	-	2,000	-	2,000	-
Other non-interest sensitive balances	-	-	-	3,730,980	-	3,730,980	-
<b>TOTAL ASSETS</b>	<b>94,934</b>	<b>146,331</b>	<b>-</b>	<b>3,734,460</b>	<b>20,000</b>	<b>3,995,725</b>	
<b>LIABILITIES AND EQUITY</b>							
Term loans	-	206,000	-	-	-	206,000	5.29
Redeemable unsecured bonds	-	-	147,795	-	-	147,795	3.00
Other non-interest sensitive balances	-	-	-	7,044	-	7,044	-
Total Liabilities	-	206,000	147,795	7,044	-	360,839	
Share capital	-	-	-	2,130,565	-	2,130,565	
Reserves	-	-	-	1,504,321	-	1,504,321	
Equity attributable to equity holders of the Company	-	-	-	3,634,886	-	3,634,886	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>147,795</b>	<b>3,641,930</b>	<b>-</b>	<b>3,995,725</b>	
On-balance sheet interest rate gap sensitivity	94,934	(59,669)	(147,795)	92,530	20,000	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	
Total interest rate gap sensitivity	94,934	(59,669)	(147,795)	92,530	20,000	-	
Cumulative interest rate gap sensitivity	94,934	35,265	(112,530)	(20,000)	-	-	

# Notes To The Financial Statements (cont'd)

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2006 Company	Non Trading Book					Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non- interest sensitive RM'000				
<b>ASSETS</b>								
Cash and short-term funds	18,661	-	-	1,298	-	-	19,959	3.00
Securities purchased under resale agreements	78,050	-	-	-	-	-	78,050	3.10
Deposits and placements with banks and other financial institutions	-	37,101	-	-	-	-	37,101	3.20
Securities held-for-trading	-	-	-	-	170,197	-	170,197	3.10
Other non-interest sensitive balances	-	-	-	3,734,606	-	-	3,734,606	-
<b>TOTAL ASSETS</b>	<b>96,711</b>	<b>37,101</b>	<b>-</b>	<b>3,735,904</b>	<b>170,197</b>	<b>-</b>	<b>4,039,913</b>	
<b>LIABILITIES AND EQUITY</b>								
Term loans	-	206,000	-	-	-	-	206,000	6.24
Redeemable unsecured bonds	-	-	144,638	-	-	-	144,638	3.00
Other non-interest sensitive balances	-	-	-	3,468	-	-	3,468	-
Total Liabilities	-	206,000	144,638	3,468	-	-	354,106	
Share capital	-	-	-	2,130,534	-	-	2,130,534	
Reserves	-	-	-	1,555,273	-	-	1,555,273	
Equity attributable to equity holders of the Company	-	-	-	3,685,807	-	-	3,685,807	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>144,638</b>	<b>3,689,275</b>	<b>-</b>	<b>-</b>	<b>4,039,913</b>	
On-balance sheet interest rate gap sensitivity	96,711	(168,899)	(144,638)	46,629	170,197	-	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	-	
<b>Total interest rate gap sensitivity</b>	<b>96,711</b>	<b>(168,899)</b>	<b>(144,638)</b>	<b>46,629</b>	<b>170,197</b>	<b>-</b>	<b>-</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>96,711</b>	<b>(72,188)</b>	<b>(216,826)</b>	<b>(170,197)</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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## **LIQUIDITY RISK**

Liquidity risk is the risk that the organization will not be able to fund its day-to-day operations at a reasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments.

The primary objective of liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as 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.

- Management of cash-flow; an assessment of potential cash flow mismatches that may arise over a period of one-year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of BNM.
- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

In the event of actual liquidity crisis occurring, a Contingency Funding Plan provides a formal process to identify a liquidity crisis and detailing responsibilities among the relevant departments to ensure orderly execution of procedures to restore the liquidity position and confidence in the Group.



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The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms.

2007 Group	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	10,529,516	-	-	-	-	-	63,704	10,593,220
Securities purchased under resale agreements	501,431	-	-	-	-	-	-	501,431
Deposits and placements with banks and other financial institutions	17,028	1,498,421	124,107	301	-	-	-	1,639,857
Securities held-for-trading	42,188	117,555	238,025	832,503	2,890,188	2,181,250	617,196	6,918,905
Securities available-for-sale	5,002	5,958	177,210	106,693	599,310	775,549	185,807	1,855,529
Securities held-to-maturity	1,340	-	82,892	30,100	794,908	1,087,727	315,603	2,312,570
Loans, advances and financing	5,055,972	2,965,211	3,080,903	4,711,476	15,096,347	16,511,064	189,782	47,610,755
Other assets	50,050	46,903	36,289	3,421	78,713	1,490,753	1,975,424	3,681,553
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,807,058	1,807,058
Investments in associated companies	-	-	-	-	-	-	1,754	1,754
Property and equipment	-	-	-	-	-	-	241,156	241,156
Deferred tax assets	-	-	-	-	-	-	870,443	870,443
Intangible assets	-	-	-	-	-	-	588,442	588,442
<b>TOTAL ASSETS</b>	<b>16,202,527</b>	<b>4,634,048</b>	<b>3,739,426</b>	<b>5,684,494</b>	<b>19,459,466</b>	<b>22,046,343</b>	<b>6,856,369</b>	<b>78,622,673</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	18,559,717	7,434,324	4,946,231	7,325,760	3,997,999	117,631	-	42,381,662
Deposits and placements of banks and other financial institutions	6,449,855	3,464,669	2,272,264	1,312,725	1,855,758	2,086,068	-	17,441,339
Obligations on securities sold under repurchase agreements	3,093,032	44,139	3,072	-	-	-	-	3,140,243
Bills and acceptances payable	449,603	747,675	264,299	-	-	-	-	1,461,577
Recourse obligation on loans sold to Cagamas Berhad	18,934	38,437	201,770	244,996	250,924	-	-	755,061
Other liabilities	30,126	42,156	5,334	6,241	8,194	793,922	3,721,282	4,607,255
Term loans	-	206,000	-	-	-	103,680	-	309,680
Subordinated term loans	-	-	-	-	-	460,000	-	460,000
Redeemable unsecured bonds	-	-	-	-	147,795	1,175,000	-	1,322,795
Hybrid capital	-	-	-	-	-	666,474	-	666,474
Total Liabilities	28,601,267	11,977,400	7,692,970	8,889,722	6,260,670	5,402,775	3,721,282	72,546,086
Share capital	-	-	-	-	-	-	2,130,565	2,130,565
Reserves	-	-	-	-	-	-	2,744,505	2,744,505
Equity attributable to equity holders of the Company	-	-	-	-	-	-	4,875,071	4,875,071
Minority interests	-	-	-	-	-	-	1,201,516	1,201,516
Total equity	-	-	-	-	-	-	6,076,587	6,076,587
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>28,601,267</b>	<b>11,977,400</b>	<b>7,692,970</b>	<b>8,889,722</b>	<b>6,260,670</b>	<b>5,402,775</b>	<b>9,797,869</b>	<b>78,622,673</b>
<b>Net maturity mismatch</b>	<b>(12,398,740)</b>	<b>(7,343,352)</b>	<b>(3,953,544)</b>	<b>(3,205,228)</b>	<b>13,198,796</b>	<b>16,643,568</b>	<b>(2,941,500)</b>	<b>-</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

2006 Group	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	9,427,127	-	-	-	-	-	28,135	9,455,262
Securities purchased under resale agreements	688,666	30,924	-	-	-	-	-	719,590
Deposits and placements with banks and other financial institutions	25,805	401,082	214,917	110,889	-	-	-	752,693
Securities held-for-trading	781,383	-	13,694	480,475	3,328,796	1,002,812	490,880	6,098,040
Securities available-for-sale	-	4,948	63,699	36,694	220,269	994,897	283,498	1,604,005
Securities held-to-maturity	11,978	-	12,880	143,992	621,830	1,798,654	123,307	2,712,641
Loans, advances and financing	5,984,693	3,908,426	2,490,453	3,731,546	15,045,414	13,478,643	221,293	44,860,468
Other assets	90,702	34,286	33,327	22,387	94,253	117,936	2,142,054	2,534,945
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,776,693	1,776,693
Investments in associated companies	-	-	-	-	-	-	40,295	40,295
Property and equipment	-	-	-	-	-	-	448,896	448,896
Deferred tax assets	-	-	-	-	-	-	811,097	811,097
Intangible assets	-	-	-	-	-	-	564,059	564,059
<b>TOTAL ASSETS</b>	<b>17,010,354</b>	<b>4,379,666</b>	<b>2,828,970</b>	<b>4,525,983</b>	<b>19,310,562</b>	<b>17,392,942</b>	<b>6,930,207</b>	<b>72,378,684</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	19,072,126	7,502,763	4,585,425	6,190,410	1,567,440	-	-	38,918,164
Deposits and placements of banks and other financial institutions	4,971,587	2,445,237	1,302,864	1,851,313	2,152,987	1,916,813	-	14,640,801
Obligations on securities sold under repurchase agreements	3,398,217	173,766	274	-	-	-	-	3,572,257
Bills and acceptances payable	292,335	498,962	121,426	-	-	-	-	912,723
Recourse obligation on loans sold to Cagamas Berhad	141,957	55,928	16,487	667,413	986,864	-	-	1,868,649
Other liabilities	321,715	45,644	5,245	2,199	8,430	98,428	2,962,606	3,444,267
Term loans	-	206,000	-	276,232	-	-	-	482,232
Subordinated certificates of deposits	-	-	-	-	-	680,000	-	680,000
Subordinated term loans	-	-	-	-	124,638	795,000	-	919,638
Redeemable unsecured bonds	-	-	-	-	-	684,047	-	684,047
<b>Total Liabilities</b>	<b>28,197,937</b>	<b>10,928,300</b>	<b>6,031,721</b>	<b>8,987,567</b>	<b>4,840,359</b>	<b>4,174,288</b>	<b>2,962,606</b>	<b>66,122,778</b>
Share capital	-	-	-	-	-	-	2,130,534	2,130,534
Reserves	-	-	-	-	-	-	3,016,552	3,016,552
Equity attributable to equity holders of the Company	-	-	-	-	-	-	5,147,086	5,147,086
Minority interests	-	-	-	-	-	-	1,108,820	1,108,820
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,255,906</b>	<b>6,255,906</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>28,197,937</b>	<b>10,928,300</b>	<b>6,031,721</b>	<b>8,987,567</b>	<b>4,840,359</b>	<b>4,174,288</b>	<b>9,218,512</b>	<b>72,378,684</b>
<b>Net maturity mismatch</b>	<b>(11,187,583)</b>	<b>(6,548,634)</b>	<b>(3,202,751)</b>	<b>(4,461,584)</b>	<b>14,470,203</b>	<b>13,218,654</b>	<b>(2,288,305)</b>	<b>-</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

2007 Company	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>					
Cash and short-term funds	51,484	-	-	1,480	52,964
Securities purchased under resale agreements	43,450	-	-	-	43,450
Deposits and placements with banks and other financial institutions	-	146,331	-	-	146,331
Securities held-for-trading	-	-	-	20,000	20,000
Securities available-for-sale	-	-	-	2,000	2,000
Other assets	-	-	-	29,697	29,697
Investments in subsidiary companies	-	-	-	3,700,154	3,700,154
Property and equipment	-	-	-	1,129	1,129
<b>TOTAL ASSETS</b>	<b>94,934</b>	<b>146,331</b>	<b>-</b>	<b>3,754,460</b>	<b>3,995,725</b>
<b>LIABILITIES AND EQUITY</b>					
Other liabilities	-	-	-	7,044	7,044
Term loans	-	206,000	-	-	206,000
Redeemable unsecured bonds	-	-	147,795	-	147,795
Total Liabilities	-	206,000	147,795	7,044	360,839
Share capital	-	-	-	2,130,565	2,130,565
Reserves	-	-	-	1,504,321	1,504,321
Equity attributable to equity holders of the Company	-	-	-	3,634,886	3,634,886
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>147,795</b>	<b>3,641,930</b>	<b>3,995,725</b>
<b>Net maturity mismatch</b>	<b>94,934</b>	<b>(59,669)</b>	<b>(147,795)</b>	<b>112,530</b>	<b>-</b>
<b>2006</b>					
<b>ASSETS</b>					
Cash and short-term funds	19,532	-	-	427	19,959
Securities purchased under resale agreements	78,050	-	-	-	78,050
Deposits and placements with banks and other financial institutions	-	37,101	-	-	37,101
Securities held-for-trading	-	-	-	170,197	170,197
Other assets	-	-	-	33,992	33,992
Investments in subsidiary companies	-	-	-	3,700,154	3,700,154
Property and equipment	-	-	-	460	460
<b>TOTAL ASSETS</b>	<b>97,582</b>	<b>37,101</b>	<b>-</b>	<b>3,905,230</b>	<b>4,039,913</b>
<b>LIABILITIES AND EQUITY</b>					
Other liabilities	-	-	-	3,468	3,468
Term loans	-	206,000	-	-	206,000
Redeemable unsecured bonds	-	-	144,638	-	144,638
Total Liabilities	-	206,000	144,638	3,468	354,106
Share capital	-	-	-	2,130,534	2,130,534
Reserves	-	-	-	1,555,273	1,555,273
Equity attributable to equity holders of the Company	-	-	-	3,685,807	3,685,807
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>144,638</b>	<b>3,689,275</b>	<b>4,039,913</b>
<b>Net maturity mismatch</b>	<b>97,582</b>	<b>(168,899)</b>	<b>(144,638)</b>	<b>215,955</b>	<b>-</b>

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### **CREDIT RISK MANAGEMENT**

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending and guarantee activities and, to a lesser extend, pre-settlement and settlement exposures of sales and trading activities.

The primary objective of credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

Lending activities are guided by internal group credit policies and guidelines that are approved by the Board or risk committee. Specific procedures for managing credit risks are determined at business levels in specific policies and procedures based on risk environment and business goals.

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

For non-retail credits, risk measurement begins with an assessment and rating of the financial standing of the borrower or counterparty using a credit rating model. The model consists of quantitative and qualitative scores which are translated into a rating grade, with nine (9) rating scale. Credit risk is quantified based on Expected Default Frequencies and Expected Losses on default from its portfolio of loans and off-balance sheet commitments. Expected Default Frequencies are calibrated to the internal rating model.

For retail credits, a credit-scoring system to support the housing and hire purchase and credit card applications is being used to complement the credit assessment process.

### **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 points 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.

### **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 organization to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimize these risks, staff training and assessments, provision of advise and disseminating of information.

# Notes To The Financial Statements (cont'd)

31 March 2007

## **RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES**

### **Purpose of engaging in financial derivatives**

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

The principal exchange rate contracts used are forward foreign exchange contracts and cross currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

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

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

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

### **Fair value of financial derivatives**

The estimated fair values of the Group's outstanding derivative financial instruments are as below. These values are stand-alone without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group.

# Notes To The Financial Statements (cont'd)

31 March 2007

	2007		2006	
	Principal Amount RM'000	Fair Value Assets/ (Liabilities)* RM'000	Principal Amount RM'000	Fair Value Assets/ (Liabilities)* RM'000
Interest rate related contracts:				
Interest rate futures	290,000	(340)	580,000	140
Interest rate swaps	23,131,423	(101,035)	13,067,759	(9,322)
Foreign exchange related contracts:				
Forward exchange contracts	4,370,080	49,808	4,034,678	8,485
Cross currency swaps	811,310	2,104	375,676	4,681
Malaysian Government securities futures	5,000	1	10,000	15
Equity related contracts:				
Options	165,618	(27,761)	-	-
	28,773,431	(77,223)	18,068,113	3,999

\* Fair values of derivative financial instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. 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.

### 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 and foreign exchange-related derivatives contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measures that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a 90-day period at a 99.0% confidence level under normal market condition.

As at 31 March 2007, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM1,628,136 (RM890,497 in 2006).

The value at risk of the interest rate derivatives related contracts used for trading purposes of the Group was RM25,885,784 (RM25,195,011 in 2006).

The value at risk of the options related contracts used for trading purposes was RM26,007,863 (RMNil in 2006) for the Group.

The use of these instruments to hedge underlying exposures arising from funding or for fixed income instruments acquired for investment purposes are not included in the market risk numbers above.

# Notes To The Financial Statements (cont'd)

31 March 2007

## Credit risk of derivatives

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract. Unlike conventional asset instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counter party and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

As at 31 March 2007, the amount of counterparty credit risk, measured in terms of the cost to replace the positive value contracts of the Group, was RM27,277,893 (RM26,977,165 in 2006). This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

The Group limit its credit risks within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

## 47. 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 balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiary companies and taxation are excluded, as they do not fall within the scope of FRS132: Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

# Notes To The Financial Statements (cont'd)

31 March 2007

The estimated fair values of the Group's and the Company's financial instruments are as follows:

2007	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	10,593,220	10,593,220	52,964	52,964
Securities purchased under resale agreements	501,431	501,431	43,450	43,450
Deposits and placements with banks and other financial institutions	1,639,857	4,002,558	146,331	146,331
Securities held-for-trading	6,918,905	6,918,905	20,000	20,000
Securities available-for-sale	1,855,529	2,557,332	2,000	2,000
Securities held-to-maturity	2,312,570	2,498,058	-	-
Loans, advances and financing *	48,389,151	48,955,307	-	-
Amount due from Originators	52,421	52,519	-	-
Other financial assets	2,126,285	2,126,285	29,697	29,697
	74,389,369	78,205,615	294,442	294,442
Non-financial assets	4,233,304		3,701,283	
<b>TOTAL ASSETS</b>	78,622,673		3,995,725	
<b>Financial Liabilities</b>				
Deposits from customers	42,381,662	42,335,192	-	-
Deposits and placements of banks and other financial institutions	17,441,339	17,584,545	-	-
Obligations on securities sold under repurchase agreements	3,140,243	3,140,243	-	-
Bills and acceptances payable	1,461,577	1,461,577	-	-
Recourse obligation on loans sold to Cagamas Berhad	755,061	754,627	-	-
Term loans	309,680	309,680	206,000	206,000
Subordinated term loans	460,000	535,701	-	-
Redeemable unsecured bonds	1,322,795	1,463,273	147,795	147,795
Hybrid capital	666,474	710,782	-	-
Other financial liabilities	4,536,302	4,536,302	7,044	7,044
	72,475,133	72,831,922	360,839	360,839
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	70,953		-	-
Minority interests	1,201,516		-	-
Equity attributable to equity holders of the Company	4,875,071		3,634,886	
	6,147,540		3,634,886	
<b>TOTAL LIABILITIES AND EQUITY</b>	78,622,673		3,995,725	



# Notes To The Financial Statements (cont'd)

31 March 2007

2006	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	9,455,262	9,455,262	19,959	19,959
Securities purchased under resale agreements	719,590	719,590	78,050	78,050
Deposits and placements with banks and other financial institutions	752,693	880,168	37,101	37,101
Securities held-for-trading	6,098,040	6,098,040	170,197	170,197
Securities available-for-sale	1,604,005	1,603,605	-	-
Securities held-to-maturity	2,712,641	3,027,740	-	-
Loans, advances and financing *	45,533,285	46,104,796	-	-
Amount due from Originators	89,694	87,254	-	-
Other financial assets	1,218,185	1,218,185	33,992	33,992
	68,183,395	69,194,640	339,299	339,299
Non-financial assets	4,195,289		3,700,614	
<b>TOTAL ASSETS</b>	<b>72,378,684</b>		<b>4,039,913</b>	
<b>Financial Liabilities</b>				
Deposits from customers	38,918,164	38,992,202	-	-
Deposits and placements of banks and other financial institutions	14,640,801	14,302,943	-	-
Obligations on securities sold under repurchase agreements	3,572,257	3,572,257	-	-
Bills and acceptances payable	912,723	912,723	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,868,649	1,856,057		
Term loans	482,232	482,232	206,000	206,000
Subordinated term loan	680,000	804,359	-	-
Redeemable unsecured bonds	919,638	967,758	144,638	139,403
Hybrid capital	684,047	723,812	-	-
Other financial liabilities	3,321,925	3,321,925	3,468	3,468
	66,000,436	65,936,268	354,106	348,871
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	122,342		-	
Equity attributable to equity holders of the Company	5,147,086		3,685,807	
Minority interests	1,108,820		-	
	6,378,248		3,685,807	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>72,378,684</b>		<b>4,039,913</b>	

\* The general allowance for the Group amounting to RM778,396,000 (RM721,817,000 in 2006) has been included under non-financial assets.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

The fair values of derivatives financial instruments are shown in Note 46.

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallize. The Group assesses that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provisions is necessary to be made.

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2007 and 2006:

**(a) Cash And Short-Term Funds**

The carrying values are a reasonable estimate of the fair values because of negligible credit risk and short-term in nature or frequent repricing.

**(b) Securities Purchased Under Resale Agreements And Deposits And Placements With Banks And Other Financial Institutions**

The fair values of securities purchased under resale agreements and deposits and placements with banks and other financial institutions with remaining maturities less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements and deposits and placements with banks and other financial institutions with maturities of more than six months, the fair values are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

**(c) Securities Held-For-Trading, Securities Available-For-Sale And Securities Held-To-Maturity**

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using discounted cash flow or net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at a par value, taking into consideration of the underlying collateral values. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using market indicative rates of similar instruments at the balance sheet date.

**(d) Loans, Advances And Financing And Subordinated Term Loans ("Loans And Financing")**

The fair value of variable rate loans and financing are estimated to approximate their carrying values. For fixed rate loans and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing indicative rates adjusted for credit risk. In respect of non-performing loans and financing, the fair values are deemed to approximate the carrying values, net of interest in suspense and specific allowance for bad and doubtful debts and financing.

**(e) Other Assets**

The estimated fair value of other assets are estimated to approximately their carrying value because the realisable value of the final consideration as at balance sheet date is similar to that of the carrying value.

**(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 ("current and savings deposits") or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date.

The fair value of term deposits, negotiable instrument of deposits and obligations on securities sold under repurchase agreements with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates and interest rate swap rates.

# Notes To The Financial Statements (cont'd)

31 March 2007

**(g) Bills And Acceptances Payables**

The carrying values are a reasonable estimate of their fair values because of their short-term nature.

**(h) Other liabilities**

The fair values of other liabilities approximates their carrying value at the balance sheet date.

**(i) Recourse Obligations On Loans Sold To Cagamas Berhad**

The fair values for recourse obligations on loans to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing rates quoted by Cagamas Berhad as at balance sheet date.

**(j) Term Loans, Subordinated Term Loans, Redeemable Unsecured Bonds And Hybrid Capital ("Borrowings")**

The fair values of borrowings with remaining maturities of less than six (6) months are estimated to approximate their carrying values at balance sheet date. The fair values of borrowings with remaining maturities of more than six (6) months are estimated based on discounted cash flows using market indicative rates of instruments with similar risk profiles at the balance sheet date.

**(k) Interest Rate Swaps, Futures And Forward Rate Agreements**

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

**(l) Short Term Financial Assets And Financial Liabilities**

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

The fair value of the other financial assets and other financial liabilities, which are considered short term in nature, are estimated to be approximately their carrying value.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting value estimates.

## 48. NET ASSETS PER SHARE (RM)

Net assets per share represent the balance sheet total assets value less total liabilities and minority interests expressed as an amount per ordinary share.

Net assets per share are calculated as follows:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Total assets	78,622,673	3,995,725	72,378,684	4,039,913
Less :				
Total liabilities	72,546,086	360,839	66,122,778	354,106
Minority interests	1,201,516	-	1,108,820	-
	73,747,602	360,839	67,231,598	354,106
Net assets	4,875,071	3,634,886	5,147,086	3,685,807
Issued and fully paid up ordinary shares of RM1.00 each	2,130,565	2,130,565	2,130,534	2,130,534
Net assets per share (RM)	2.29	1.71	2.42	1.73

# Notes To The Financial Statements (cont'd)

31 March 2007

## 49. BUSINESS SEGMENT ANALYSIS

The Group's businesses are organized into six main segments, based on the products and services that it provides. These segments are investment banking, commercial and retail banking, offshore banking, Islamic banking, insurance with the minor segments aggregated under others.

### Investment banking

Investment banking encompasses merchant banking, stockbroking, futures broking, fund and real estate investment trust management and trustee services. The merchant banking caters to the business needs of large corporate customers and financial institutions and provides customers with, among other things, a broad range of financing options, treasury and derivative services, corporate finance services, debt capital market and private banking. Through AIGB's subsidiaries, investment banking also offers stock and futures broking products and services through AmInvestment Bank and AmFutures, investment management, management of unit trusts and customized investment solutions and real estate management services through AIM, AIS and AmPTMB, and AmARA REIT Managers and trustee services through AmTrustee.

### Commercial and retail banking

Commercial and retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as term financing, mortgage, trade, hire purchase financing, personal loans and share financing, credit cards, remittance services, deposits collection and bancassurance.

### Offshore banking

Through AMIL and AmInvestment Bank Labuan branch, the Group has established a presence in the international arena at the Labuan International Offshore Financial Centre. The products and services offered include corporate finance, advisory and trust services, credit facilities and acting as Listing Sponsor for corporations seeking listing on the Labuan International Financial Exchange.

### Islamic banking

Islamic banking segment relates to Islamic banking business activities undertaken by the Group.

### Insurance

The insurance segment offers a broad range of life and general insurance products.

### Others

Others comprises a variety of activities, which complements and supports the operations of the main business units. It includes the Company's corporate income and expense items that are not allocated to individual business segments. In addition, the income and the Company's funding cost of the Group's associated and subsidiary companies are included in this category.



# Notes To The Financial Statements (cont'd)

31 March 2007

Group 2006	Investment Banking RM'000	Commercial And Retail RM'000	Offshore Banking RM'000	Islamic Banking RM'000	Insurance RM'000	Others RM'000	Elimination/ Consolidation Adjustments RM'000	Total RM'000
External revenue	883,852	2,423,634	51,624	816,695	761,224	7,188	(72,949)	4,871,268
Revenue from other segments	46,139	30,251	5,950	-	837	17,961	(101,138)	-
Operating revenue	929,991	2,453,885	57,574	816,695	762,061	25,149	(174,087)	4,871,268
Segment results	279,813	267,820	6,079	206,955	55,571	(7,416)	(25,205)	783,617
Amortisation of goodwill on consolidation	-	-	-	-	-	-	(27,977)	(27,977)
Profit from operations	279,813	267,820	6,079	206,955	55,571	(7,416)	(53,182)	755,640
Share in results of associated companies	-	-	-	-	-	-	2,202	2,202
Profit/(Loss) before taxation	279,813	267,820	6,079	206,955	55,571	(7,416)	(50,980)	757,842
Taxation	(75,006)	(98,109)	(20)	(58,683)	(16,778)	(18,698)	22,861	(244,433)
Minority interests	-	-	-	-	-	-	(113,535)	(113,535)
Net profit/(loss) for the year	204,807	169,711	6,059	148,272	38,793	(26,114)	(141,654)	399,874
<b>Other information</b>								
Segment assets	18,291,154	48,085,454	967,441	9,406,836	1,832,781	676,792	(7,438,045)	71,822,413
Investment in subsidiary companies	254,765	30,317	-	-	-	7,333,666	(7,618,748)	-
Investment in associated companies	21,950	200	-	-	-	100	18,045	40,295
Goodwill/(reserve) on consolidation	-	-	-	-	(1,565)	-	517,541	515,976
Total assets	18,567,869	48,115,971	967,441	9,406,836	1,831,216	8,010,558	(14,521,207)	72,378,684
Segment liabilities	16,726,767	45,425,684	1,026,025	8,377,419	1,656,773	511,487	(7,601,377)	66,122,778
Property and equipment purchases	10,944	71,378	38	12	11,244	31	-	93,647
Depreciation of property and equipment	8,622	39,975	78	16	2,034	722	4	51,451
Goodwill on consolidation	-	-	-	-	-	-	27,977	27,977

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiary companies, AMCI, AmSecurities (HK) and AmTrade Services, activities of which are principally conducted in Singapore, Indonesia and Hong Kong, respectively. These activities in Singapore, Indonesia and Hong Kong are not significant (less than 1.0% over the operating revenue, profit before taxation and total assets) in relation to the Group's activities in Malaysia.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 50. LIFE BUSINESS LIABILITIES AND LIFE POLICYHOLDERS' FUND

The state of affairs as at 31 March 2007 and the results for the financial year ended 31 March 2007 under the life business liabilities and life policyholders' fund of AmAssurance Berhad, are summarised as follows:

### BALANCE SHEET AS AT 31 MARCH 2007

	2007 RM'000	2006 RM'000
<b>ASSETS</b>		
Cash and short-term funds	544	9,212
Securities purchased under resale agreements	127,980	35,040
Deposits and placements with banks and other financial institutions	136,856	143,712
Securities held-for-trading	55,513	113,416
Securities available-for-sale	844,435	622,633
Loans, advances and financing	87,474	77,963
Other assets	92,818	74,174
Investment properties	82,278	81,713
Property and equipment	28,297	4,408
Intangible assets	2,713	217
<b>TOTAL ASSETS</b>	<b>1,458,908</b>	<b>1,162,488</b>
<b>LIABILITIES AND POLICYHOLDERS' FUND</b>		
Other liabilities	172,281	152,315
Life policyholders' fund	1,286,627	1,010,173
<b>TOTAL LIABILITIES AND POLICYHOLDERS' FUND</b>	<b>1,458,908</b>	<b>1,162,488</b>
<b>INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007</b>		
Revenue	474,235	370,890
Interest income	56,848	46,560
Allowance for losses on loans and financing	(390)	-
Impairment loss on securities	(958)	(243)
	55,500	46,317
Net premium investment and other income	417,387	324,330
Net income	472,887	370,647
Other operating expenses and transfer to policyholders' funds	(459,387)	(370,647)
Transfer to shareholders' funds	13,500	-

# Notes To The Financial Statements (cont'd)

31 March 2007

## 51. CAPITAL ADEQUACY RATIO

BNM guideline on capital adequacy requires AmlInvestment Bank, AmBank and Amlslamic Bank, to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The risk-weighted capital adequacy ratios of AmlInvestment Bank (including the operations of AMIL) of 15.22% (14.05% in 2006), AmBank of 9.16% (12.14% in 2006) and Amlslamic Bank of 14.45% (Nil in 2006), exceed the minimum requirement.

Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratios, the Group's capital adequacy ratios is as follows:

	Group	
	2007 RM'000	2006 RM'000
Tier 1 capital		
Paid-up ordinary share capital	2,130,565	2,130,534
Share premium	791,588	791,550
Statutory reserve	1,107,757	1,000,417
Exchange fluctuation reserve	10,297	15,736
Hybrid capital	666,474	684,047
Unappropriated profit at end of year	798,502	1,081,089
Minority interests	1,201,516	1,108,820
Total	6,706,699	6,812,193
Less : Goodwill	527,121	515,976
Deferred tax assets - net	861,968	854,157
Total tier 1 capital	5,317,610	5,442,060
Tier 2 capital		
Subordinated term loans	421,696	680,000
Redeemable Unsecured Bonds	1,175,000	775,000
General allowance for bad and doubtful debts	778,396	721,817
Total tier 2 capital	2,375,092	2,176,817
Capital base	7,692,702	7,618,877
Risk-weighted assets	60,987,817	54,635,748
Capital Ratios:		
Core capital ratio	8.72%	9.96%
Risk-weighted capital ratio	12.61%	13.94%
Core capital ratio (net of proposed dividends )	8.59%	9.82%
Risk-weighted capital ratio (net of proposed dividends)	12.48%	13.80%



# Notes To The Financial Statements (cont'd)

31 March 2007

Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	2007		2006	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	11,227,356	-	10,973,248	-
10%	3,418	342	87,239	8,724
20%	7,187,595	1,437,519	4,535,658	907,132
50%	9,572,932	4,786,466	8,367,850	4,183,925
100%	48,311,104	48,311,104	43,988,003	43,988,003
	<u>76,302,405</u>	<u>54,535,431</u>	<u>67,951,998</u>	<u>49,087,784</u>
Add: Total Risk Weighted Assets Equivalent for market risks		6,451,937		5,547,964
Add: Large Exposure Risk Requirements for single entity		449		-
		<u>60,987,817</u>		<u>54,635,748</u>

The capital adequacy ratio of the Group as at 31 March 2006 has not been restated for prior year adjustments effect as mentioned in Note 53 to the financial statements.

Subsequent to the financial year, the Company, AMFB and AmBank have completed the Equity Participation by ANZ and the issuance of INCPS and ICULS (Capital Injection) as mentioned in Note 52. Had the Capital Injection completed and issued on 31 March 2007, the core capital and risk-weighted capital ratios for the Group and AmBank will be as follows:

	Before Capital Injection	After Capital Injection
<b>Core capital ratio</b>		
The Group	8.72%	9.54%
AmBank	7.27%	7.68%
<b>Risk-weighted capital ratio</b>		
The Group	12.61%	14.38%
AmBank	9.16%	11.90%

# Notes To The Financial Statements (cont'd)

31 March 2007

## 52. OTHER SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 20 December 2006, upon obtaining the necessary approvals from the shareholders and the relevant authorities, the Company completed the following:
- (i) Disposal by AmBank of Menara AmBank to AmFIRST Real Estate Investment Trust ("AmFIRST REIT") for a total consideration of RM230.0 million and satisfied by the issuance of 230.0 million new units in AmFIRST REIT ("AmFIRST REIT units") at an issue price of RM1.00 per unit credited as fully paid-up. Subsequently, all the AmFIRST REIT units were transferred by AmBank to the Company for a cash consideration of RM230.0 million.
  - (ii) A renounceable restricted offer for sale by the Company of 85,222,493 AmFIRST REIT units at an offer price of RM1.00 per unit to the entitled shareholders of the Company on the basis of one (1) AmFIRST REIT unit for every twenty five (25) existing ordinary shares of RM1.00 each held in the Company of which RM0.85 per unit is paid in cash by the entitled shareholders of the Company and the remaining RM0.15 per unit is paid for in cash by the Company; and
  - (iii) An offer for sale by the Company of 144,777,507 AmFIRST REIT units at an offer price of RM1.00 per unit, by way of placement to institutional, selected investors and subsidiary companies.

The Restricted Offer For Sale and Offer For Sale form part of the establishment and listing of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad and relate to the offer for sale by the Company of the AmFIRST REIT units arising from the disposal involving the sale of Menara AmBank to AmFIRST REIT by AmBank.

The entire AmFIRST REIT units were admitted to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for these units on the Main Board on 21 December 2006.

- (b) On 21 November 2006, upon obtaining the approval from Bank Negara Malaysia ("BNM"), the Company entered into a Heads of Agreement ("HOA") with Australia and New Zealand Banking Group Limited ("ANZ") on 23 November 2006 in relation to the involvement of ANZ as an investor and partner of the Group which will be via a proposed equity participation by ANZ valued at RM1.075 billion as follows:-
- (i) Proposed issue of 163,934,426 converting preference shares ("CPS") of RM1.00 each by the Company to ANZ Funds Pty Ltd ("ANZ Funds"), a wholly-owned subsidiary company of ANZ at an issue price of RM3.05 per CPS which will convert into 163,934,426 new ordinary shares of RM1.00 each in the Company ("Proposed CPS Transaction"); and
  - (ii) Proposed issue of 188,524,590 new ordinary shares in the Company arising from the exchange of RM575,000,000 nominal value 10 Year Unsecured Exchangeable Bonds ("EBs") arising from the proposed issue of the EBs by AmBank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in the Company at an exchange price of RM3.05 per share ("Proposed Exchangeable Bond Transaction").

The Proposed CPS Transaction and Proposed Exchangeable Bond Transaction are collectively referred to as the "Proposed Equity Participation".

Concurrently with the Proposed Equity Participation, AmCorpGroup Berhad ("AmCorp"), the principal shareholder of the Company, had also on 30 November 2006 entered into a HOA with ANZ for the disposal by AmCorp of 300 million ordinary shares held in the Company representing approximately 14.1% of the existing issued and paid up share capital of the Company to ANZ at RM4.30 per ordinary share valued at RM1.29 billion ("Proposed AmCorp Transaction").

The Proposed Equity Participation and the Proposed AmCorp Transaction are inter-conditional with each other and shall be undertaken concurrently.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

The Proposed Equity Participation and the Proposed AmCorp Transaction are conditional upon the approval, inter alia, of BNM, Minister of Finance ("MOF"), Securities Commission, shareholders and other relevant authorities.

Upon completion of the Proposed Equity Participation and Proposed AmCorp Transaction, ANZ would emerge as a substantial strategic investor with an equity interest of up to 24.9% in the Company. This is in line with BNM's requirement for AmCorp to institutionalize its shareholdings in the Company by May 2007.

On 2 March 2007, following the receipt of approval of BNM on 28 February 2007, the Company and ANZ Funds executed Sale and Purchase Agreement, Subscription and Relationship Agreement, Exchangeable Bond Subscription Agreement and Technical Services Agreement for the Proposed Equity Participation pursuant to Section 45 of the Banking and Financial Institutions Act, 1989 and the terms of the respective HOAs.

Further, AmCorp and ANZ Funds have in accordance with the terms of the AmCorp HOAs, on 2 March 2007 executed a Sale and Purchase Agreement in relation to the Proposed AmCorp Transaction.

On 15 March 2007, the Proposed Equity Participation and Proposed AmCorp Transaction were approved by the MOF pursuant to Section 45, Section 46 and Section 49 of the Banking and Financial Institutions Act, 1989 and Section 67 of the Insurance Act, 1996 and Section 22 of the Islamic Banking Act, 1983.

The Company has also proposed to increase its authorised share capital to RM5,200,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each and 200,000,000 CPS of RM1.00 each from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each ("Proposed Authorised Share Capital").

Subsequent to the balance sheet date,

- (a) Upon obtaining the necessary approvals from the shareholders and the relevant authorities, the Company has on 18 May 2007 implemented the following:
  - (i) Increase in the authorised share capital of the Company from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each to RM5,200,000,000 comprising 5,000,000,000 ordinary share of RM1.00 each and 200,000,000 CPS of RM1.00 each;
  - (ii) Issue of 163,934,426 CPS to ANZ Funds at an issue price of RM3.05 per CPS amounting to RM500,000,000, which shall be converted into 163,934,426 new ordinary shares of RM1.00 each in the Company; and
  - (iii) Issue of the RM575,000,000 EBs by AmBank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in the Company at an exchange price of RM3.05 per share.
- (b) The Company has utilised a total of RM450,000,000 from the proceeds of CPS for the subscription of AMFB's rights issue of 30,000,000 new ordinary shares of RM1.00 each at an issue price RM5.00 per share amounting to RM150,000,000 and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stock issued by AMFB on rights entitlement basis. The issue price of RM5.00 per share is derived at based on 17.6% premium on the net tangible assets per share of AMFB of approximately RM4.25 as at 31 March 2007.
- (c) AMFB has subscribed for RM150,000,000 Irredeemable Non-cumulative Convertible Preference Shares ("AmBank INCPS") of RM1.00 each and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stock ("AmBank ICULS") issued by AmBank on rights entitlement basis to further increase the capital funds of AmBank.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 53. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

### Changes in accounting policies

The accounting policies are consistent with those adopted in the previous audited annual financial statements except for the adoption of the following:

- (i) New and revised FRS issued by MASB that are applicable to the Group and the Company with effect from the financial period beginning on or after 1 April 2006 which have resulted in changes in accounting policies as follows:

- (a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests and other disclosures. Prior to 1 April 2006, minority interests at the balance sheet date are presented in the consolidated balance sheet separately from the liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 April 2006, the Group's share in taxation of associated companies accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of revised FRS 101, the share in taxation of associated companies accounted for using the equity method is now included in the share in results of associated companies in the consolidated income statement before arriving at the Group's profit before taxation.

These changes in presentation have been applied retrospectively and certain comparative figures have been restated. These changes in presentation has no impact on the Company's financial statements.

- (b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which agreement date is on or after 1 January 2006.

- i) Goodwill

Prior to 1 April 2006, goodwill was amortised on a straight-line basis over its estimated useful life from twenty (20) to fifty (50) years and at balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3: Business Combinations and the consequential changes to FRS 136: Impairment of Assets and FRS 138: Intangible Assets, has resulted in the Group ceasing annual goodwill amortisation. Goodwill and premium acquired in a business combination is now carried at cost less any accumulated impairment losses and is tested for impairment annually, or more frequently if events changes in circumstances indicate that it might be impaired. Goodwill and premium impairment is determined by comparing its carrying amount against its recoverable amount in accordance with FRS 136. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

# Notes To The Financial Statements (cont'd)

31 March 2007

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business combinations entered into prior to that date, the transitional provisions of FRS 3 requires the Group to eliminate the carrying accumulated amortisation as at 1 April 2006 of RM104,139,000 against the carrying amount of goodwill and premium. The carrying amount of goodwill and premium for the Group as at 1 April 2006 of RM522,811,000 ceased to be amortised. This has the effect of reducing the amortisation charge of the Group by RM28,507,000 for the year ended 31 March 2007. No impairment loss on goodwill and premium has been recognised in the year ended 31 March 2007.

As the change in accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior period.

This change has no impact on the Company's financial statements.

- (ii) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combinations (previously known as negative goodwill).

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. Prior to 1 April 2006, negative goodwill not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable/amortisable and negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised in the income statement immediately. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no negative goodwill as at 1 April 2006.

This change has no impact on the Company's financial statements.

- (iii) Accounting for acquisitions

Prior to 1 April 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

- (iv) Intangible assets – computer software

The adoption of FRS 138 has resulted in a change in the accounting policy for computer software which is not an integral part of computer hardware. Previously, such computer software was included in property and equipment. In accordance with FRS 138, computer software which is not an integral part of computer hardware is classified as intangible asset.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of FRS 138.

As the change in accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior period.

This change has no impact on the Company's financial statements.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### (c) FRS 127: Consolidated and Separate Financial Statements

Prior to 1 April 2006, certain of the Group's investments in subsidiary companies are stated in the Company's financial statements at directors' valuation, and written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease. The directors' valuation is arrived at after taking into account the underlying net tangible assets value of the subsidiary companies and the surplus on revaluation is credited to the revaluation reserve account. The valuation of the investments in subsidiary companies was carried out at a regular interval of at least once in every five years. FRS 127 now requires that investments in subsidiaries be recorded at cost. This change in accounting policy is applied retrospectively. Accordingly, the balance in the revaluation reserve as at 1 April 2006 of RM153,324,000 was eliminated against the opening retained profits of the Company.

In addition, when merger accounting was previously applied in the Group, FRS 122<sub>2004</sub>: Business Combinations required that the investment in the relevant subsidiary be recorded at the aggregate of the nominal value of equity shares issued, cash and cash equivalents and fair value of other consideration. FRS 127 now requires the equity shares issued to be recorded at cost and not nominal values. This change in accounting policy is applied retrospectively.

There were no effects on the Company's income statement nor the consolidated financial statements in respect of the above changes.

### (d) FRS 140: Investment Property

The adoption of FRS 140 has resulted in a change in the accounting policy for investment properties, as well as the reclassification of certain properties previously recognised as property and equipment to investment properties.

As a result of the adoption of FRS 140, certain properties of the Group which are held for rental to external parties have been reclassified to investment properties. Investment properties of the Group other than life policyholders fund are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write off the cost of the assets to their residual valued over their estimated useful lives. Investment properties of the life assurance fund of the Group are stated at fair value and any gain or loss arising from a change in fair value is recognised in the income statement. Prior to 1 April 2006, the investment properties of the life assurance fund is stated at cost less impairment loss, if any, of such properties. These investment properties are not depreciated.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of FRS 140. Accordingly, the fair value increase in respect of investment properties of the life assurance fund has been accounted for by restating the opening balances of investment properties as at 1 April 2006 with a corresponding increase in the unallocated surplus on the life policyholders' fund.

The change did not materially affect the financial statements of the Group as the investment properties are included in the net assets attributable to policyholders under the Group's life fund assets.

As the change in accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior period.

This change has no impact on the Company's financial statements.

# Notes To The Financial Statements (cont'd)

31 March 2007

(e) FRS 5: Non-current Assets Held For Sale and Discontinued Operations

With the adoption of FRS 5, non-current assets 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 amounts are recovered principally through a sale transaction rather than through continuing use.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of FRS 138. Certain of the Group's assets have been identified and classified as assets held for sale. Prior to adoption of FRS 5, these assets were classified as property and equipment.

This change has no impact on the Company's financial statements.

- (ii) BNM's Circular on Handling Fees dated 16 October 2006 which has resulted in the Group capitalising handling fees paid for hire purchase loans in the balance sheet and amortising the amount in the income statement over the life of the loans with retrospective effect. The amount amortised is offset against interest income earned on hire purchase loans. Previously, such handling fees were expensed off in the income statement as other operating expenses when incurred.

**Summary of effects of adoption of new and revised FRSs and BNM's Circular on Handling Fees on current year's financial statements:**

- (i) The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 March 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(a) Effects on Balance Sheets as at 31 March 2007

Description of change	Increase/(Decrease)			
	FRS 3 RM'000	BNM's Circular on Handling Fees RM'000	FRS 127 RM'000	Total RM'000
<b>Group</b>				
Property and equipment	61,321	-	-	61,321
Intangible assets	(89,828)	-	-	(89,828)
Unappropriated profits	(28,507)	(13,667)	-	(42,174)
Other assets	-	(18,722)	-	(18,722)
Deferred tax assets	-	5,055	-	5,055
<b>Company</b>				
Investment in subsidiary companies	-	-	351,011	351,011
Reserves	-	-	351,011	351,011

# Notes To The Financial Statements (cont'd)

31 March 2007

(b) Effects on Income Statement for the year ended 31 March 2007 and 2006

	2007 RM'000	2006 RM'000
Profit after taxation, before changes in accounting policies	(92,427)	479,040
Effects of adopting FRS 3 - goodwill no longer charged to income statement	28,507	-
Effects of adopting BNM Circular on Handling Fees	13,667	34,369
Profit after taxation, after changes in accounting policies	(50,253)	513,409
Basic earning per share before adjustments	(11.55)	17.16
Effect of adjustments as a result of changes in accounting policies	1.98	1.61
Basic earnings per share after adjustments	(9.57)	18.77
Fully diluted earnings per share before adjustments	(11.55)	16.92
Effect of adjustments as a result of changes in accounting policies	1.98	1.59
Fully diluted earnings per share after adjustments	(9.57)	18.51



# Notes To The Financial Statements (cont'd)

31 March 2007

(ii) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs and BNM's Circular on Handling Fees.

	As previously reported RM'000	Effect of change RM'000	As restated RM'000
<b>Balance Sheet as at 31 March 2006</b>			
<b>Group</b>			
<b>Assets</b>			
Other assets	1,208,504	163,953	1,372,457
Deferred tax assets	857,003	(45,906)	811,097
Property and equipment	496,979	(48,083)	448,896
Goodwill on consolidation	515,976	(515,976)	-
Intangible assets	-	564,059	564,059
<b>Liabilities and Equity</b>			
Reserves	2,898,505	118,047	3,016,552
<b>Company</b>			
<b>Assets</b>			
Investment in subsidiary companies	4,051,165	(351,011)	3,700,154
<b>Liabilities and Equity</b>			
Reserves	1,906,284	(351,011)	1,555,273
<b>Income Statement for the year ended 31 March 2006</b>			
Net interest income	1,419,879	(69,618)	1,350,261
Net income from Islamic banking business	540,542	(36,167)	504,375
Other operating expenses	(1,450,177)	153,518	(1,296,659)
Operating profit	1,414,258	47,733	1,461,991
Taxation	(231,069)	(13,364)	(244,433)
Profit after taxation attributable to equity holders of the Company	365,505	34,369	399,874
Basic earnings per share (sen)	17.16	1.61	18.77
Fully diluted earnings per share (sen)	16.92	1.59	18.51

# Notes To The Financial Statements (cont'd)

31 March 2007

## 54 ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2007 and the results for the year ended 31 March 2007 of the Islamic banking business of the Group and included in the financial statements, after elimination of intercompany transactions and balances, are summarised as follows:

### BALANCE SHEET AS AT 31 MARCH 2007

	Note	Group	
		2007 RM'000	2006 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(ii)	2,523,494	1,549,521
Deposit and placements with banks and other financial institutions	(iii)	415,200	102,126
Securities held-for-trading	(iv)	552,260	798,073
Securities available-for-sale	(v)	17,596	18,830
Securities held-to-maturity	(vi)	35,092	56,171
Financing, advances and other loans	(vii)	6,403,619	6,505,459
Statutory deposits with Bank Negara Malaysia		263,500	289,850
Other receivables, deposits and prepayments		98,312	18,040
Property and equipment	(viii)	946	38
Deferred tax assets	(xxi)	223,716	68,729
Computer software	(ix)	65	-
<b>TOTAL ASSETS</b>		<b>10,533,800</b>	<b>9,406,837</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	(x)	5,095,924	4,461,758
Deposits and placements of banks and other financial institutions	(xi)	3,012,641	3,312,104
Converted fund	(xii)	14,197	82,711
Acceptances payable		446,614	228,454
Other liabilities	(xiii)	249,624	292,392
Subordinated Sukuk Musyarakah	26(c)	400,000	-
Total Liabilities		9,219,000	8,377,419
<b>ISLAMIC BANKING FUNDS</b>			
Share capital/Capital funds	(xiv)	505,877	563,381
Reserves		808,923	466,037
Islamic Banking Funds		1,314,800	1,029,418
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>10,533,800</b>	<b>9,406,837</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	(xxii)	<b>7,440,167</b>	<b>6,162,113</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group	
		2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds and others	(xv)	702,852	652,940
Allowance for losses on financing	(xvi)	(214,982)	(161,886)
Transfer from/(to) profit equalization reserve		60,912	(4,494)
Impairment writeback on securities held-to-maturity		-	94
Total attributable income		548,782	486,654
Income attributable to the depositors	(xvii)	(371,759)	(276,106)
Profit attributable to the Group		177,023	210,548
Income derived from Islamic Banking Funds	(xviii)	180,322	127,541
Total net income		357,345	338,089
Operating expenditure	(xix)	(160,617)	(131,134)
Finance cost		(5,313)	-
Profit before taxation and zakat		191,415	206,955
Taxation and zakat	(xx)	(58,708)	(58,683)
Profit after taxation and zakat		132,707	148,272

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

Group	Non-Distributable					Distributable		Total RM'000
	Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Available -for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappro- priated profit RM'000		
<b>At 1 April 2005</b>	595,542	-	-	-	-	315,787	911,329	
Transfer to non-Islamic banking business	(75,000)	-	-	-	-	1,906	(73,094)	
Funds allocated from Head Office	42,839	-	-	-	-	-	42,839	
Net unrealised gain on revaluation of securities available-for-sale	-	-	-	81	-	-	81	
Translation adjustments	-	-	-	-	(9)	-	(9)	
Profit for the year	-	-	-	-	-	148,272	148,272	
<b>At 31 March 2006</b>	563,381	-	-	81	(9)	465,965	1,029,418	
<b>At 1 April 2006</b>	563,381	-	-	81	(9)	465,965	1,029,418	
Issued during the year	250,000	534,068	-	-	-	-	784,068	
Transfer from unappropriated profits	-	-	47,390	-	-	(47,390)	-	
Transfer to non-Islamic banking business	(307,504)	-	-	-	-	(323,526)	(631,030)	
Net unrealised loss on revaluation of securities available-for-sale	-	-	-	(29)	-	-	(29)	
Translation adjustments	-	-	-	-	(334)	-	(334)	
Profit for the year	-	-	-	-	-	132,707	132,707	
<b>At 31 March 2007</b>	505,877	534,068	47,390	52	(343)	227,756	1,314,800	

# Notes To The Financial Statements (cont'd)

31 March 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Group	
	2007 RM'000	2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	191,415	206,955
Add/(Less) adjustments for:		
Specific allowance for bad and doubtful financing	221,734	152,637
General allowance for bad and doubtful financing	6,853	11,508
Depreciation of property and equipment	53	16
Transfer (from)/to profit equalization reserve	(60,912)	4,494
Net gain from sale of securities held-for-trading	(24,480)	(48,344)
Gain on revaluation of securities held-for-trading	(1,270)	(2,721)
Net interest suspended	-	13,351
Impairment writeback on securities held-to-maturity	-	(94)
Operating profit before working capital changes	333,393	337,802
(Increase)/Decrease in operating assets		
Deposit and placements with banks and other financial institutions	(313,075)	(24,826)
Securities held-for-trading	271,563	(62,939)
Financing, advances and other loans	(126,747)	343,851
Other receivables, deposits and prepayments	(284,180)	(2,281)
Statutory deposits with Bank Negara Malaysia	26,350	(44,169)
Increase/(Decrease) in operating liabilities		
Deposits from customers	634,167	882,309
Deposits and placements of banks and other financial institutions	(299,463)	(567,469)
Converted fund	(68,514)	(218,966)
Acceptances payable	218,160	185,000
Other liabilities	(614,171)	(103,094)
Cash generated from operating activities	(222,517)	725,218
Taxation paid	(8,887)	(66,068)
Net cash (used in) generated from operating activities	(231,404)	659,150
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of securities - net	22,284	(74,826)
Purchase of property and equipment	(975)	(7)
Net cash generated from/(used in) investing activities	21,309	(74,833)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of Subordinated Sukuk Musyarakah	400,000	-
Proceeds from increase in capital funds	784,068	42,839
Net cash generated from financing activities	1,184,068	42,839
Net increase in cash and cash equivalents	973,973	627,156
Cash and cash equivalents at beginning of year	1,549,521	922,365
Cash and cash equivalents at end of year	2,523,494	1,549,521

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

# Notes To The Financial Statements (cont'd)

31 March 2007

## (i) ISLAMIC BANKING BUSINESS

### *Disclosure of Shariah Advisor*

The Group's Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisors, Dr Amir Husin Mohd Nor, En. Adnan Bin Yusoff and Professor Madya Dr. Noor Naemah Abdul Rahman. The role and authority of the Shariah Advisors are as follows:

- (a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.
- (b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

### *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	
	2007 RM'000	2006 RM'000
Cash and bank balances	6,104	4,921
Money on call and deposits maturing within one month:		
Licensed banks	37,000	544,600
Other financial institutions	2,480,390	1,000,000
	2,523,494	1,549,521

## (iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Bank Negara Malaysia	325,200	2,126
Licensed banks	90,000	100,000
	415,200	102,126

# Notes To The Financial Statements (cont'd)

31 March 2007

## (iv) SECURITIES HELD-FOR-TRADING

	Group	
	2007 RM'000	2006 RM'000
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Treasury bills	48,442	48,395
Malaysian Government Investment Certificates	344,236	121,125
Cagamas Bonds	1,226	-
Cagamas Mudharabah bearer bonds	-	100,077
Khazanah Bonds	4,727	913
Negotiable Islamic debt certificates	60,081	319,876
	458,712	590,386
<b>Unquoted Private Debt Securities of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Corporate bonds	-	46,754
Islamic corporate bonds	93,548	160,933
	93,548	207,687
Total	552,260	798,073
<b>(v) SECURITIES AVAILABLE-FOR-SALE</b>		
<b>At Fair Value</b>		
<b>Securities Quoted In Malaysia:</b>		
Corporate bonds	17,596	18,830
<b>(vi) SECURITIES HELD-TO-MATURITY</b>		
<b>At Amortised Cost</b>		
<b>Unquoted Private Debt Securities Of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Corporate bonds	35,092	56,171
<b>Market/Indicative value:</b>		
<b>Unquoted Private Debt Securities Of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Corporate bonds	35,127	56,077

# Notes To The Financial Statements (cont'd)

31 March 2007

## (vii) FINANCING, ADVANCES AND OTHER LOANS

	Group	
	2007 RM'000	2006 RM'000
Islamic hire purchase, net of unearned income	3,631,079	3,290,083
Term financing/Revolving credit facilities	1,709,358	1,186,319
Claims on customer under acceptance credits	475,119	280,504
Credit card receivables	318,470	298,426
Trust receipts	25,331	20,560
Other financing	637,472	1,735,406
<b>Gross financing, advances and other loans</b>	<b>6,796,829</b>	<b>6,811,298</b>
Allowance for bad and doubtful debts and financing:		
General	(139,511)	(132,658)
Specific	(253,699)	(173,181)
	(393,210)	(305,839)
<b>Net financing, advances and other loans</b>	<b>6,403,619</b>	<b>6,505,459</b>
Financing, advances and other loans analysed by concepts are as follows:		
Al-Ijarah	3,632,183	3,960,416
Al-Bai' Bithaman Ajil	904,643	1,035,670
Al-Murabahah	590,345	389,193
Al-Musyarakah	18,796	20,427
Al-Wujud	3,808	15,290
Al-Istina	623	661
Others	1,646,431	1,389,641
	<b>6,796,829</b>	<b>6,811,298</b>
The maturity structure of financing, advances and other loans are as follows:		
Maturing within one year	24,746	310,411
One year to three years	2,614,288	2,516,664
Three to five years	1,867,429	1,932,414
Over five years	2,290,366	2,051,809
	<b>6,796,829</b>	<b>6,811,298</b>

Gross financing, advances and other loans analysed by type of customers are as follows:

	Group	
	2007 RM'000	2006 RM'000
Individuals	5,603,789	5,659,055
Small medium industries	518,641	410,532
Business enterprises	647,854	713,826
Government	21,179	21,137
Other domestic entities	2,371	4,279
Foreign entities	2,342	1,795
Non-bank financial institutions	653	674
	<b>6,796,829</b>	<b>6,811,298</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

Financing, advances and other loans analysed by profit rate sensitivity are as follows:

	Group	
	2007 RM'000	2006 RM'000
Fixed rate:		
HP receivables	3,807,197	4,329,941
Housing loans	430,407	415,579
Term loans	38,564	39,957
Others	2,501,526	1,960,889
Variable rate:		
Cost-plus	19,135	64,932
	6,796,829	6,811,298

Gross financing, advances and other loans analysed by their economic purposes are as follows:

	Group	
	2007 RM'000	2006 RM'000
Purchase of transport vehicles	3,644,522	3,984,638
Personal use	1,330,785	1,077,079
Working capital	755,889	378,059
Purchase of landed properties:		
(a) Residential	432,115	417,715
(b) Non-residential	58,170	67,834
Credit cards	318,471	298,421
Fixed assets	168,142	345,794
Construction	22,234	30,590
Purchase of securities	2,700	9,800
Consumer durables	1,359	2,784
Other purpose	62,442	198,584
	6,796,829	6,811,298

Movements in non-performing financing, advances and other loans ("NPL") are as follows:

	Group	
	2007 RM'000	2006 RM'000
<b>Gross</b>		
Balance at beginning of year	531,434	574,873
Non-performing during the year	305,982	456,786
Reclassification to performing financing	(96,163)	(210,756)
Recoveries	(89,082)	(93,320)
Amount written off	(149,087)	(196,149)
Balance at end of year	503,084	531,434
Specific allowance	(253,699)	(173,181)
Non-performing financing - net	249,385	358,253
Net NPL as % of gross financing, advances and other loans (including Islamic financing sold to Cagamas Berhad) less specific allowance	2.69%	4.05%



# Notes To The Financial Statements (cont'd)

31 March 2007

Non-performing financing, advances and other loans analysed by their economic purposes are as follows:

	Group	
	2007 RM'000	2006 RM'000
Purchase of transport vehicles	252,031	259,498
Purchase of landed properties:		
(a) Residential	98,214	98,299
(b) Non-residential	39,895	44,555
Credit cards	54,612	33,235
Construction	22,234	29,084
Working capital	18,344	19,183
Fixed assets	9,886	20,935
Purchase of securities	1,241	6,312
Personal use	975	654
Other purpose	5,652	19,679
	503,084	531,434
Movements in allowances for bad and doubtful financing are as follows:		
<b>General Allowance</b>		
Balance at beginning of year	132,658	121,150
Allowance made during the year	6,853	11,508
Balance at end of year	139,511	132,658
% of total financing, advances and other loans less specific allowance	1.51%	1.50%
<b>Specific Allowance</b>		
Balance at beginning of year	173,181	221,416
Allowance made during the year	310,522	239,322
Amount written back in respect of recoveries	(88,788)	(86,685)
Net charge to income statement	221,734	152,637
Amount transferred to accumulated impairment loss on securities	-	(2,076)
Amount written off/Adjustment to Asset Deficiency Account	(141,216)	(198,796)
Balance at end of year	253,699	173,181

# Notes To The Financial Statements (cont'd)

31 March 2007

## (viii) PROPERTY AND EQUIPMENT

Group	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<b>2007</b>				
<b>COST</b>				
At beginning of year	453	274	385	1,112
Addition	207	587	181	975
Reclassification/Transfers	(415)	(230)	(279)	(924)
At end of year	245	631	287	1,163
<b>ACCUMULATED DEPRECIATION</b>				
At beginning of year	453	238	383	1,074
Addition	17	11	25	53
Reclassification/Transfers	(415)	(208)	(287)	(910)
At end of year	55	41	121	217
<b>NET BOOK VALUE</b>				
As at 31 March 2007	190	590	166	946
<b>2006</b>				
<b>COST</b>				
At beginning of year	453	267	394	1,114
Addition	-	7	-	7
Transfers	-	-	(9)	(9)
At end of year	453	274	385	1,112
<b>ACCUMULATED DEPRECIATION</b>				
At beginning of year	452	232	374	1,058
Addition	1	6	9	16
At end of year	453	238	383	1,074
<b>NET BOOK VALUE</b>				
As at 31 March 2006	-	36	2	38

## (ix) COMPUTER SOFTWARE

	Group	
	2007 RM'000	2006 RM'000
<b>COST</b>		
At beginning of year	-	-
Additions	73	-
At end of year	73	-
<b>ACCUMULATED AMORTISATION</b>		
At beginning of year	-	-
Additions	8	-
At end of year	8	-
<b>NET CARRYING AMOUNT</b>	65	-

# Notes To The Financial Statements (cont'd)

31 March 2007

## (x) DEPOSITS FROM CUSTOMERS

	Group	
	2007 RM'000	2006 RM'000
Mudarabah Fund:		
Special Investment deposits	424,870	247,537
General Investment deposits	3,642,756	3,405,198
	4,067,626	3,652,735
Non-Mudarabah Fund:		
Demand deposits	354,020	200,789
Saving deposits	667,730	508,347
Negotiable Islamic debt certificates	6,548	99,887
	1,028,298	809,023
	5,095,924	4,461,758
The maturity structure of deposits from customers is as follows:		
Due within six months	4,535,234	4,063,532
Six months to one year	441,356	341,892
One year to three years	42,646	48,633
Three years to five years	76,688	7,701
	5,095,924	4,461,758
The deposits are sourced from the following types of customers:		
Business enterprises	1,803,213	2,152,875
Government and statutory bodies	1,427,990	811,397
Individuals	1,419,897	1,362,917
Others	444,824	134,569
	5,095,924	4,461,758
<b>(xi) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		
Mudarabah Fund:		
Other financial institutions	1,112,660	1,278,650
Licensed islamic banks	250,000	-
Licensed investment/merchant banks	50,538	9,601
Bank Negara Malaysia	9,100	-
	1,422,298	1,288,251
Non-Mudarabah Fund:		
Licensed investment/merchant banks	993,241	760,694
Other financial institutions	418,005	724,141
Licensed banks	171,012	539,018
Bank Negara Malaysia	8,085	-
	1,590,343	2,023,853
	3,012,641	3,312,104

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xii) CONVERTED FUND

This represent funds transferred from non-Islamic banking business to Islamic banking business for funding purposes at commercial terms.

## (xiii) OTHER LIABILITIES

	Group	
	2007 RM'000	2006 RM'000
Other payables and accruals	86,158	144,700
Taxation and zakat payable	9,051	16,377
Amount owing to head office	91,327	-
Lease deposits and advance rentals	7,251	14,560
Profit equalisation reserve	55,837	116,755
	249,624	292,392
The movements in profit equalisation reserve are as follows:		
Balance at beginning of year	116,755	112,261
Provision during the year	-	9,459
Amount written back	(60,912)	(4,965)
Transfer (to)/from income statements	(60,912)	4,494
Exchange fluctuation adjustments	(6)	-
Balance at end of year	55,837	116,755
<b>(xiv) CAPITAL FUNDS</b>		
Allocated :		
Balance at beginning of year	563,381	610,542
Increase during the year	-	42,839
Reduction during the year	-	(90,000)
Balance at end of year	563,381	563,381
Utilised :		
Balance at beginning of year	563,381	595,542
Issued during the year	250,000	-
Transfer to non-Islamic banking business	(307,504)	(75,000)
Increase during the year	-	42,839
Balance at end of year	505,877	563,381

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	2007 RM'000	2006 RM'000
Income derived from investment of:		
(i) General investment deposits	315,413	309,028
(ii) Specific investment deposits	3,892	3,733
(iii) Other deposits	383,547	340,179
	702,852	652,940
(i) Income derived from investment of general investment deposits:		
Finance income and hibah:		
Financing, advances and other loans	250,531	278,984
Securities held-for-trading	6,149	6,725
Securities available-for-sale	421	-
Securities held-to-maturity	1,089	-
Money at call and deposits with financial institutions	42,364	13,270
	300,554	298,979
Net interest suspended	-	(5,757)
Accretion of discount	1,631	4,490
	302,185	297,712
Net gain from sale of securities held-for-trading	241	365
Gain on revaluation of securities-held-for-trading	629	1,380
Others	(3)	-
	867	1,745
Fee and commission income:		
Commission	2,308	576
Other fee income	10,053	8,995
	12,361	9,571
Total	315,413	309,028
(ii) Income derived from investment of specific investment deposits:		
Finance income and hibah:		
Securities available-for-sale	652	845
Securities held-to-maturity	1,998	2,845
Financing, advances and other loans	1,242	43
	3,892	3,733

# Notes To The Financial Statements (cont'd)

31 March 2007

(iii) Income derived from investment of other deposits:

	Group	
	2007 RM'000	2006 RM'000
Finance income and hibah:		
Financing, advances and other loans	331,806	313,765
Securities held-for-trading	2,414	3,469
Securities available-for-sale	-	11
Securities held-to-maturity	-	38
Money at call and deposits with financial institutions	29,958	9,164
	364,178	326,447
Net interest suspended	-	(6,611)
Accretion of discount	2,133	6,167
	366,311	326,003
Net gain from sale of securities held-for-trading	330	441
Gain on revaluation of securities-held-for-trading	357	944
Others	(4)	-
	683	1,385
Fee and commission income:		
Commission	3,113	844
Other fee income	13,440	11,947
	16,553	12,791
<b>Total</b>	<b>383,547</b>	<b>340,179</b>

**(xvi) ALLOWANCE FOR LOSSES ON FINANCING**

Allowance for bad and doubtful financing:		
General allowance	6,853	11,508
Specific allowance (net)	221,734	152,637
	228,587	164,145
Bad debts recovered	(13,605)	(2,259)
	214,982	161,886

**(xvii) INCOME ATTRIBUTABLE TO THE DEPOSITORS**

Deposits from customers:		
Mudarabah Fund	116,092	88,440
Non-Mudarabah Fund	11,825	16,544
Deposits and placements of banks and other financial institutions:		
Mudarabah Fund	54,724	39,781
Non-Mudarabah Fund	85,065	115,929
Converted fund	2,278	15,412
Others	101,775	-
	371,759	276,106

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xviii) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	2007 RM'000	2006 RM'000
Finance income and hibah:		
Financing, advances and other loans	119,549	51,730
Securities held-for-trading	2,236	2,612
Securities available-for-sale	70	36
Securities held-to-maturity	188	119
Money at call and deposits with financial institutions	17,116	6,209
	139,159	60,706
Net interest suspended	-	(983)
Accretion of discount	751	769
	139,910	60,492
Net gain from sale of securities held-for-trading	23,909	47,538
Gain on revaluation of securities-held-for-trading	284	397
Others	(1)	-
	24,192	47,935
Fee and commission income:		
Guarantee fees	3,058	3,039
Commission	1,125	-
Other fee income	12,037	16,075
	16,220	19,114
<b>Total</b>	<b>180,322</b>	<b>127,541</b>

## (xix) OPERATING EXPENDITURE

Personnel costs	7,705	4,306
Establishment costs	930	249
Marketing and communication expenses	5,201	2,839
Administration and general expenses	146,781	123,740
	160,617	131,134

Included in the administration and general expenses above is shared service cost of RM140,005,000 (RM120,348,000 in 2006) in respect of the the Islamic Banking business of the Group.

## (xx) TAXATION AND ZAKAT

	Group	
	2007 RM'000	2006 RM'000
Estimated current tax payable	9,051	43,014
Transfer from deferred tax assets (Note xxi)	48,871	15,669
Taxation	57,922	58,683
Zakat	786	-
<b>Taxation and zakat</b>	<b>58,708</b>	<b>58,683</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xxi) DEFERRED TAX ASSETS

	Group	
	2007 RM'000	2006 RM'000
Balance at beginning of year	68,729	84,398
Net transfer to income statement (Note xx)	(48,871)	(15,669)
Transfer from non-Islamic banking business	203,858	-
Balance at end of year	223,716	68,729
The deferred taxation is in respect of the following:		
Unabsorbed tax losses	185,028	-
General allowance for financing activities	37,668	37,144
Profit equalisation reserve	15,036	32,691
Temporary difference between depreciation and tax allowance	(34)	(7)
Temporary differences arising from gain on revaluation of securities held-for-trading	-	(1,099)
Others	(13,982)	-
	223,716	68,729

## (xxii) 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 2007, the commitments and contingencies outstanding are as follows:

Group	2007			2006		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
<b>Commitments</b>						
Irrevocable commitments to extend credit maturing:						
Within one year	1,096,949	-	-	883,667	-	-
More than one year	15,088	7,544	7,544	30,055	15,028	15,028
Sale and buy back agreements	2,801,157	2,801,157	1,397,343	2,174,849	2,174,849	915,378
	3,913,194	2,808,701	1,404,887	3,088,571	2,189,877	930,406
<b>Contingent Liabilities</b>						
Islamic revolving underwriting facilities	315,000	157,500	157,500	485,000	242,500	218,100
Certain transaction- related contingent items	49,235	24,618	24,618	28,506	14,253	14,253
Financing sold to Cagamas Bhd	2,718,833	2,718,833	2,718,833	2,205,827	2,205,827	2,205,827
Short-term self liquidating trade-related contingencies	74,177	14,835	14,835	21,056	4,211	4,211
Al-Kafalah guarantees	325,810	325,810	205,468	326,928	326,928	176,041
Others	43,918	-	-	6,225	-	-
	3,526,973	3,241,596	3,121,254	3,073,542	2,793,719	2,618,432
	7,440,167	6,050,297	4,526,141	6,162,113	4,983,596	3,548,838



# Notes To The Financial Statements (cont'd)

31 March 2007

## (xxiii) YIELD/PROFIT RATE RISK

The following table shows the effective profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2007	Non-trading book							Trading Book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- yield/profit sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	2,517,390	-	-	-	-	-	6,104	-	2,523,494	3.55
Deposits and placements with banks and other financial institutions	-	415,000	200	-	-	-	-	-	415,200	3.57
Securities held-for-trading	-	-	-	-	-	-	-	552,260	552,260	7.31
Securities available-for-sale	-	-	17,329	-	-	-	267	-	17,596	6.32
Securities held-to-maturity	-	34,560	-	-	-	-	532	-	35,092	6.64
Financing, advances and other loans:										
Performing	403,711	225,904	188,722	71,952	347,815	5,055,641	-	-	6,293,745	7.34
Non-performing*	-	-	-	-	-	-	109,874	-	109,874	-
Other non-profit sensitive balances	-	-	-	-	-	-	586,539	-	586,539	-
<b>TOTAL ASSETS</b>	<b>2,921,101</b>	<b>675,464</b>	<b>206,251</b>	<b>71,952</b>	<b>347,815</b>	<b>5,055,641</b>	<b>703,316</b>	<b>552,260</b>	<b>10,533,800</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>										
Deposits from customers	3,077,179	1,010,828	447,336	441,247	119,334	-	-	-	5,095,924	3.07
Deposits and placements of banks and other financial institutions	759,634	622,555	350,168	418,350	861,934	-	-	-	3,012,641	3.70
Converted fund	14,197	-	-	-	-	-	-	-	14,197	-
Acceptances payable	171,245	200,038	75,331	-	-	-	-	-	446,614	-
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	249,624	-	249,624	-
Total liabilities	4,022,255	1,833,421	872,835	859,597	1,381,268	-	249,624	-	9,219,000	
Islamic Banking Funds	-	-	-	-	-	-	1,314,800	-	1,314,800	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>4,022,255</b>	<b>1,833,421</b>	<b>872,835</b>	<b>859,597</b>	<b>1,381,268</b>	<b>-</b>	<b>1,564,424</b>	<b>-</b>	<b>10,533,800</b>	
On-balance sheet yield/ profit rate gap sensitivity	(1,101,154)	(1,157,957)	(666,584)	(787,645)	(1,033,453)	5,055,641	(860,108)	552,260	-	
Off-balance sheet yielded/ profit rate gap sensitivity	(2,171,170)	(266,276)	(474,307)	386,150	2,147,863	377,740	-	-	-	
Total yield/profit rate sensitivity gap	(3,272,324)	(1,424,233)	(1,140,891)	(401,495)	1,114,410	5,433,381	(860,108)	552,260	-	
<b>Cumulative yield/profit rate gap sensitivity</b>	<b>(3,272,324)</b>	<b>(4,696,557)</b>	<b>(5,837,448)</b>	<b>(6,238,943)</b>	<b>(5,124,533)</b>	<b>308,848</b>	<b>(552,260)</b>	<b>-</b>	<b>-</b>	

# Notes To The Financial Statements (cont'd)

31 March 2007

Group 2006	Non-trading book							Trading Book RM'000	Effective profit rate %	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- yield/profit sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	1,544,600	-	-	-	-	-	4,921	-	1,549,521	3.21
Deposits and placements with banks and other financial institutions	-	102,126	-	-	-	-	-	-	102,126	2.91
Securities held-for-trading	-	-	-	-	-	-	-	798,073	798,073	3.63
Securities available-for-sale	-	-	18,576	-	-	-	254	-	18,830	5.64
Securities held-to-maturity	-	55,247	-	-	-	-	924	-	56,171	6.21
Financing, advances and other loans:										
Performing	352,240	158,755	100,530	89,131	1,166,650	4,412,558	-	-	6,279,864	7.58
Non-performing*	-	-	-	-	-	-	225,595	-	225,595	-
Other non-profit sensitive balances	-	-	-	-	-	-	376,657	-	376,657	-
<b>TOTAL ASSETS</b>	<b>1,896,840</b>	<b>316,128</b>	<b>119,106</b>	<b>89,131</b>	<b>1,166,650</b>	<b>4,412,558</b>	<b>608,351</b>	<b>798,073</b>	<b>9,406,837</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>										
Deposits from customers	2,709,312	818,807	555,149	322,156	56,334	-	-	-	4,461,758	2.80
Deposits and placements of banks and other financial institutions	950,789	690,211	531,454	132,893	1,006,757	-	-	-	3,312,104	3.21
Converted fund	80,285	-	-	81	2,345	-	-	-	82,711	-
Acceptances payable	67,871	132,957	27,626	-	-	-	-	-	228,454	-
Other non-profit sensitive balances	-	-	-	-	-	-	292,392	-	292,392	-
Total liabilities	3,808,257	1,641,975	1,114,229	455,130	1,065,436	-	292,392	-	8,377,419	
Islamic Banking Funds	-	-	-	-	-	-	1,029,418	-	1,029,418	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>3,808,257</b>	<b>1,641,975</b>	<b>1,114,229</b>	<b>455,130</b>	<b>1,065,436</b>	<b>-</b>	<b>1,321,810</b>	<b>-</b>	<b>9,406,837</b>	
On-balance sheet yield/ profit rate gap sensitivity	(1,911,417)	(1,325,847)	(995,123)	(365,999)	101,214	4,412,558	(713,459)	798,073	-	
Off-balance sheet yield/ profit rate gap sensitivity	(1,233,373)	(487,473)	(295,956)	(1,521)	1,661,213	357,110	-	-	-	
Total yield/profit rate sensitivity gap	(3,144,790)	(1,813,320)	(1,291,079)	(367,520)	1,762,427	4,769,668	(713,459)	798,073	-	
<b>Cumulative yield/ profit rate gap sensitivity</b>	<b>(3,144,790)</b>	<b>(4,958,110)</b>	<b>(6,249,189)</b>	<b>(6,616,709)</b>	<b>(4,854,282)</b>	<b>(84,614)</b>	<b>(798,073)</b>	<b>-</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xxiv) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

The estimated fair values of the Group Islamic banking business financial instruments are as follows:

Group	2007		2006	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	2,523,494	2,523,494	1,549,521	1,549,521
Deposit and placements with banks and other financial institutions	415,200	415,200	102,126	102,126
Securities held-for-trading	552,260	552,260	798,073	798,073
Securities available-for-sale	17,596	17,596	18,830	18,830
Securities held-to-maturity	35,092	35,127	56,171	56,077
Financing, advances and other loans*	6,543,130	6,757,143	6,638,117	6,825,547
Other financial assets	98,312	98,312	18,040	18,040
	10,185,084	10,399,132	9,180,878	9,368,214
<b>Non-financial assets</b>	348,716		225,959	
<b>TOTAL ASSETS</b>	10,533,800		9,406,837	
<b>Financial Liabilities</b>				
Deposits from customers	5,095,924	5,104,648	4,461,758	4,470,480
Deposits and placements of banks and other financial institutions	3,012,641	3,015,750	3,312,104	3,303,308
Converted fund	14,197	14,197	82,711	82,711
Acceptances payable	446,614	446,614	228,454	228,454
Subordinated Sukuk Musyarakah	400,000	422,607	-	-
Other financial liabilities	184,736	184,736	159,260	159,260
	9,154,112	9,188,552	8,244,287	8,244,213
<b>Non-financial liabilities</b>				
Other non-financial liabilities	64,888		133,132	
Islamic Banking Funds	1,314,800		1,029,418	
	1,379,688		1,162,550	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	10,533,800		9,406,837	

\* The general allowance for the Group amounting to RM139,511,000 (RM132,658,000 as at 31 March 2006) has been included under non-financial assets.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xxv) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic banking business comprises the following items:

	Group	
	2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds and others	702,852	652,940
Less : Income attributable to depositors	(371,759)	(276,106)
Income attributable to the Group	331,093	376,834
Income derived from Islamic Banking Funds	180,322	127,541
Less : Finance cost	(5,313)	-
	506,102	504,375

## (xxvi) CAPITAL ADEQUACY RATIO

- (i) Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratio, the Group's capital adequacy ratio of the Islamic banking business are as follows:

	2007 RM'000	2006 RM'000
Tier 1 capital		
Capital funds	505,877	563,381
Share premium	534,068	-
Statutory reserve	47,390	-
Exchange fluctuation reserve	(343)	(9)
Unappropriated profit at end of year	227,756	465,965
Total tier 1 capital	1,314,748	1,029,337
Less: Deferred tax assets - net	(223,716)	(68,729)
	1,091,032	960,608
Tier 2 capital		
Subordinated Sukuk Musyarakah	400,000	-
General allowance for bad and doubtful financing	139,511	132,658
	539,511	132,658
Capital base	1,630,543	1,093,266
Capital Ratios:		
Core capital ratio	10.06%	9.41%
Risk-weighted capital ratio	15.04%	10.71%

# Notes To The Financial Statements (cont'd)

31 March 2007

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	2007		2006	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	2,689,546	-	1,695,878	-
10%	6	1	1,623	162
20%	650,945	130,189	716,794	143,359
50%	536,625	268,313	544,574	272,287
100%	9,096,383	9,096,383	8,733,532	8,733,532
	<u>12,973,505</u>	<u>9,494,885</u>	<u>11,692,401</u>	<u>9,149,340</u>
Add : Total equivalent to market risk		<u>1,348,400</u>		<u>1,054,588</u>
		<u>10,843,285</u>		<u>10,203,928</u>

## (xxvii) COMPARATIVE FIGURES

The presentation and classifications of items in the current year's financial statements are consistent with the previous financial year except the following comparative figures which have been restated to conform with current year's presentation.

	As previously reported RM'000	Effect of change RM'000	As restated RM'000
Income derived from investment of depositors' funds and others	689,107	(36,167)	652,940
Operating expenditure:			
Personnel costs	(69,808)	65,502	(4,306)
Establishment costs	(33,500)	33,251	(249)
Marketing and communication expenses	(52,996)	50,157	(2,839)
Administration and general expenses	(10,997)	(112,743)	(123,740)

# List Of Landed Properties

As at 31 March 2007

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq. Ft)	Date of Acquisition
<b>Perlis Indera Kayangan</b>						
13, Jalan Jubli Perak, 01000, Kangar, Perlis Indera Kayangan	One unit of double storey shoplot for branch premises	23 years	Freehold	111,205	2,800	4 Nov, 1991
<b>Perak Darul Ridzuan</b>						
5, Main Road, 32300, Pulau Pangkor, Perak Darul Ridzuan	One unit of two-storey shophouse for branch premises	34 years	Freehold	54,529	2,720	31 Dec, 1990
27, Jalan Trump, Kuala Sepetang, 34650, Taiping, Perak Darul Ridzuan	One unit of double storey shoplot for branch premises	24 years	Freehold	44,801	2,702	4 Nov, 1991
23 & 24, Jalan Raja Omar, 32000, Sitiawan, Perak Darul Ridzuan	Two units of three-storey shoplots for branch premises	25 years	Freehold	253,856	7,040	1 Nov, 1991
107, Jalan Tokong Datoh, 33300, Grik, Perak Darul Ridzuan	One unit of two-storey shoplot for branch premises	22 years	Leasehold Term: 99 years Expiry: 30 Oct 2084	178,212	5,695	29 Dec, 1990
2 & 4, Jalan Temenggong, Pusat Bandar, 34200, Parit Buntar, Perak Darul Ridzuan	Two units of two-storey shoplots for branch premises	18 years	Leasehold Term: 99 years Expiry: Oct 2088	288,528	6,722	23 Dec, 1993
<b>Pulau Pinang</b>						
1 & 3, Lorong Murni 6, Taman Desa Murni, Sungai Dua, 13800, Butterworth, Pulau Pinang.	Two units of double storey shoplots for branch premises	15 years	Freehold	581,046	7,200	28 Nov, 1996
35 & 36 – Phase 1, Prai Business Point, Prai Perdana, 12000, Seberang Prai, Pulau Pinang	Two units of vacant three-storey shop office	7 years	Freehold	1,514,917	10,307	28, Nov 1998
1311, Jalan Besar, 14200, Sungai Bakap, Province Wellesley, Pulau Pinang	One unit of two-storey shoplot for branch premises	17 years	Freehold	202,108	3,894	7 Dec, 1992

The properties owned by the subsidiary companies are as follows:

# List Of Landed Properties (cont'd)

As at 31 March 2007

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq. Ft)	Date of Acquisition
<b>Pulau Pinang</b>						
4194, Jalan Bagan Luar, 12000, Butterworth, Pulau Pinang	Two units of two-storey shoplots for branch premises	22 years	Freehold	231,240	7,200	16 Sep, 1992
<b>Wilayah Persekutuan - Kuala Lumpur</b>						
Wisma AmBank, 113, Jalan Pudu, 55100, Kuala Lumpur	One unit 12-storey office building for operations and branch premises	21 years	Freehold	16,107,703	55,700	4 Nov, 1991
2 & 4, Jalan 12/5, Taman Melati, Setapak, 53100, Kuala Lumpur	Two units of two-storey shoplots for storage purposes	16 years	Freehold	350,165	5,600	17 Jul, 1992
2 & 4, Jalan 23/70A, Desa Sri Hartamas, 55048, Kuala Lumpur	Two units of four-storey shoplots for rental purposes	8 years	Freehold	3,249,390	13,504	23 Apr, 1998
85, 87, 89, 107, 109 & 111, Jalan 3/93, Taman Miharja, 55200, Kuala Lumpur	Six units of three-storey shoplots for rental purposes	17 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	2,581,071	30,528	9 Mar, 1992
45, Jalan 45/26, Taman Sri Rampai, Setapak, 53300, Kuala Lumpur	One unit of three-storey shophouse for storage purposes	21 years	Freehold	189,724	1,399	20 Feb, 1991
8th & 9th Floors, Bangunan AMDB, 1, Jalan Lumut, 50400, Kuala Lumpur	Two floors of office space for operations	14 years	Freehold	7,346,557	25,488	18 May, 1994
<b>Labuan</b>						
A (03-6) & E (03-1), Kerupang II, 87000, Federal Territory of Labuan	Two units of three-room walk-up apartment for residential purposes	12 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	347,494	1,016	30 Jun, 1996
Alpha Park Tower, Condo Labuan, 10th Floor, Financial Park Complex, 87000, Federal Territory of Labuan	Condominium for residential purposes	11 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	440,316	1,679	1 Jul, 1996

## List Of Landed Properties (cont'd)

As at 31 March 2007

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq. Ft)	Date of Acquisition
<b>Selangor Darul Ehsan</b>						
11, Jalan Taman, Off Jalan Melayu, 41300, Klang, Selangor Darul Ehsan	One unit of four-storey shoplot under joint venture for rental	22 years	Leasehold Term: 20 years Expiry: Jul 2006	257,483	6,200	4 Nov, 1991
7 & 9, Jalan Perusahaan 2, Off Jalan Kolej, 43300, Seri Kembangan, Selangor Darul Ehsan	Two units of two-storey commercial complex for branch premises	21 years	Leasehold Term: 40 years Expiry: May 2017	498,005	8,000	25 Nov, 1995
Damansara Fairway 3, 6C, Persiaran Tropicana, Tropicana Golf and Country Resort, 47410, Petaling Jaya, Selangor Darul Ehsan.	One unit of 13-storey office building	16 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	17,716,975	76,120	13 Oct, 2000
<b>Pahang Darul Makmur</b>						
Lot 4, Sec 1, Pekan Mengkuang, Mukim of Triang, District of Temerloh, Pahang Darul Makmur	One piece of vacant land	NA	Freehold	61,000	410009	4 Nov, 1991
No. 533, Tanah Rata, 39000, Cameron Highlands, Pahang Darul Makmur	One unit of apartment	23 years	Leasehold Term: 85 years Expiry: Aug 2067	154,846	980	30 Nov, 1985
<b>Melaka</b>						
Lot 43 & 44, Sec 7 Jalan Hang Tuah, Town Area XXI, Melaka Tengah, Melaka	Two piece of vacant land for rental purposes	16 years	Freehold	3,492,416	26,789	4 Nov, 1991
<b>Negeri Sembilan Darul Khusus</b>						
22 & 23, Jalan Dato' Lee Fong Yee, 70000, Seremban, Negeri Sembilan Darul Khusus	Two units of four-storey shoplots for branch premises	22 years	Freehold	1,106,502	22,000	15 Mar, 1990



# List Of Landed Properties (cont'd)

As at 31 March 2007

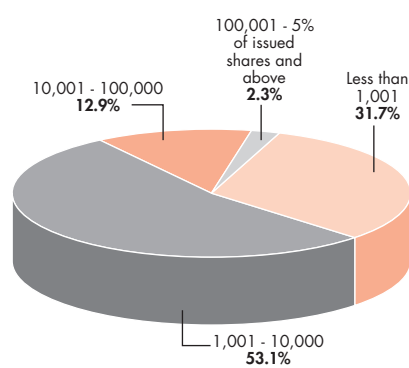
Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq. Ft)	Date of Acquisition
<b>Negeri Sembilan Darul Khusus</b>						
Lot 4261, GM395, Mukim Jimah, Port Dickson, Negeri Sembilan	One unit of two-storey shop house	10 years	Freehold	30,659	1765	25 Apr, 1997
<b>Johor Darul Takzim</b>						
S142, Bt 22, Jalan Mersing, Kahang New Village, 86700, Kahang, Johor Darul Takzim	One unit of double storey shoplot for branch premises	24 years	Freehold	73,006	2,300	4 Nov, 1991
33 & 35, Jalan Permatang, 12, Taman Desa Jaya, 81100, Johor Bahru, Johor Darul Takzim	Two units of two-storey shoplots for storage purposes	17 years	Freehold	401,861	5,800	8 Jul, 1990
31-7, Jalan Raya, Kulai Besar, 81000, Kulai, Johor Darul Takzim	One unit of shoplot for branch premises	19 years	Freehold	394,599	6,930	19 May, 1992
14 & 15, Jalan Abdullah, 85000, Segamat, Johor Darul Takzim	Two units of four-storey shoplots for branch premises	67 years	Freehold	380,494	5,832	12 Jun, 1985
100, Jalan Besar, 83700, Yong Peng, Johor Darul Takzim	One unit of shoplot for branch premises	69 years	Freehold	223,891	3,120	12 Jun, 1985
<b>Kelantan Darul Na'im</b>						
707, Jalan Masjid Lama, 17000, Pasir Mas, Kelantan Darul Naim	One unit of two-storey shoplot for branch premises	29 years	Leasehold Term: 66 years Expiry: Jan 2061	326,491	3,024	25 Jun, 1993
<b>Terengganu Darul Iman</b>						
50, Jalan Lim Teck Wan, 23000, Dungun, Terengganu Darul Iman	One unit of double storey shoplot for branch premises	24 years	Freehold	160,804	3,600	4 Nov, 1991
<b>Sabah and Sarawak</b>						
257, Jalan Haji Taha, 93400, Kuching, Sarawak	Seven-storey office building for branch premises and rental	8 years	Leasehold Term: 855 years Expiry: Jul 2792	14,033,327	51,906	31 Dec, 1994

# Shareholding and Warrant Holding Structures

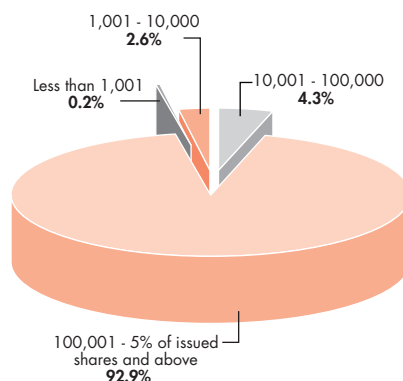
As at 6 August 2007

## ANALYSIS OF SHAREHOLDINGS

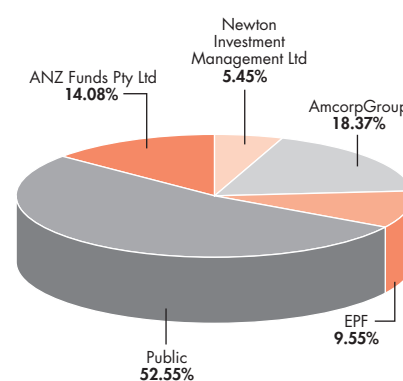
Authorised Share Capital	:	RM5,200,000,000
Issued and Paid-up Ordinary Share Capital	:	RM2,131,282,881
Class of Share	:	Ordinary share of RM1.00 each
Voting Rights	:	1 vote per ordinary shareholder on a show of hands 1 vote per ordinary share on a poll



Number of Shareholders



Number of Shares



Direct Shareholding

	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
<b>Size of Shareholdings</b>				
Less than 100	1,248	4.88	48,577	0.00
100 - 1,000	6,869	26.87	5,254,623	0.25
1,001 - 10,000	13,581	53.12	54,785,768	2.57
10,001 - 100,000	3,293	12.88	91,119,537	4.28
100,001 to less than 5% of issued shares	573	2.24	1,166,516,890	54.73
5% and above of issued shares	3	0.01	813,557,486	38.17
<b>Total</b>	<b>25,567</b>	<b>100.00</b>	<b>2,131,282,881</b>	<b>100.00</b>
<b>Location of Shareholders</b>				
Malaysia	24,153	94.47	920,464,227	43.19
Singapore	365	1.43	4,270,304	0.20
Hong Kong	8	0.03	349,124	0.02
Australia	38	0.15	300,344,574	14.09
Japan	2	0.01	21,000	0.00
United States	10	0.04	192,600	0.01
Other Countries	991	3.88	905,641,052	42.49
<b>Total</b>	<b>25,567</b>	<b>100.00</b>	<b>2,131,282,881</b>	<b>100.00</b>
<b>Types of Shareholders (By Nationality)</b>				
Malaysian				
- Individual	21,233	83.05	127,438,099	5.98
- Nominee companies	2,506	9.80	546,554,520	25.64
- Other companies	414	1.62	246,471,608	11.56
Singaporean	365	1.43	4,270,304	0.20
Hong Kong National	8	0.03	349,124	0.02
Australian	38	0.15	300,344,574	14.09
Japanese	2	0.01	21,000	0.00
American	10	0.04	192,600	0.01
Other foreigners	991	3.88	905,641,052	42.49
<b>Total</b>	<b>25,567</b>	<b>100.00</b>	<b>2,131,282,881</b>	<b>100.00</b>

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## 30 LARGEST SHAREHOLDERS

	No. of Shares	%
1 CIMB Group Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for AmcorpGroup Berhad (49234 JTRK-RC2)	310,063,552	14.55
2 ANZ Funds Pty Ltd	300,000,000	14.08
3 Employees Provident Fund Board	203,493,934	9.55
4 CIMB Group Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for AmcorpGroup Berhad (28814 JTRK)	77,095,000	3.62
5 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. International Plc	57,874,500	2.72
6 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.A.E)	40,802,705	1.91
7 Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Mellon Bank (ABNAMRO Mellon)	37,767,600	1.77
8 HSBC Nominees (Asing) Sdn Bhd - TNTS for Saudi Arabian Monetary Agency	34,521,179	1.62
9 Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Mellon Bank (Mellon)	34,371,840	1.61
10 Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore ©	32,850,899	1.54
11 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	30,989,200	1.45
12 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	22,800,672	1.07
13 Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emergings Markets Fund	19,012,144	0.89
14 Cartaban Nominees (Asing) Sdn Bhd - Investors Bank and Trust Company for IShares, INC.	16,891,200	0.79
15 Citigroup Nominees (Asing) Sdn Bhd - Chase Manhattan Trustee Limited for Pacific Trust (CBLDN)	16,578,300	0.78
16 Citigroup Nominees (Asing) Sdn Bhd - UBS AG for TOSCA Asia	15,674,700	0.74
17 HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for the Royal Bank of Scotland Group Pension Fund	15,519,700	0.73
18 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Deutsche Wertpapierservice Bank AG (DRESDNER BK AG)	14,550,300	0.68
19 Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore	14,264,300	0.67

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## 30 LARGEST SHAREHOLDERS

	No. of Shares	%
20 HSBC Nominees (Asing) Sdn Bhd - DRESNER Bank Luxembourg SA for Allianz RCM High Dividend Asia	13,999,100	0.66
21 Citigroup Nominees (Tempatan) Sdn Bhd - CMS Asset Management Sdn Bhd for Employees Provident Fund	13,000,000	0.61
22 Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for American International Assurance Company Limited	12,931,834	0.61
23 Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	12,437,120	0.58
24 HSBC Nominees (Asing) Sdn Bhd - TNTC for Unilever Pension Fund	12,267,900	0.58
25 Valuecap Sdn Bhd	11,839,800	0.58
26 Cartaban Nominees (Asing) Sdn Bhd - State Street Luxembourg Fund AA22 for Allianz Global Investors Selections RCM Little Dragons Fund	11,400,000	0.53
27 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. Incorporated	10,676,557	0.50
28 HSBC Nominees (Asing) Sdn Bhd - BBH and Co. Boston for Scudder Global Fund	10,173,600	0.48
29 Malaysia Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad	9,000,000	0.42
30 HSBC Nominees (Asing) Sdn Bhd - BBH and Co. Boston for Vanguard Emerging Markets Stock Index Fund	8,966,400	0.42
<b>TOTAL</b>	<b>1,421,814,036</b>	<b>66.71</b>

## SUBSTANTIAL SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	-	-	392,022,599 <sup>1</sup>	18.39
ANZ Funds Pty Ltd Australia and New Zealand Banking Group Limited	300,000,000	14.08	-	-
AmcorpGroup Berhad	391,583,552	18.37	300,000,000 <sup>2</sup>	14.08
Clear Goal Sdn Bhd	-	-	439,047	0.02
Employees Provident Fund Board	203,493,934	9.55	392,022,599	18.39
Newton Investment Management Limited	115,421,700	5.42	-	-

### Notes:

<sup>1</sup> Deemed interested through AmcorpGroup Berhad and AMDB Equipment Trading Sdn Bhd.

<sup>2</sup> Deemed interested through ANZ Funds Pty Ltd.

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## ANALYSIS OF WARRANT 2003/2008 HOLDINGS

No of Warrants in Issue	: 131,356,029
Exercise Price of Warrants	: RM2.19
Exercise Period of Warrants	: 20 March 2003 - 19 March 2008
Exercise Rights	: 1 vote per warrant holder on a show of hands
Voting Rights at meeting of warrant holder	: 1 vote per warrant on a poll

	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
<b>Size of Warrant Holdings</b>				
Less than 100	1,371	33.90	60,933	0.05
100 - 1,000	613	15.16	276,892	0.21
1,001 - 10, 000	1,795	44.39	5,048,643	3.84
10, 001 - 100,000	197	4.87	6,187,660	4.71
100,001 to less than 5% of issued shares	63	1.56	35,844,830	27.29
5% and above of issued shares	5	0.12	83,937,071	63.90
<b>Total</b>	<b>4,044</b>	<b>100.00</b>	<b>131,356,029</b>	<b>100.00</b>
<b>Location of Warrant Holders</b>				
Malaysia	3,920	96.93	115,234,996	87.73
Singapore	44	1.09	347,687	0.26
Hong Kong	1	0.02	4,000	0.00
Australia	3	0.07	26,563	0.02
Japan	-	-	-	0.00
United States	3	0.07	19,711	0.02
Other Countries	73	1.81	15,723,072	11.97
<b>Total</b>	<b>4,044</b>	<b>100.00</b>	<b>131,356,029</b>	<b>100.00</b>
<b>Types of Warrant Holders (By Nationality)</b>				
Malaysian				
- Individual	3,301	81.63	9,786,825	7.45
- Nominee companies	534	13.20	102,627,044	78.13
- Other companies	85	2.10	2,821,127	2.15
Singaporean	44	1.09	347,687	0.26
Hong Kong National	1	0.02	4,000	0.00
Australian	3	0.07	26,563	0.02
Japanese	-	-	-	0.00
American	3	0.07	19,711	0.02
Other foreigners	73	1.81	15,723,072	11.97
<b>Total</b>	<b>4,044</b>	<b>100.00</b>	<b>131,356,029</b>	<b>100.00</b>

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## 30 LARGEST WARRANT HOLDERS

	No. of Warrants	%
1 CIMB Group Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for AmcorpGroup Berhad	40,602,771	30.91
2 Citigroup Nominees (Tempatan) Sdn Bhd - CMS Asset Management Sdn Bhd for Employees Provident Fund	14,934,300	11.37
3 AMMB Nominees (Tempatan) Sdn Bhd - CMS Dresdner Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund	11,400,000	8.68
4 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. Incorporated	10,000,000	7.61
5 HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Berhad for CMS Premier Fund	7,000,000	5.33
6 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Growth Fund	2,482,200	1.89
7 HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiang Ming Sing	2,165,000	1.65
8 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Equity Fund	2,049,600	1.56
9 CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Tiang Ming Sing	1,526,000	1.16
10 Mayban Nominees (Asing) Sdn Bhd - Nomura Singapore Limited for Top Prospects Limited	1,500,000	1.14
11 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Far East Dividend Fund	1,500,000	1.14
12 HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim See Boon	1,483,600	1.13
13 Mayban Nominees (Tempatan) Sdn Bhd - Mayban AmTrustee Berhad for Public Balance Fund	1,470,000	1.12
14 Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Quality Concrete Holdings Berhad	1,463,000	1.11
15 Mayban Nominees (Tempatan) Sdn Bhd - Mayban Trustee Berhad for Asean Dividend Fund	1,364,400	1.04
16 BHLB Trustee Berhad - Public Regional Sector Fund	1,352,000	1.03
17 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Far-East Balanced Fund	1,339,300	1.02

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## 30 LARGEST WARRANT HOLDERS

	No. of Warrants	%
18 HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiang Chiin Yew	1,280,000	0.97
19 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Index Fund	1,112,100	0.85
20 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. International Plc	1,000,000	0.76
21 Citigroup Nominees (Asing) Sdn Bhd - UBS AG Singapore for World Apex Limited	750,000	0.57
22 HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiang Ming Sing	730,000	0.56
23 ECM Libra Avenue Nominees (Asing) Sdn Bhd - DMG & Partners Securities Pte Ltd for Keen Capital Investment Ltd	711,000	0.54
24 Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	662,474	0.50
25 Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Eng Lai Sim	601,300	0.46
26 Tiong Nam Logistic Holdings Berhad	568,500	0.43
27 Amanah Raya Nominees (Tempatan) Sdn Bhd - PB Balance Fund	500,000	0.38
28 HSBC Nominees (Tempatan) Sdn Bhd - HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	500,000	0.38
29 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Savings Fund	482,100	0.37
30 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Dividend Select Fund	464,300	0.35
<b>TOTAL</b>	<b>112,993,945</b>	<b>86.02</b>

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## DIRECTORS' INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

### The Company - AMMB Holdings Berhad

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	-	-	392,022,599 <sup>1</sup>	18.39
Dato' Azlan Hashim	100,000	*	-	-
Dato' Izham Mahmud	4,670	*	-	-
Mr Cheah Tek Kuang	23,800	*	-	-

	Direct Interest	No. of Warrants 2003/2008		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	-	-	40,625,453 <sup>1</sup>	30.93
Mr Cheah Tek Kuang	46,189	0.03	-	-

### Subsidiary Company - AmInvestment Group Berhad

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	94,554,848	7.16	831,167,074 <sup>2</sup>	62.97
Dato' Azlan Hashim	900,000	0.07	-	-
Tun Mohammed Hanif Omar	200,000	0.02	-	-
Tan Sri Datuk Clifford Francis Herbert	50,000	*	-	-
Tan Sri Dato' Mohd Ibrahim Mohd Zain	50,000	*	-	-
Dato' Izham Mahmud	107,070	0.01	-	-
Cheah Tek Kuang	370,100	0.03	-	-
Soo Kim Wai	100,000	0.01	-	-

Tan Sri Dato' Azman Hashim, by virtue of his interest in the shares and warrants of AMMB Holdings Berhad (AHB), is also deemed to have an interest in the shares of the subsidiaries of AHB to the extent that AHB has an interest.

Other than stated above, none of the other directors of the Company had any direct and deemed interest in the Company or its related corporations.

#### Notes:

<sup>1</sup> Deemed interested through AmcorpGroup Berhad and AMDB Equipment Trading Sdn Bhd.

<sup>2</sup> Deemed interested through AMMB Holdings Berhad, AmcorpGroup Berhad, AMDB Equipment Trading Sdn Bhd and Azman Hashim Holdings Sdn Bhd.

\* less than 0.01%



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