AMMB HOLDINGS BERHAD
Company Number 223035-V
Incorporated in Malaysia

Financial Statements 2010

Expressed In Ringgit Malaysia
For The Year Ended 31 March 2010

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 2010.

PRINCIPAL ACTIVITIES

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

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

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

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events during the financial year are as disclosed in Note 54 and Note 55 to the financial statements respectively.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	1,376,659	25,759
Taxation and zakat	(334,051)	(4,406)
Profit before minority interests	1,042,608	21,353
Minority interests	(33,990)	-
Net profit attributable to the equity holders of the Company	1,008,618	21,353
Unappropriated profit at beginning of year	1,823,223	1,645,464
Profit available for appropriation	2,831,841	1,666,817
Effect of the first time adoption of RBC framework	(3,502)	-
Transfer to statutory reserve	(96,396)	-
Dividends paid	(175,073)	(175,073)
Unappropriated profit at end of year	**2,556,870**	**1,491,744**

BUSINESS PLAN AND STRATEGY

A number of recent positive indicators around the world point to greater optimism and an emerging recovery on the economic front. Whilst fiscal support is set to continue for a while longer, recent strengthening in Asian interest rates and currencies, and positive government comments indicate that we are on the road to normalization of policy settings.

The Malaysian economy has improved substantially due to the adoption of fiscal stimulus programs, prudent monetary policies and vigilant supervision by Bank Negara Malaysia ("BNM") over the past year, and recovery in the regional export markets. Lending growth has recovered to pre-crisis levels benefitting from government spending, global recovery prospects and stronger private consumption. The domestic banking industry has displayed strong resilience, emerging from the financial downturn with stronger capitalization. Given the improving outlook, BNM has begun normalizing monetary conditions by raising interest rate by 25bps in March 2010 and indicating that further rate increases are likely during calendar year 2010.

The expected economic and capital markets recovery, and emerging tailwinds in 2010 will enhance the Group's ability to continue to deliver profitable growth, diversify, rebalance portfolios towards viable segments and execute volume versus price trade-offs in certain portfolios in line with its Medium Term Aspirations ("MTA"). Focus areas encompass income diversification, cost management, deposits growth particularly low cost deposits and enhanced risk disciplines. Other priorities include preserving sound capital position and strengthening longer term funding in anticipation of Basel 3 requirements, and improving operating productivity and efficiency whilst investing for the medium term.

The Group continues to place concerted effort in growing customer deposits and increasing the mix of low cost deposits, which is governed by the Group's Asset Liability Management Committee. Introduction of new products and services, a new funds transfer pricing system, expansion of distribution footprints, and cross-selling will play a pivotal role in the Group's strategy to support deposits growth.

BUSINESS PLAN AND STRATEGY (contd.)

The retail banking division remains a major contributor to the Group's performance and continues to maintain its asset growth focus on profitable segments whilst diversifying into new sources of non-interest income including wealth management and Islamic fee-based products.

Business banking division's priorities remain on harnessing existing customer relationships by enhancing cross-sell, underpinned by the focus to increase deposits, trade finance, cash management, and fee incomes whilst acquiring new customers with good track record and good quality business plans.

Investment banking's strategic priorities are to develop a sustainable income base and maintain market leadership position. Funds management and stock broking are key businesses that are well positioned to leverage on the upturn in economic activity. In the debt capital market, focus is on product innovation by providing integrated solutions in structured finance and derivatives whilst increasing growth in selected regional and cross-border deals. Corporate finance activities focus on providing large corporations with more comprehensive end-to-end solutions on top of compliance-based transaction advisory.

Corporate and Institutional banking (previously known as Relationship banking and Regional business) will focus on project financing with government support, large corporations and large MNC's. Moving forward, the division will continue to target cross-sell of institutional products and leverage its customer base for current accounts and deposits growth with focus to increase fee income base. Contribution from regional businesses will also gradually increase as economic activity returns to more normal levels.

With the technical support from Australia and New Zealand Banking Group Ltd. ("ANZ"), the Group has established an integrated framework for the foreign exchange ("FX") and derivatives businesses to provide customers end-to-end product and service offerings in FX, interest rates and commodities.

AmG Insurance Berhad is building its general insurance capabilities to be a niche and scale specialist in the Malaysian market with close collaboration with Insurance Australia Group Ltd, our insurance strategic partner.

With the support from Friends Provident Fund plc, the life insurance business is being positioned to offer a more diversified product base utilizing its strengthened distribution force. AmLife Insurance Berhad is reengineering its process methodologies for productivity and cost efficiency and progressively providing customers broader choices of bundled bancassurance and investment-linked products.

OUTLOOK FOR NEXT FINANCIAL YEAR

Recent positive indicators around the world point to greater optimism and an emerging recovery on the economic front, with the chances for a double dip recession receding both globally and in particular regionally. BNM recently announced that the Malaysian gross domestic product ("GDP") for full-year 2009 has performed better compared to first half of 2009 with contraction of only 1.7%. For 2010, current consensus view projects a GDP expansion of circa +5.0%. The Group will keep abreast with the progress of economic developments to refine our business priorities for opportunistic strategies in light of the economic upturn.

Malaysian banks have displayed resilience during the 2009 financial downturn with minimal impact on profitability and have remained well capitalized. Asset quality remained intact, and in fact improved, during the economic downturn whilst lending growth has strengthened on the back of prudent monetary policies, fiscal stimulus, improving consumption and higher corporate investment. The investment banking business should benefit from the recovering capital and equity markets activities as corporate deal pipeline continues to improve in the short term.

The Group will stay focused in executing its Medium Term Aspirations ("MTA") around de-risking, diversifying away from concentrations and differentiated growth via targeting profitable business segments and volume versus price trade-offs. The Group's aspirations centre on growing non-interest incomes and low-cost deposits, building new products and businesses, enhancing channels, and adopting best-in-class governance structure (risk and finance) with customer-centric operations.

Given this, the Group is well positioned to exceed FY 2010 results and deliver a 4th successive year of record profits for the year ending 31 March 2011.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed under significant events in Note 54 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 8.0% less 25.0% taxation, in respect of the previous financial year totaling RM175,073,091 which amount had been dealt with in the directors' report for that financial year and paid on 4 September 2009 to shareholders whose names appeared in the Record of Depositors on 21 August 2009.

The directors now recommend the payment of the following dividends in respect of the current financial year based on the issued and paid-up share capital as at 31 March 2010, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profit in the next financial year ending 31 March 2011.

(i) Gross dividend of 4.40%, less 25.0% taxation, on 3,014,184,844 ordinary shares of RM1.00 each amounting to RM99,495,710 and

(ii) Single tier dividend of 6.10%, on 3,014,184,844 ordinary shares of RM1.00 each amounting to RM183,829,408.

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	29	96,396	-
(b) Available-for-Sale Reserve			
Arising from net unrealised gain on revaluation of securities available-for-sale	29	138,813	-
(c) Cash Flow Hedging Reserve			
Arising from unrealised gain on cash flow hedge	29	95,387	-
(d) Exchange Fluctuation Reserve			
Arising from translation of subsidiaries and associate expressed in foreign currency	29	(8,783)	-
(e) Shares Held-in-Trust for Executives' Share Scheme			
Arising from purchase of shares and vesting of shares pursuant to Executives' Share Scheme	29	(10,451)	(10,451)
(f) Executives' Share Scheme Reserve			
Arising from share-based payment under Executives' Share Scheme	29	14,860	14,860
(g) Allowances/(Reversal of Allowances):			
Interest suspended	32	90,459	-
Allowance for losses on loans and financing:			
Specific allowance - net	36	868,060	-
General allowance	36	104,924	-
Transfer from profit equalisation reserve	26	(12,864)	-
Impairment loss on securities		103,770	-
Provision for foreclosed properties		22,457	-

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.

ISSUE OF SHARES AND DEBENTURES

The Company has issued new shares and debentures during the financial year as follows:

(i) issuance of 96,300,000 new ordinary shares of RM1.00 each pursuant to the Special Issue to eligible Bumiputera shareholders; and

(ii) issuance of 194,915,254 new ordinary shares of RM1.00 each pursuant to exchange of RM575.0 million nominal value of 10-year unsecured subordinated exchangeable bonds by ANZ Funds Pty Ltd.

SHARES OPTIONS

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

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

EXECUTIVES' SHARE SCHEME

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

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

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

The salient features of the ESS are disclosed in Note 30 to the financial statements.

During the financial year, the Trustee had purchased 2,574,800 of the Company's issued ordinary shares from the open market at an average price of RM4.07 per share. The total consideration paid for the purchase including transaction costs amounted to RM10,476,907.

As at 31 March 2010, 8,000 shares have been vested and transferred from the Trustee to certain eligible employees of a subsidiary in accordance with the terms under the ESS. The Trustee of the ESS held 5,462,800 ordinary shares representing 0.18% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM17,514,936.

DIRECTORS

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

- Tan Sri Azman Hashim
- Dato' Azlan Hashim
- Tun Mohammed Hanif Omar
- Tan Sri Datuk Dr Aris Osman @ Othman
- Tan Sri Datuk Clifford Francis Herbert
- Tan Sri Dato' Mohd Ibrahim Mohd Zain
- Dato' Izham Mahmud
- Alexander Vincent Thursby
- Dr Robert John Edgar
- Mark David Whelan
- Cheah Tek Kuang
- Soo Kim Wai
- Wayne Hugh Stevenson (Alternate Director to Alexander Vincent Thursby, Dr Robert John Edgar and Mark David Whelan)

In accordance with Article 89 of the Company's Articles of Association, Dato' Azlan Hashim, Tan Sri Datuk Clifford Francis Herbert, Mr Alexander Vincent Thursby and Mr Soo Kim Wai retire, and being eligible, offer themselves for re-election.

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

Directors' Report (contd.)

DIRECTORS' INTERESTS

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

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

DIRECT INTERESTS

In the Company

	No. of Ordinary Shares of RM1.00 each ("shares")			
Shares	**Balance at 1.4.2009**	**Bought**	**Sold**	**Balance at 31.3.2010**
Dato' Azlan Hashim	215,684	38,000	35,684	218,000
Tan Sri Dato' Mohd Ibrahim Mohd Zain	-	200,000	-	200,000
Dato' Izham Mahmud	7,000	17,000	-	24,000
Cheah Tek Kuang	78,800	-	-	78,800

	No. of shares pursuant to the Company's Executives' Share Scheme			
Scheme Shares	**Balance at 1.4.2009**	**Granted ***	**Vested**	**Balance at 31.3.2010**
Cheah Tek Kuang	-	110,000	-	110,000

	No. of shares pursuant to the Company's Executives' Share Scheme			
Shares under Options	**Balance at 1.4.2009**	**Granted ***	**Vested**	**Balance at 31.3.2010**
Cheah Tek Kuang	-	672,400	-	672,400

INDIRECT INTERESTS

In the Company

		No. of Ordinary Shares of RM1.00 each			
Shares	**Name of Company**	**Balance at 1.4.2009**	**Bought**	**Sold**	**Balance at 31.3.2010**
Tan Sri Azman Hashim	Amcorp Group Berhad	482,001,333	81,852,585	60,000,000	503,853,918

Note:

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

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

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

DIRECTORS' BENEFITS

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

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

CORPORATE GOVERNANCE

(i) BOARD RESPONSIBILITY AND OVERSIGHT

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

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

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

The Board currently comprises twelve (12) 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 subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

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

The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The 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 Group Nomination Committee
2 Group Remuneration Committee
3 Audit and Examination Committee
4 Group Risk Management Committee
5 Group Information Technology Committee

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

CORPORATE GOVERNANCE (contd.)

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") 2010

	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Group Risk Management Committee	Group Information Technology Committee
Tan Sri Azman Hashim	10 (Chairman)	2	3	N/A	N/A	N/A
Dato' Azlan Hashim	10	N/A	N/A	4	N/A	3 (Chairman)
Tun Mohammed Hanif Omar	10	2 (Chairman)	N/A	N/A	N/A	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	9	2	3	5 (Chairman)	5	N/A
Tan Sri Datuk Clifford Francis Herbert	10	2	N/A	5	5 (Chairman)	N/A
Tan Sri Dato' Mohd Ibrahim Mohd Zain	8	N/A	N/A	N/A	N/A	- (Appointed wef 9.3.10)
Dato' Izham Mahmud	10	N/A	3 (Chairman)	5	N/A	N/A
Alexander Vincent Thursby	9	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar	10	2	2	5	N/A	N/A
Mark David Whelan	10	N/A	N/A	N/A	4	N/A
Cheah Tek Kuang	9	N/A	N/A	N/A	N/A	4
Soo Kim Wai	9	N/A	2	N/A	N/A	N/A
Number of meetings held in FY2010	10	2	3	5	5	4

wef : with effect from

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

Group Nomination Committee

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

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

The Committee met two (2) times during the financial year 2010.

Group Remuneration Committee

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

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

The Committee met three (3) times during the financial year 2010.

Audit And Examination Committee

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

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

The AEC met five (5) times during the year to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The consolidated financial statements of the Group and its subsidiaries were reviewed by the AEC prior to their submission to the Board of the Company for adoption.

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

CORPORATE GOVERNANCE (contd.)

Group Risk Management Committee

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

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

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

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

Group Information Technology Committee

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

There were four (4) meetings during the financial year 2010.

Internal Audit And Internal Control Activities

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

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

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

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

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

CORPORATE GOVERNANCE (contd.)

(iii) MANAGEMENT INFORMATION

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

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

RATINGS BY EXTERNAL AGENCIES

AmBank's long-term rating and short-term rating were upgraded to AA3/P1/Stable by Rating Agency Malaysia Berhad ("RAM"). Additionally, AmBank's ratings were complemented by the upgraded international ratings of BBB/F3/Stable by Fitch Ratings Ltd ("Fitch"). Outlook revision was also upgraded to BBB-/A-3/Positive by Standard & Poor's Ratings Services, and BBB-/A3/Positive from Capital Intelligence Ltd whilst Moody's Investors Services has upgraded the AmBank's bank financial strength rating to D and reaffirmed its international rating at Baa2/P-3/Stable.

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

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

In line with Moody's revised guidelines on rating bank's hybrids and subordinated debt for Malaysian banks in February 2010, the Tier-1 Hybrid Securities of USD200.0 million issued by AmBank (via its wholly-owned subsidiary, AMBB Capital (L) Ltd) has been rerated to B2/Stable by Moody's Investor Services. However, the Hybrid Securities were upgraded to BB+ by Fitch whilst reaffirmed at BB by Standard & Poor's Ratings Services.

AmInvestment Bank's rating was upgraded with a positive outlook revision at AA-/MARC-1/Positive by Malaysian Rating Corporation Berhad ("MARC") in April 2010. AmInvestment Bank's long term and short term ratings were also reaffirmed at AA3/P1/Stable by RAM. This was complemented by the upgraded international ratings of BBB/F3/Stable from Fitch and BBB-/A-3/Positive from Standard & Poor's Rating Services. The RM200.0 million Subordinated Tier-2 Bonds were also reaffirmed with a long-term rating of A1 by RAM.

RAM has upgraded the financial institution ratings of AmIslamic Bank to AA3/P1/Stable. Following the upgrade on financial institution ratings on AmIslamic Bank, the long term rating of the AmIslamic Bank's RM400.0 million Subordinated Sukuk Musyarakah has been upgraded to A1/Stable 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 Group on all matters pertaining to Shariah in order to ensure the business operations comply with Shariah principles. The Shariah Committee also provides Shariah opinions and validation on relevant documentations to be used.

AUDITORS

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

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

TAN SRI AZMAN HASHIM

DATO' AZLAN HASHIM

Kuala Lumpur, Malaysia
Date: 12 May 2010

Statement by Directors

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

We, **TAN SRI AZMAN HASHIM** and **DATO' AZLAN HASHIM**, 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 2010 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

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

TAN SRI AZMAN HASHIM

DATO' AZLAN HASHIM

Kuala Lumpur, Malaysia
Date: 12 May 2010

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 12 May 2010

ARUNASALAM MUTHUSAMY

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W 325
TAN BOON CHUA
MALAYSIA
20th Floor, Ambank Group Building
No 55, Jalan Raja Chulan
50200 Kuala Lumpur

Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur.
Telephone number: 03-2036 2633/44/55

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

Report on the financial statements

We have audited the accompanying financial statements of **AMMB HOLDINGS BERHAD**, which comprise the balance sheets as at 31 March 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2010 and of their financial performance and cash flows for the financial year then ended.

Report on other legal and regulatory requirements

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

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

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

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

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

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF :0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
Date: 12 May 2010

Balance Sheets

AS AT 31 MARCH 2010

	Note	2010 Group RM'000	2010 Company RM'000	2009 Group RM'000	2009 Company RM'000
ASSETS					
Cash and short-term funds	5	11,627,452	403,457	16,948,581	284,037
Securities purchased under resale agreements	6	16,992	-	16,807	-
Deposits and placements with banks and other financial institutions	7	1,831,505	8,962	46,026	16,986
Securities held-for-trading	8	1,713,441	20,000	1,399,873	20,000
Securities available-for-sale	9	9,093,856	55,856	6,626,054	3,978
Securities held-to-maturity	10	562,743	575,000	780,209	-
Loans, advances and financing	11	64,425,920	-	56,947,831	-
Derivative financial assets	12	343,643	-	482,933	-
Other assets	13	1,988,973	2,331	1,728,366	30,331
Statutory deposits with Bank Negara Malaysia	14	167,623	-	517,578	-
Investments in subsidiaries	15	-	6,204,678	-	6,204,678
Investment in jointly controlled company	16	-	-	380	-
Investment in associate	17	1,301	-	1,301	-
Prepaid land lease payments	18	6,350	-	6,646	-
Property and equipment	19	229,549	1,630	228,399	2,044
Life fund assets	52	2,382,703	-	2,006,799	-
Deferred tax assets	41	262,760	-	346,997	-
Intangible assets	20	1,825,492	-	1,808,101	-
TOTAL ASSETS		96,480,303	7,271,914	89,892,881	6,562,054
LIABILITIES AND EQUITY					
Deposits from customers	21	68,874,112	-	64,131,506	-
Deposits and placements of banks and other financial institutions	22	4,315,276	-	6,135,409	-
Term funding	23	1,902,107	206,000	351,859	206,000
Bills and acceptances payable	24	1,399,572	-	2,120,247	-
Recourse obligation on loans sold to Cagamas Berhad	25	135,689	-	155,037	-
Derivative financial liabilities	12	392,977	-	587,763	-
Other liabilities	26	3,486,533	26,575	2,639,015	9,155
Debt capital	27	3,747,347	-	3,853,691	-
Life fund liabilities	52	200,357	-	222,160	-
Life policyholder funds	52	2,182,346	-	1,784,639	-
Total liabilities		86,636,316	232,575	81,981,326	215,155
Share capital	28	3,014,185	3,014,185	2,722,970	2,722,970
Reserves	29	6,623,528	4,025,154	5,013,123	3,623,929
Equity attributable to equity holders of the Company		9,637,713	7,039,339	7,736,093	6,346,899
Minority interests	31	206,274	-	175,462	-
Total equity		9,843,987	7,039,339	7,911,555	6,346,899
TOTAL LIABILITIES AND EQUITY		96,480,303	7,271,914	89,892,881	6,562,054
OFF-BALANCE SHEET EXPOSURES	53(e)	62,260,673	-	49,911,642	-
NET ASSETS PER SHARE (RM)	50	3.20	2.34	2.84	2.33

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

Income Statements

FOR THE YEAR ENDED 31 MARCH 2010

		2010		2009	
	Note	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Operating revenue	51	6,828,945	39,337	6,310,657	1,111,127
Interest income	32	3,614,842	27,807	3,793,368	14,043
Interest expense	33	(1,728,239)	(8,358)	(2,017,054)	(23,865)
Net interest income/(expense)		1,886,603	19,449	1,776,314	(9,822)
Net income from Islamic banking business	57(xxiv)	775,509	-	572,619	-
Net income from insurance business		123,687	-	121,340	-
Income from insurance business	52(a)	530,231	-	512,604	-
Insurance claims and commissions	52(b)	(406,544)	-	(391,264)	-
Other operating income	34	791,983	11,530	457,344	1,097,084
Share in results of jointly controlled company		(745)	-	(212)	-
Net Income		3,577,037	30,979	2,927,405	1,087,262
Other operating expenses	35	(1,501,356)	(5,220)	(1,268,787)	(3,390)
Operating profit		2,075,681	25,759	1,658,618	1,083,872
Allowances for losses on loans and financing	36	(568,893)	-	(344,187)	-
Impairment (loss)/writeback on:					
Securities		(103,770)	-	(76,524)	-
Amount recoverable under asset-backed securitisation transactions		-	-	17,000	-
Fixed assets		-	-	(2,490)	-
Transfer from/(to) profit equalisation reserve	26	12,858	-	(24,518)	-
(Allowance)/writeback for doubtful sundry receivables - net		(7,894)	-	3,653	-
Provision for foreclosed properties		(22,457)	-	(1,942)	-
Provision for commitments and contingencies		(8,866)	-	(11,974)	-
Profit before taxation and zakat		1,376,659	25,759	1,217,636	1,083,872
Taxation and zakat	40	(334,051)	(4,406)	(339,382)	(22,947)
Profit for the year		1,042,608	21,353	878,254	1,060,925
Attributable to:					
Equity holders of the Company		1,008,618	21,353	860,824	1,060,925
Minority interests		33,990	-	17,430	-
Profit for the year		1,042,608	21,353	878,254	1,060,925
Earnings per share (sen)	43				
Basic		34.71	0.73	31.61	38.96
Fully diluted		34.71	0.73	31.61	38.96
First and final dividend per ordinary share (sen)					
Gross		10.5	10.5	8.0	8.0
Net		9.4	9.4	6.0	6.0

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

Statements of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2010

		Attributable to Equity Holders of the Company											
			Non-Distributable							Distributable			
	Note	Ordinary Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Cash flow hedging reserve RM'000	Shares held in trust for ESS RM'000	Executives' Share Scheme Reserve RM'000	Unappro-priated profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group													
At 1 April 2008		2,722,970	1,986,857	1,245,433	42,900	8,166	-	-	-	1,163,267	7,169,593	84,352	7,253,945
Net unrealised loss on revaluation of securities available-for-sale		-	-	-	(84,644)	-	-	-	-	-	(84,644)	-	(84,644)
Net unrealised loss on cash flow hedge		-	-	-	-	-	(91,486)	-	-	-	(91,486)	-	(91,486)
Expenses relating to Rights Issue		-	(21)	-	-	-	-	-	-	-	(21)	-	(21)
Transfer from unappropriated profits		-	-	78,334	-	-	-	-	-	(78,334)	-	-	-
Exchange fluctuation adjustments		-	-	-	-	11,425	-	-	-	-	11,425	-	11,425
Net income/(expense) recognised directly in equity		-	(21)	78,334	(84,644)	11,425	(91,486)	-	-	(78,334)	(164,726)	-	(164,726)
Profit for the year		-	-	-	-	-	-	-	-	860,824	860,824	17,430	878,254
Total recognised net income/(expense) for the year		-	(21)	78,334	(84,644)	11,425	(91,486)	-	-	782,490	696,098	17,430	713,528
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		-	-	-	-	-	-	(7,064)	-	-	(7,064)	-	(7,064)
Subscription of shares in AmPrivate Equity Sdn Bhd		-	-	-	-	-	-	-	-	-	-	400	400
Arising from acquisition of AmG Insurance Berhad		-	-	-	-	-	-	-	-	-	-	112,700	112,700
Dividends paid	42	-	-	-	-	-	-	-	-	(122,534)	(122,534)	(39,420)	(161,954)
At 31 March 2009		2,722,970	1,986,836	1,323,767	(41,744)	19,591	(91,486)	(7,064)	-	1,823,223	7,736,093	175,462	7,911,555

		Attributable to Equity Holders of the Company											
			Non-Distributable							Distributable			
	Note	Ordinary Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Cash flow hedging reserve RM'000	Shares held in trust for ESS RM'000	Executives' Share Scheme Reserve RM'000	Unappro-priated profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
Group													
At 1 April 2009		2,722,970	1,986,836	1,323,767	(41,744)	19,591	(91,486)	(7,064)	-	1,823,223	7,736,093	175,462	7,911,555
Effect of first time adoption of RBC framework 56 (2a)		-	-	-	-	-	-	-	-	(3,502)	(3,502)	(3,365)	(6,867)
At 1 April 2009 (restated)		2,722,970	1,986,836	1,323,767	(41,744)	19,591	(91,486)	(7,064)	-	1,819,721	7,732,591	172,097	7,904,688
Net unrealised gain on revaluation of securities available-for-sale		-	-	-	138,813	-	-	-	-	-	138,813	-	138,813
Net unrealised gain on cash flow hedge		-	-	-	-	-	95,387	-	-	-	95,387	-	95,387
Transfer from unappropriated profits		-	-	96,396	-	-	-	-	-	(96,396)	-	-	-
Exchange fluctuation adjustments		-	-	-	-	(8,783)	-	-	-	-	(8,783)	-	(8,783)
Net income/(expense) recognised directly in equity		-	-	96,396	138,813	(8,783)	95,387	-	-	(96,396)	225,417	-	225,417
Profit for the year		-	-	-	-	-	-	-	-	1,008,618	1,008,618	33,990	1,042,608
Total recognised net income/(expense) for the year		-	-	96,396	138,813	(8,783)	95,387	-	-	912,222	1,234,035	33,990	1,268,025
Issue of ordinary share capital pursuant to:													
conversion of unsecured exchangeable bonds		194,915	380,085	-	-	-	-	-	-	-	575,000	-	575,000
special issue shares to eligible Bumiputera shareholders		96,300	170,451	-	-	-	-	-	-	-	266,751	-	266,751
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^^		-	-	-	-	-	-	(10,477)	-	-	(10,477)	-	(10,477)
Share-based payment under ESS		-	-	-	-	-	-	-	14,860	-	14,860	-	14,860
ESS shares vested to employee of subsidiary		-	-	-	-	-	-	26	-	-	26	-	26
Subscription of shares in AmPrivate Equity Sdn Bhd		-	-	-	-	-	-	-	-	-	-	187	187
Dividends paid	42	-	-	-	-	-	-	-	-	(175,073)	(175,073)	-	(175,073)
At 31 March 2010		3,014,185	2,537,372	1,420,163	97,069	10,808	3,901	(17,515)	14,860	2,556,870	9,637,713	206,274	9,843,987

Statements of Changes in Equity (contd.)

FOR THE YEAR ENDED 31 MARCH 2010

		Attributable to Equity Holders of the Company					
			Non-Distributable			Distributable	
	Note	Ordinary Share capital RM'000	Share premium RM'000	Executives' Share Scheme Reserve RM'000	Shares held in trust for ESS RM'000	Unappro-priated profits RM'000	Total equity RM'000
Company							
At 1 April 2008		2,722,970	1,985,550	-	-	707,073	5,415,593
Profit for the year		-	-	-	-	1,060,925	1,060,925
Expenses relating to Rights Issue		-	(21)	-	-	-	(21)
Total recognised net income/(expenses) for the year		-	(21)	-	-	1,060,925	1,060,904
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		-	-	-	(7,064)	-	(7,064)
Dividends paid		-	-	-	-	(122,534)	(122,534)
At 31 March 2009		2,722,970	1,985,529	-	(7,064)	1,645,464	6,346,899
At 1 April 2009		2,722,970	1,985,529	-	(7,064)	1,645,464	6,346,899
Profit for the year		-	-	-	-	21,353	21,353
Total recognised net income for the year		-	-	-	-	21,353	21,353
Issue of ordinary share capital pursuant to:							
conversion of unsecured exchangeable bonds		194,915	380,085	-	-	-	575,000
special issue shares to eligible Bumiputera shareholders		96,300	170,451	-	-	-	266,751
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^^		-	-	-	(10,477)	-	(10,477)
Share-based payment under ESS		-	-	14,860	-	-	14,860
ESS shares vested to employee of subsidiary		-	-	-	26	-	26
Dividends paid	42	-	-	-	-	(175,073)	(175,073)
At 31 March 2010		3,014,185	2,536,065	14,860	(17,515)	1,491,744	7,039,339

^ Represent the purchase of 2,896,000 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM2.44 per share.

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

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

Cash Flow Statements

FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	1,376,659	25,759	1,217,636	1,083,872
Add/(Less) adjustments for:				
Allowance for losses on loans and financing - net	568,893	-	344,187	-
(Gain)/loss on revaluation of securities held-for-trading	(9,702)	-	32,978	-
Impairment loss on securities	103,770	-	76,524	-
Interest suspended	90,459	-	95,486	-
Depreciation of property and equipment	54,824	316	50,486	245
Amortisation of computer software	30,790	-	27,411	-
Impairment/(writeback) on amount recoverable under asset-backed securitisation transactions	-	-	(17,000)	-
Allowance/(writeback) for doubtful sundry receivables - net	7,894	-	(3,653)	-
Provision for commitments and contingencies	8,866	-	11,974	-
Sundry receivables written off	40	-	692	-
Provision for foreclosed properties	22,457	-	1,942	-
Gain from assets securitisation	(2,405)	-	(893)	-
Amortisation of prepaid land lease payments	158	-	159	-
Property and equipment written off	59	-	40	-
Computer software written off	2	-	-	-
(Gain)/loss from sale of securities held-for-trading	(51,788)	-	77,092	-
Net gain on redemption of securities held-for-maturity	(29,479)	-	(46,625)	-
(Gain)/loss on redemption of structured product	(3)	2	(4)	-
Gross dividend income from investments	(35,069)	(10,988)	(31,718)	(1,097,074)
(Gain)/loss on revaluation of derivatives	(18,406)	-	55,790	-
Net gain from sale of securities available-for-sale	(47,215)	-	(3,944)	-
Transfer (from)/to profit equalisation reserve	(12,858)	-	24,518	-
Accretion of discount less amortisation of premium on money market securities-net	(13,467)	-	(23,422)	-
Gain on disposal of property and equipment – net	(527)	(77)	(1,100)	-
Share in results of jointly controlled company	745	-	212	-
Operating profit/(loss) before working capital changes	2,044,697	15,012	1,888,768	(12,957)
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreements	-	-	6,649	-
Deposits and placements with banks and other financial institutions	(1,785,479)	8,024	1,341,784	(1,952)
Securities held-for-trading	(233,671)	-	4,347,507	-
Loans, advances and financing	(8,137,441)	-	(4,813,184)	-
Other assets	15,166	26,827	283,617	31,084
Statutory deposits with Bank Negara Malaysia	349,955	-	1,142,619	-
Deposits and monies held in trust with financial institutions	(7,673)	-	107,405	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	4,742,609	-	8,362,649	-
Deposits and placements of banks and other financial institutions	(1,820,133)	-	(981,870)	-
Bills and acceptances payable	(720,675)	-	211,004	-
Term funding	1,550,247	-	(1,438,985)	(1,300,000)
Recourse obligation on loans sold to Cagamas Berhad	(19,349)	-	(88,942)	-
Other liabilities	542,170	32,279	(27,180)	(17,476)
Cash (used in)/generated from operations	(3,479,577)	82,142	10,341,841	(1,301,301)
Taxation paid	(249,617)	(487)	(40,383)	-
Net cash (used in)/generated from operating activities	(3,729,194)	81,655	10,301,458	(1,301,301)

Cash Flow Statements (contd.)

FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of securities - net	(2,125,131)	(626,878)	(3,676,857)	-
Dividends received from other investments	26,302	539	23,471	-
Proceeds from disposal of property and equipment	6,197	175	2,346	-
Expenses relating to rights issue arising from AIGB privatisation	-	-	-	(21)
Purchase of property and equipment	(122,199)	-	(81,880)	(1,389)
Purchase of computer software	(46,915)	-	(11,028)	-
Dividends received from subsidiaries	-	7,702	-	1,062,633
Arising from subscription of shares in AmKonzen Water Investments Management Pte Ltd	(365)	-	(592)	-
Arising from subscription of shares in AMAB Holdings Sdn Bhd ("AMAB Holdings")	-	-	-	(264,000)
Arising from disposal of shares in AmLife Insurance Bhd to AMAB Holdings	-	-	-	102,635
Net cash (used in)/generated from investing activities	(2,262,111)	(618,462)	(3,744,540)	899,858
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from capital reduction in AIGB	-	-	-	500,000
Redemption of unsecured exchangeable bonds	(575,000)	-	-	-
Issuance of new ordinary share capital of the Company pursuant to exchange of unsecured subordinated exchangeable bonds	575,000	575,000	-	-
Issuance of new ordinary share capital of the Company pursuant to Bumiputera issue exercise	266,751	266,751	-	-
Proceeds from medium term notes	97,800	-	600,000	-
Proceeds from issuance of innovative Tier 1 capital securities	485,000	-	-	-
Proceeds from issue of shares by subsidiaries to minority shareholders	187	-	113,100	-
Redemption of unsecured bonds	-	-	(660,000)	-
Dividends paid by the Company to its shareholders	(175,073)	(175,073)	(122,534)	(122,534)
Arising from purchase/vesting of shares for Executives' Share Scheme ("ESS") by the appointed trustee	(10,451)	(10,451)	(7,064)	(7,064)
Dividends paid to minority interests by subsidiaries	-	-	(39,420)	-
Net repayment of subordinated term loans	-	-	(460,000)	-
Net cash generated from/(used in) financing activities	664,214	656,227	(575,918)	370,402
Net (decrease)/increase in cash and cash equivalents	(5,327,091)	119,420	5,981,000	(31,041)
Cash and cash equivalents at beginning of year	16,727,526	284,037	10,746,526	315,078
Cash and cash equivalents at end of year (Note 1)	11,400,435	403,457	16,727,526	284,037

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:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and short-term funds	11,627,452	403,457	16,948,581	284,037
Bank overdrafts (Note 26)	-	-	(786)	-
	11,627,452	403,457	16,947,795	284,037
Less: Cash and bank balances and deposits held in trust (Note 5)	(226,920)	-	(219,432)	-
	11,400,532	403,457	16,728,363	284,037
Effect of exchange rates changes	(97)	-	(837)	-
Cash and cash equivalents	11,400,435	403,457	16,727,526	284,037

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

Notes to the Financial Statements

AS AT 31 MARCH 2010

1. PRINCIPAL ACTIVITIES

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

The subsidiaries, as listed in Note 15, 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 investment trust and unit trust 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 Market 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 27 April 2010.

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 has 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, 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

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

Effective for financial periods beginning on or after 1 January 2010

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

Effective for financial periods beginning on or after 1 March 2010

- Amendments to FRS132 Financial Instruments: Presentation

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- FRS 127: Consolidated and Separate Financial Statements (amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011

- Limited Exemption from Comparative FRS 7 Disclosures for First Time Adopters (Amendments to FRS 1)
- Improving Disclosures about Financial Instruments (Amendments to FRS 7)
- Amendments to FRS 132 Financial Instruments: Presentation

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. The effects of the new FRSs, Amendments and IC Interpretation applicable to the Group and the Company are described below. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

Pronouncements effective for financial periods beginning on or after 1 January 2010

FRS 4: Insurance Contracts

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts, including disclosures to assist users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts.

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

FRS 123: Borrowing Costs

This Standard supersedes FRS 123_{2004} Borrowing Costs that removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. The Group's current accounting policy is to expense the borrowing costs in the period which they are incurred. In accordance with the transitional provisions of the Standard, the Group will apply the change in accounting policy prospectively for which the commencement date for capitalisation of borrowing cost on qualifying assets is on or after the financial period 1 January 2010.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement,FRS 7: Financial Instruments: Disclosures

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

Amendments to FRSs 'Improvements to FRSs (2009)'

FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments to FRS 1 allow first-time adopters to use costs, determined in accordance with FRS 127, or deemed cost of either fair value (in accordance with FRS 139) or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate opening FRS balance sheet. In the amendment to FRS 127, there is no longer a distinction between pre-acquisition and post-acquisition dividends. The amendment also requires the cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) to be measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendments also remove the definition of the cost method from FRS 127 and will be applied prospectively that affect only the financial statements of the Company and do not have an impact on the financial statements of the Group.

Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations

The amendments restrict the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions which have to be taken into account when estimating the fair value of the equity instrument granted. In the case that an award does not vest as a result of failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The change in accounting policy is to be applied retrospectively.

Amendments to FRS 132: Financial Instruments: Presentation and FRS 101: Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation

FRS 132 Financial Instruments: Disclosures and Presentation will be renamed as Financial Instruments: Pres*entation* upon the adoption of FRS 7 Financial Instruments: Disclosures. The amendments provide a limited scope exception for puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. An instrument that meets the definition of a financial liability is classified as an equity instrument only if it fulfils a number of specific features and conditions as stipulated in the Standard.

IC Interpretation 13: Customer Loyalty Programme

This IC requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The amount of proceeds allocated to the award credits is measured by reference to their fair value.

Basis of Consolidation

The Group's financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting period as the Company.

Subsidiaries are consolidated from the date of acquisition being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intergroup balances and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

The Company adopts both the purchase method and merger method (or "pooling of interests" method) in preparing the consolidated financial statements. The merger method was adopted in respect of the transfer of subsidiaries pursuant to a scheme of arrangement under the group restructuring exercise. The purchase method is adopted for all other business combinations.

The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statements.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights that are exercisable or convertible are considered when assessing control.

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

The gain or loss on disposal of a subsidiary 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 being disposed. All gains or losses on disposal of subsidiaries are recognised in the consolidated income statement.

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

Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate 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 associate'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 associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, 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 associate.

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

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

Jointly Controlled Entities

Jointly controlled entities are entities in which the Group has contractually agreed to the sharing of control with one or more parties where the decisions over the financial and operating policies relating to the jointly controlled entity require the unanimous consent of the parties sharing control.

Interests in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the interest in a jointly controlled entity is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity.

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Intangible Assets

(i) Goodwill on Consolidation

Goodwill on consolidation of subsidiaries is included in intangible assets on the balance sheet. Premium on consolidation of associates is included in investments in associates.

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

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

Goodwill is initially 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 associate, the attributable amount of goodwill 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 application. Costs associated with maintaining computer software applications are recognised as expense when incurred. Costs that are directly associated with the software application development stage are recognised as intangible assets. Costs directly associated with software application development include employee payroll and payroll related costs.

Computer software applications recognised as intangible assets are amortised using the straight-line method over their useful lives which range from three (3) to seven (7) years.

(iii) Other Intangible Assets

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. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are also reviewed at least at each balance sheet date.

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 an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

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 liabilities on the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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 is stated at fair value and any gain or loss arising from a change in their fair values or the derecognition of these securities 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.

(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.

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

(i) Fair Value Hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the income statement. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the expected life of the hedged item.

(ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are released to the income statement in the periods when the hedged forecast transactions affect the income statement. If the hedged forecast transactions result in the recognition of a non-financial asset or a non-financial liability, the gain and loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset or liability.

(iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of its foreign operations. The hedge is accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion of the hedge are recognised in the income statement. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Allowance for Doubtful Debts And Financing

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing. Allowance for bad and doubtful debts and financing are made based on management's evaluation of the portfolio of loans, advances and financing, 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 a percentage of total outstanding loans (including accrued interest), net of specific allowance for bad and doubtful debts, is maintained by the Group against risks which are not specifically identified.

In addition, a general allowance based on set percentages of the net increase in other 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 general allowance for other receivables, 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 in conformity with the revised BNM/GP3, guidelines on the "Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. Consistent with previous years, 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.

Accordingly, the Group adopted a more stringent basis for specific allowances on non-performing loans 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%) 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 is 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.

(ii) Specific allowance of 20% is provided on non-performing loans which are three (3) to less than six (6) months-in-arrears.

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'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 and are as follows:

(i) Specific allowance is made against bad and doubtful receivables at rates of 100% and 50%, 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 specific allowance.

(ii) Interest income accrued on these accounts is suspended when they are considered non-performing in accordance with Schedule 7 of the Rules of Bursa Malaysia.

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

	Criteria for classification as non-performing	
Types	**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+3 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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 SPVs, which are funded through the issuance of bonds secured by the receivables.

When an indication of impairment exists, the carrying value 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, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. 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.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Freehold land has an unlimited life and therefore, is not depreciated. Leasehold buildings are 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, plant and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
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%

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.

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 belonging to the life insurance fund of the Group are stated at cost and include related and incidental expenditure incurred. Subsequent to initial recognition, these 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.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments and 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.

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 securities available-for-sale in which there is objective evidence of impairment which is other than temporary, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses recognised in the income statement for investments in equity instruments classified as available-for-sale are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss 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 reversal 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 period.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Bills and Acceptances Payable

The Group's bills and acceptances payable represent the investment banking and commercial banking subsidiaries' 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 Group represent contra gains owing to non-margin clients and outstanding sale contracts which were entered into on behalf of clients where settlement has yet to be made. The credit term for trade settlement 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 methods that most accurately reflect the actual unexpired risks used are 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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

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 the 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 statements of changes in equity in the period in which they are declared.

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

Provisions for Commitments and Contingencies

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

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

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. The Group makes provision for a contingent liability when it is probable that an outflow of resources embodying economic benefits is required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

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 dividend, interest income and other operating income.

Interest and Financing Income and Expense Recognition

Interest income is recognised on an accrual basis on effective interest method. Interest income includes the amortisation of premiums or accretion of discounts. Interest and financing income on securities are recognised on an effective yield basis.

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, which are either daily or monthly. Interest and financing income from hire purchase financing and block discounting of the Group is recognised using the 'sum-of-digits' method.

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.

Income from Islamic banking financing is recognised on an accrual basis in compliance with Bank Negara Malaysia Guidelines.

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's 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.

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Interest and Financing Income and Expense Recognition (contd.)

The policy on recognition of interest income on loans and advances is in conformity with BNM's 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 expensed as incurred while block discounting finance charges are accrued using the 'sum-of-digits' method.

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 based on contractual arrangements. Guarantee fees are recognised as income over the duration of the guarantee period.

Fees from advisory and corporate finance activities are recognised net of service taxes and discounts 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. Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold.

All gains or losses on disposal of non-performing loans are recognised in the income statement based on contractual arrangements. 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.

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 income on assumption of risks and subsequent premiums are recognised on due dates. Premiums outstanding at balance sheet date are recognised as income for the period, provided it is still within the grace period allowed for payment.

Rental income and equipment and property rental are recognised on an accrual basis.

Employee Benefits

(i) Short-term Employee Benefits

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

(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.

Share-based Compensation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

Income Taxes

Tax expense 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 is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided, using the balance sheet 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. Deferred tax is not provided for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been 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, subsidiaries and associates, 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 translation 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.

(iii) Foreign Operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of subsidiaries and associates expressed in foreign currencies are translated into RM at the rates of exchange ruling at the balance sheet date while the income statement is translated into RM at the average exchange rate for the year, which approximates the exchange rates at the dates of the transactions. The resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent entity and are recorded in RM at the rates prevailing at the date of acquisition.

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

	31.3.2010	31.3.2009
Singapore Dollar (SGD)	2.33	2.39
United States Dollar (USD)	3.26	3.64
Indonesia Rupiah (IDR)	0.0004	0.0003
Hong Kong Dollar (HKD)	0.42	0.47
Brunei Dollar (BND)	2.33	2.39

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. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and 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 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.

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 periodically 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 of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and growth rate, may significantly affect the results of the impairment test.

(c) Impairment of Other Intangible Assets

The Group's intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires the management to analyse the circumstances, the industry and market practice and also to use judgement. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying value of the asset with its recoverable amount.

(d) Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices or independent dealer quotes for similar instruments and discounted cash flow method.

(e) 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. An 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 portions could be sold separately, the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on each individual property to determine whether ancillary services are so significant that the property does not qualify as an investment property.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (contd.)

(f) Deferred Tax and Income Taxes

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

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

(g) Allowances for Bad and Doubtful Loans and Financing

Doubtful loans, advances and financing are reviewed at each reporting date to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans and the estimation of realisable amount from the doubtful loans when determining the level of allowance required.

The Group has adopted certain criteria in the identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than three (3) months. Specific allowances for doubtful loans are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sales value, as appropriate in conformity with BNM guidelines.

In addition to the specific allowances made, the Group also make general allowance against exposure not specifically identified based on a percentage of total outstanding loans (including accrued interest), net of specific allowance for bad and doubtful debts. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

5. CASH AND SHORT-TERM FUNDS

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and bank balances	604,230	7,739	548,955	1,251
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	395,718	-	282,786
Others	1,321,088	-	726,391	-
Licensed investment banks:				
Others	100,000	-	80,000	-
Bank Negara Malaysia	9,592,900	-	15,589,750	-
Other financial institutions	9,234	-	3,485	-
	11,627,452	403,457	16,948,581	284,037

Included in the above are interbank lendings of RM10,916,061,000 (2009: RM16,536,853,000) for the Group and short-term deposits and money held on behalf of remisiers and clients amounting to approximately RM226,920,000 (2009: RM219,432,000) for the Group.

As at 31 March 2010, the net interbank borrowing and lending position of the Group is as follows:

	Group	
	2010 RM'000	2009 RM'000
Interbank lendings		
Cash and short-term funds	10,916,061	16,536,853
Deposits with financial institutions (Note 7)	1,728,501	-
	12,644,562	16,536,853
Interbank borrowings (Note 22)	(96,730)	(93,435)
Net interbank lendings	12,547,832	16,443,418

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Group	
	2010 RM'000	2009 RM'000
Licensed banks:		
Others	16,992	16,807
	16,992	16,807

All of the securities purchased under resale agreements in the current and previous financial years were in respect of money held on behalf of remisiers and clients.

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Licensed banks:				
Subsidiary	-	8,962	-	16,986
Others	330,398	-	45,687	-
Bank Negara Malaysia	1,500,100	-	100	-
Other financial institutions	1,007	-	239	-
	1,831,505	8,962	46,026	16,986

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

Included in the above is an amount of RM200,000 (2009: RM200,000) made in favour of the Accountant General pursuant to Section 3(f) of the Trust Companies Act, 1949.

Included in the above are interbank lendings of RM1,728,501 (2009: RM NIL) for the Group.

8. SECURITIES HELD-FOR-TRADING

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
At Fair Value				
Money Market Securities:				
Treasury Bills	19,551	-	-	-
Islamic Treasury Bills	39,141	-	-	-
Malaysian Government Securities	154,746	-	999,652	-
Malaysian Government Investment Certificates	452,188	-	4,065	-
Bank Negara Monetary Notes	306,008	-	-	-
Sukuk Bank Negara Malaysia	14,990	-	-	-
Islamic Khazanah bonds	-	-	991	-
	986,624	-	1,004,708	-
Quoted Securities:				
In Malaysia:				
Shares	86,852	-	28,164	-
Trust units	5,303	-	2,923	-
Warrants	1,934	-	-	-
Outside Malaysia:				
Shares	4,239	-	1,668	-
	98,328	-	32,755	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds	-	20,000	-	20,000
Corporate notes	191,407	-	98,438	-
Islamic corporate bonds	100,441	-	-	-
Islamic corporate notes	322,009	-	248,567	-
Outside Malaysia:				
Corporate bonds	14,632	-	15,405	-
	628,489	20,000	362,410	20,000
Total	1,713,441	20,000	1,399,873	20,000

9. SECURITIES AVAILABLE-FOR-SALE

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
At Fair Value				
Money Market Securities:				
Malaysian Government Securities	427,258	-	32,948	-
Malaysian Government Investment Certificates	76,005	-	36,025	-
Negotiable instruments of deposits	2,579,057	-	150,171	-
Negotiable Islamic debt certificates	577,330	-	29,190	-
Islamic Khazanah Bonds	37,890	-	36,945	-
	3,697,540	-	285,279	-
Quoted Securities:				
In Malaysia:				
Shares	136,378	-	163,175	-
Trust units	1,149,180	53,273	329,472	-
Outside Malaysia:				
Shares	21,847	-	25,857	-
Trust units	1,754	-	1,811	-
	1,309,159	53,273	520,315	-
Unquoted Securities:				
In Malaysia:				
Shares	21,476	2,583	22,871	3,978
Outside Malaysia:				
Shares	17,848	-	17,848	-
	39,324	2,583	40,719	3,978
Quoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	14,380	-	25,751	-
Loan stocks	2,326	-	3,096	-
Corporate bonds	332	-	332	-
Outside Malaysia:				
Shares	104	-	40	-
	17,142	-	29,219	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds	1,045,019	-	630,303	-
Islamic corporate bonds	676,831	-	1,064,297	-
Corporate notes	338,435	-	1,408,277	-
Islamic corporate notes	1,557,236	-	2,055,719	-
Outside Malaysia:				
Corporate bonds	7,941	-	95,578	-
Islamic corporate bonds	39,333	-	43,753	-
	3,664,795	-	5,297,927	-
Unquoted Guaranteed Private Debt Securities:				
In Malaysia:				
Islamic corporate bonds	82,726	-	85,176	-
Corporate bonds	342,452	-	367,780	-
	425,178	-	452,956	-
Accumulated impairment losses	(59,282)	-	(361)	-
Total	9,093,856	55,856	6,626,054	3,978

Included in trust units of the Group and Company are units managed by its subsidiary amounting to RM850 million (2009: RM NIL) and RM50 million (2009: RM NIL) respectively.

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

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

10. SECURITIES HELD-TO-MATURITY

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Quoted Securities:				
In Malaysia:				
Shares	2	-	2	-
Trust units	-	-	1,000	-
	2	-	1,002	-
Unquoted Securities:				
In Malaysia:				
Shares	103,118	-	102,958	-
Corporate bonds	100	-	959	-
Islamic corporate bonds	-	-	29,164	-
Outside Malaysia:				
Shares	2,247	-	4,330	-
Islamic corporate bonds	-	-	7,291	-
	105,465	-	144,702	-
Quoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	40	-	40	-
Loan stocks - collateralised	41,915	-	127,675	-
Loan stocks - with options	-	-	1,825	-
Corporate bonds - collateralised	33,172	-	33,172	-
	75,127	-	162,712	-
Unquoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	3,027	-	3,027	-
Loan stocks	41,419	-	58,104	-
Loan stocks - collateralised	314,279	-	334,036	-
Corporate bonds - collateralised	149,200	-	159,083	-
Corporate bonds	45,300	-	81,926	-
	553,225	-	636,176	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds and notes denominated in USD	4,961	-	-	-
Corporate bonds	-	575,000	-	-
Corporate notes	30,370	-	32,700	-
Islamic corporate bonds	139,435	-	177,096	-
	174,766	575,000	209,796	-
Unquoted Guaranteed Private Debt Securities:				
In Malaysia:				
Corporate bonds	10,000	-	10,000	-
	918,585	575,000	1,164,388	-
Accumulated impairment losses	(355,842)	-	(384,179)	-
Total	562,743	575,000	780,209	-

The corporate bonds of RM575 million of the Company represent RM575 million nominal value of 10-year unsecured subordinated exchangeable bonds issued by AmBank. Further details are provided in Note 27(d).

10. SECURITIES HELD-TO-MATURITY (contd.)

	Group	
	2010 RM'000	2009 RM'000
Market/Indicative value		
Quoted Securities:		
In Malaysia:		
Shares	-	1
Trust units	-	1,010
Unquoted Securities:		
In Malaysia:		
Shares	87,663	101,910
Corporate bonds	-	859
Islamic corporate bonds	-	28,525
Outside Malaysia:		
Shares	86	2,931
Islamic corporate bonds	-	6,934
Quoted Debt Equity Converted Securities:		
In Malaysia:		
Shares	22	16
Loan stocks - collateralised	80,591	68,071
Loan stocks - with options	9,890	21,346
Corporate bonds - collateralised	19,186	19,080
Unquoted Private Debt Securities:		
In Malaysia:		
Islamic corporate bonds	142,666	179,796
Unquoted Guaranteed Private Debt Securities:		
In Malaysia:		
Corporate bonds	10,000	10,049

11. LOANS, ADVANCES AND FINANCING

	Group	
	2010 RM'000	2009 RM'000
Loans and financing:		
Term loans and revolving credit *	23,874,032	18,059,567
Housing loans	11,750,125	11,485,193
Staff loans	167,526	175,518
Hire-purchase receivables	30,529,711	29,503,323
Credit card receivables	1,782,020	1,867,505
Lease receivables	1,142	1,236
Overdrafts	1,934,446	1,735,296
Claims on customers under acceptance credits	2,788,014	2,368,892
Trust receipts	387,309	373,871
Block discount receivables	57,928	60,556
Factoring receivables	57,143	51,906
Bills receivable	115,140	47,442
	73,444,536	65,730,305
Less: Unearned interest and income	7,161,411	6,961,346
Total	66,283,125	58,768,959
Less: Allowance for bad and doubtful debts and financing		
General	1,003,472	899,517
Specific	853,733	921,611
	1,857,205	1,821,128
Net loans, advances and financing	64,425,920	56,947,831

* Included in term loans and revolving credit of the Group as at 31 March 2010 is financing amounting to RM210,618,521 (31 March 2009: RM NIL) which are exempted from general allowance by Bank Negara Malaysia.

11. LOANS, ADVANCES AND FINANCING (contd.)

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

	Group	
	2010 RM'000	2009 RM'000
Maturing within one year	11,784,629	10,019,751
One to three years	6,874,762	5,746,939
Three to five years	11,204,955	8,334,289
Over five years	36,418,779	34,667,980
	66,283,125	58,768,959

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

	Group				
	2010		2009		
	RM'000	%	RM'000	%	Loans Growth
Purchase of transport vehicles	25,570,990	38.4	24,349,948	40.8	
Purchase of landed properties:					
(a) Residential	11,240,667	16.9	11,316,431	19.0	
(b) Non-residential	3,793,077	5.7	2,878,021	4.8	
Working capital	11,286,987	16.9	9,437,443	15.8	
Personal use	2,336,028	3.5	2,324,241	3.9	
Fixed assets	1,347,210	2.0	1,815,104	3.0	
Credit cards	1,724,492	2.6	1,844,448	3.1	
Purchase of securities	2,565,713	3.9	1,882,498	3.2	
Construction	1,562,623	2.3	1,127,824	1.9	
Mergers and acquisitions	1,350,421	2.0	346,203	0.6	
Consumer durables	2,959	0.0	933	0.0	
Other purposes	3,847,696	5.8	2,351,668	3.9	
	66,628,863	100.0	59,674,762	100.0	
Less: Islamic financing sold to Cagamas Berhad	345,738		905,803		
Gross loans, advances and financing	66,283,125		58,768,959		12.8%

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

	Group	
	2010 RM'000	2009 RM'000
Domestic:		
Other non-bank financial institutions	313,228	292,678
Business enterprises:		
Small and medium enterprises	7,221,486	6,693,845
Others	17,547,805	12,461,841
Government and statutory bodies	253,528	69,506
Individuals	40,402,428	38,701,457
Other domestic entities	3,021	20,037
Foreign entities	541,629	529,595
	66,283,125	58,768,959

11. LOANS, ADVANCES AND FINANCING (contd.)

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

	Group	
	2010 RM'000	2009 RM'000
Variable rate:		
BLR-plus	17,433,703	15,164,753
Cost-plus	9,706,769	7,449,634
Other variable rates	1,323,736	1,047,344
	28,464,208	23,661,731
Fixed rate:		
Housing loans	2,019,245	2,256,505
Hire purchase receivables	25,478,064	24,488,938
Other fixed rates	10,321,608	8,361,785
	37,818,917	35,107,228
	66,283,125	58,768,959

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

	Group	
	2010 RM'000	2009 RM'000
Gross		
Balance at beginning of year	2,426,458	3,602,479
Non-performing during the year	1,030,338	1,165,774
Reclassification to performing loans and financing	(452,389)	(578,161)
Recoveries	(198,611)	(386,347)
Amount written-off	(940,038)	(1,395,908)
Repurchase of loans	-	19,554
Debt equity conversion	-	(933)
Balance at end of year	1,865,758	2,426,458
Less: Specific allowance	(853,733)	(921,611)
Non-performing loans and financing - net	1,012,025	1,504,847
Ratios of non-performing loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) - net	1.5%	2.6%
Loan loss coverage excluding collateral values	99.5%	75.1%

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

	Group			
	2010		2009	
	RM'000	%	RM'000	%
Working capital	303,063	16.3	450,015	18.6
Purchase of landed properties:				
Residential	635,128	34.0	924,484	38.1
Non-residential	154,644	8.3	220,630	9.1
Purchase of transport vehicles	437,477	23.4	453,501	18.7
Construction	132,835	7.1	148,954	6.1
Purchase of securities	51,643	2.8	66,818	2.8
Credit cards	56,343	3.0	70,209	2.9
Fixed assets	12,641	0.7	27,393	1.1
Personal use	46,545	2.5	19,163	0.8
Consumer durables	396	0.0	550	0.0
Other purpose	35,043	1.9	44,741	1.8
	1,865,758	100.0	2,426,458	100.0

11. LOANS, ADVANCES AND FINANCING (contd.)

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

	Group	
	2010 RM'000	2009 RM'000
General allowance		
Balance at beginning of year	899,517	845,225
Allowance during the year	104,924	53,561
Exchange fluctuation adjustments	(969)	731
Balance at end of year	1,003,472	899,517
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less specific allowances	1.5%	1.5%
Specific allowance		
Balance at beginning of year	921,611	1,579,255
Allowance during the year	1,205,040	1,043,753
Amount written back in respect of recoveries and reversals	(336,980)	(383,672)
Net charge to income statements	868,060	660,081
Amount written off	(936,526)	(1,333,350)
Repurchase of loans	-	17,508
Debt equity conversion	-	(933)
Reclassification from sundry receivables	-	4
Exchange fluctuation adjustments	-	2
Adjustment to deferred asset account	588	(956)
Balance at end of year	853,733	921,611

12. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Group and its customer to transfer, modify or reduce their foreign exchange and interest rate risks via hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the hedge effectiveness criteria. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 48.

The table below shows the Group's derivative financial intruments as at the balance sheet date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at balance sheet are analysed below. These values are stand-alone without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group.

	2010			2009		
Group	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
Trading derivative						
Interest rate related contracts:						
Interest rate futures	160,000	2,587	-	60,000	1,507	-
Interest rate swaps	21,440,650	174,433	188,058	19,988,341	341,673	329,538
Foreign exchange ralated contracts:						
Currency forward	3,227,699	36,599	47,941	824,899	29,552	11,861
Currency option	514,758	2,752	-	-	-	-
Equity related contracts:						
Options	592,830	12,809	7,586	515,598	9,496	26,036
Equity futures	28,173	-	467	8,262	-	-
Cross currency swaps	531,127	7,757	39,370	610,213	607	49,650
Warrant	52,011	-	31,813	-	-	-
	26,547,248	236,937	315,235	22,007,313	382,835	417,085
Hedging derivative						
Interest rate related contracts:						
Interest rate swaps	9,732,400	106,706	77,742	4,624,100	100,098	170,678
	36,279,648	343,643	392,977	26,631,413	482,933	587,763
		Note 53 (e)			Note 53 (e)	

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.

13. OTHER ASSETS

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade receivables, net of allowance for doubtful debts for the Group of RM56,748,000 (2009: RM55,878,000)	864,046	-	399,788	-
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM21,759,000 (2009: RM10,591,000)	571,737	1,200	891,530	29,837
Interest receivables on treasury assets, net of allowance for doubtful debts for the Group of RM2,607,000 (2009: RM NIL)	278,917	1,131	117,778	494
Fee receivables, net of allowance for doubtful debts for the Group of RM694,000 (2009: RM5,950,000)	40,261	-	39,832	-
Amount due from agents, brokers and reinsurers, net of allowance for the Group of RM7,321,000 (2009: RM9,130,000)	24,553	-	37,533	-
Amount due from originators	22,793	-	25,789	-
Foreclosed properties net of allowance for impairment in value for the Group of RM115,556,000 (2009: RM97,950,000)	151,922	-	181,372	-
Deferred assets	34,744	-	34,744	-
	1,988,973	2,331	1,728,366	30,331

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

Amount due from originators represents housing loans, hire purchase and leasing receivables acquired from the originators for onward sale to Cagamas Berhad as mentioned in Note 25.

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

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

	Group	
	2010 RM'000	2009 RM'000
Deferred assets are as follows:		
Arising from takeover of Kewangan Usahasama Makmur Berhad	34,744	34,744

14. 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 subsidiaries are maintained with Bank Negara Malaysia 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.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RM'000	2009 RM'000
At cost		
In Malaysia:		
Unquoted shares	6,204,678	6,204,678

The subsidiaries, all incorporated in Malaysia, except for PT. AmCapital Indonesia, which is incorporated in Indonesia, AmSecurities (H.K.) Limited and AmTrade Services Limited which are incorporated in Hong Kong, AmCapital (B) Sdn Bhd which is incorporated in Brunei and AmFraser International Pte. Ltd. and its subsidiaries which are incorporated in Singapore, are as follows:

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
	Principal Activities	2010 RM'000	2009 RM'000	2010 %	2009 %
Direct Subsidiaries					
Unquoted					
AmInvestment Group Berhad ("AIGB")	Investment holding	173,200	173,200	100.00	100.00
AMFB Holdings Berhad ("AMFB")	Investment holding	821,516	821,516	100.00	100.00
AMAB Holdings Sdn Bhd ("AMAB Holdings")	Investment holding	264,000	264,000	100.00	100.00
AmManagement Services Sdn Bhd#	Dormant	-	-**	-	100.00
Indirect Subsidiaries					
Unquoted					
AmInvestment Bank Berhad ("AmInvestment Bank")	Investment banking	200,000	200,000	100.00	100.00
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	10,000	10,000	100.00	100.00
AmIslamic Bank Berhad ("AmIslamic Bank")	Islamic banking	403,038	403,038	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	670,364	670,364	100.00	100.00
Arab-Malaysian Credit Berhad	Leasing, hire-purchase and loan financing	288,500	288,500	100.00	100.00
AmLife Insurance Berhad	Life assurance	100,000	100,000	70.00	70.00
AmG Insurance Berhad ("AmG")	General assurance	230,000	230,000	51.00	51.00
AMSEC Holdings Sdn Bhd	Dormant	100,000	100,000	100.00	100.00
AmInvestment Services Berhad ("AIS")	Managing unit trust funds	5,539	5,539	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management	2,000	2,000	100.00	100.00
AmIslamic Funds Management Sdn Bhd ("AmFM")	Islamic funds management	3,000	2,000	100.00	100.00
AMMB Consultant Sdn Bhd	Dormant	500	500	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100.00	100.00
AmProperty Trust Management Berhad ("AmPTMB")	Dormant	500	500	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding	6	6	80.00	80.00
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100.00	100.00
AMCB Mezzanine Sdn Bhd @	Dormant	400	400	100.00	100.00
AmTrustee Berhad ("AmTrustee")	Trustee services	500	500	80.00	80.00
Arab-Malaysian Services Berhad (in members' voluntary winding-up)	Dormant	6,000	6,000	70.00	70.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	100.00	100.00
South Johor Securities Nominees (Tempatan) Sdn Bhd @	Dormant	-**	-**	100.00	100.00
South Johor Securities Nominees (Asing) Sdn Bhd @	Dormant	-**	-**	100.00	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	100.00	100.00
AmFutures Sdn Bhd ("AmFutures")	Futures broking	15,000	15,000	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")	Publishing and selling research materials and reports	500	500	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-**	-**	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	-**	-**	100.00	100.00
AMMB Properties Sdn Bhd#	Dormant	-	-**	-	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Management of private equity fund	500	500	100.00	100.00

15. INVESTMENTS IN SUBSIDIARIES (contd.)

	Principal Activities	Issued and Paid-up Ordinary Capital 2010 RM'000	Issued and Paid-up Ordinary Capital 2009 RM'000	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %
Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings")	Investment holding	1,000	1,000	70.00	70.00
Am ARA REIT Managers Sdn Bhd ("Am ARA REIT Managers")	Management of real estate investment trusts	1,000	1,000	70.00	70.00
Annling Sdn Bhd#	Dormant	-	3,347	-	100.00
Everflow Credit & Leasing Corporation Sdn Bhd	Dormant	684	684	100.00	100.00
MBf Information Services Sdn Bhd	Rental of computer equipment and provision of related support services	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	-	11,284	-	100.00
MBf Nominees (Asing) Sdn Bhd#	Dormant	-	138	-	100.00
Lekir Development Sdn Bhd#	Dormant	-	4,249	-	100.00
Li & Ho Sdn Bhd#	Dormant	-	4,908	-	100.00
Teras Oak Pembangunan Sendirian Berhad	Dormant	4,700	4,700	100.00	100.00
AmCredit & Leasing Sdn Bhd	Dormant	3,892	3,892	100.00	100.00
Crystal Land Sdn Bhd#	Dormant	-	3,763	-	97.87
Bougainvillaea Development Sdn Bhd	Property investment	11,000	11,000	100.00	100.00
Malco Properties Sdn Bhd	Dormant	417	417	81.51	81.51
Komuda Credit & Leasing Sdn Bhd	Dormant	14,259	14,259	100.00	100.00
Natprop Sdn Bhd @	Dormant	72,010	72,010	100.00	100.00
AmPremier Capital Berhad ("AmPremier")	Issue of subordinated securities	-**	-**	100.00	100.00
Economical Enterprises Sendirian Berhad	Dormant	535	535	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	1	1	100.00	100.00
		BND'000	**BND'000**	**%**	**%**
AmCapital (B) Sdn Bhd	Asset management and investment advisory services	1,000	1,000	100.00	100.00
		USD'000	**USD'000**	**%**	**%**
AMMB Labuan (L) Ltd	Dormant	200	200	100.00	100.00
AmInternational (L) Ltd ("AMIL")	Offshore banking	10,000	10,000	100.00	100.00
AmCapital (L) Inc	Dormant	-***	-***	100.00	100.00
AMBB Capital (L) Ltd	Issue of Hybrid capital securities	-***	-***	100.00	100.00
		IDR'000	**IDR'000**	**%**	**%**
PT. AmCapital Indonesia* ("AMCI")	Stock-broking, underwriting and investment management	146,186,000	146,186,000	99.00	99.00
		HKD'000	**HKD'000**	**%**	**%**
AmSecurities (H.K.) Limited^	Dormant	33,000	33,000	100.00	100.00
AmTrade Services Limited^	Trade finance services	-****	-****	100.00	100.00
		SGD'000	**SGD'000**	**%**	**%**
AmFraser International Pte. Ltd. ^^	Investment holding	18,910	18,910	100.00	100.00
AmFraser Securities Pte. Ltd. ^^	Stock and share broking	32,528	32,528	100.00	100.00
Fraser Financial Planners Pte. Ltd. ^^	Dormant	1,000	1,000	100.00	100.00
Fraser Financial Services Pte. Ltd. ^^	Dormant	200	200	100.00	100.00
Fraser-AMMB Research Pte. Ltd. ^^	Dormant	500	500	100.00	100.00
AmFraser Nominees Pte. Ltd. ^^	Nominee services	1	1	100.00	100.00

* Subsidiary not audited by Ernst & Young.
** Subsidiary with an issued and paid-up ordinary capital of RM2.00.
*** Subsidiary with an issued and paid-up ordinary capital of USD3.00.
**** Subsidiary with an issued and paid-up ordinary capital of HKD2.00.
^ Subsidiary audited by a firm affiliated with Ernst & Young.
^^ Subsidiary audited by a firm affiliated with Ernst & Young with effect from the financial year ended 31 March 2010.
# Subsidiary (non-operating) struck off from Register of Companies Commission of Malaysia ("CCM") and dissolved pursuant to Section 308 of the Companies Act, 1965 during the financial year.
@ Subsidiary (non-operating) applied to CCM for striking off its name from Register of CCM pursuant to Section 308 of the Companies Act, 1965 during the financial year and the application is pending CCM's consent.

16. INVESTMENT IN JOINTLY CONTROLLED COMPANY

	Group	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost	958	592
Share in net post acquisition (loss) of jointly controlled company	(958)	(212)
	-	380

As at 31 March 2010, the carrying value of the investment in the jointly controlled company is represented by:

	Group	
	2010 RM'000	2009 RM'000
Group's share of aggregate net tangible assets	-	380

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

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
Incorporated in Singapore	**Principal Activities**	**2010 SGD'000**	**2009 SGD'000**	**2010 %**	**2009 %**
AmKonzen Water Investments Management Pte Ltd	Private equity fund management	500	100	50.00	50.00

17. INVESTMENT IN ASSOCIATE

	Group	
	2010 RM'000	2009 RM'000
Share in net post acquisition profit of associate	1,301	1,301

As at 31 March 2010, the carrying values of the investments in associate is represented by:

	Group	
	2010 RM'000	2009 RM'000
Group's share of aggregate net tangible assets	1,301	1,301

The associate, unquoted and held through AmInvestment Bank Berhad and Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") is as follows:

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
Incorporated in Malaysia	**Principal Activities**	**2010 RM'000**	**2009 RM'000**	**2010 %**	**2009 %**
Malaysian Ventures (Two) Sdn Bhd (under members' voluntary liquidation)	Ceased operations	19	19	34.67	34.67

18. PREPAID LAND LEASE PAYMENTS

2010 Group

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
Cost			
At beginning of year	8,065	534	8,599
Reclassification/Transfer	(163)	-	(163)
At end of year	7,902	534	8,436
Accumulated Amortisation			
At beginning of year	1,460	239	1,699
Amortisation for the year	147	11	158
Reclassification/Transfer	(25)	-	(25)
At end of year	1,582	250	1,832
Accumulated impairment loss			
At beginning of year	254	-	254
At end of year	254	-	254
Carrying Amount			
As at 31 March 2010	6,066	284	6,350

2009 Group

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
Cost			
At beginning of year	8,065	534	8,599
At end of year	8,065	534	8,599
Accumulated Amortisation			
Balance at beginning of year	1,312	228	1,540
Amortisation for the year	148	11	159
At end of year	1,460	239	1,699
Accumulated impairment loss			
Impairment loss for the year	254	-	254
At end of year	254	-	254
Carrying Amount			
As at 31 March 2009	6,351	295	6,646

19. PROPERTY AND EQUIPMENT

2010 Group

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
Cost							
At beginning of year	12,394	67,250	17,392	219,188	526,195	182,230	1,024,649
Additions	-	-	1,574	6,371	107,273	6,981	122,199
Disposals	-	-	(1,967)	(5)	(8,426)	(3,516)	(13,914)
Written off	-	-	(962)	(112,729)	(88,315)	(25,647)	(227,653)
Reclassification/Transfer	-	(327)	-	(469)	(60,744)	(594)	(62,134)
Exchange adjustments	-	(49)	(20)	61	(124)	(196)	(328)
At end of year	12,394	66,874	16,017	112,417	475,859	159,258	842,819
Accumulated Depreciation							
At beginning of year	243	16,384	10,753	178,478	434,289	153,867	794,014
Depreciation for the year	382	922	1,760	14,808	25,738	11,214	54,824
Disposals	-	-	(1,869)	(5)	(3,515)	(3,134)	(8,523)
Written off	-	-	(962)	(112,713)	(88,308)	(25,611)	(227,594)
Reclassification/Transfer	-	(49)	-	(460)	(427)	(435)	(1,371)
Exchange adjustments	-	(13)	(24)	53	(136)	(196)	(316)
At end of year	625	17,244	9,658	80,161	367,641	135,705	611,034
Accumulated impairment loss							
At beginning of year	1,350	886	-	-	-	-	2,236
At end of year	1,350	886	-	-	-	-	2,236
Carrying Amount							
As at 31 March 2010	10,419	48,744	6,359	32,256	108,218	23,553	229,549
Property and equipment that have been fully depreciated which are still in use are as follows:							
At Cost	-	-	5,020	43,601	321,118	106,914	476,653

2009 Group

Cost							
At beginning of year	13,090	67,275	16,933	205,842	496,505	179,144	978,789
Additions	-	-	3,779	9,355	60,602	8,144	81,880
Disposals	(696)	(82)	(3,361)	(321)	(4,107)	(711)	(9,278)
Written off	-	-	-	(87)	(1,462)	(491)	(2,040)
Reclassification/Transfer	-	(1)	-	4,456	(25,585)	(4,121)	(25,251)
Exchange adjustments	-	58	41	(57)	242	265	549
At end of year	12,394	67,250	17,392	219,188	526,195	182,230	1,024,649
Accumulated Depreciation							
At beginning of year	-	15,526	11,573	160,756	419,291	146,026	753,172
Depreciation for the year	346	926	1,865	14,984	20,385	11,980	50,486
Disposals	(103)	(82)	(2,705)	(319)	(4,123)	(700)	(8,032)
Written off	-	-	-	(71)	(1,457)	(472)	(2,000)
Reclassification/Transfer	-	-	1	3,166	(29)	(3,214)	(76)
Exchange adjustments	-	14	19	(38)	222	247	464
At end of year	243	16,384	10,753	178,478	434,289	153,867	794,014
Accumulated impairment loss							
Impairment loss for the year	1,350	886	-	-	-	-	2,236
At end of year	1,350	886	-	-	-	-	2,236
Carrying Amount							
As at 31 March 2009	10,801	49,980	6,639	40,710	91,906	28,363	228,399
Property and equipment that have been fully depreciated which are still in use are as follows:							
At Cost	-	-	6,845	135,139	390,646	131,963	664,593

19. PROPERTY AND EQUIPMENT (contd.)

2010 Company

	Motor vehicles RM'000	Total RM'000
Cost		
At beginning of year	2,686	2,686
Disposals	(587)	(587)
At end of year	2,099	2,099
Accumulated Depreciation		
At beginning of year	642	642
Depreciation for the year	316	316
Disposals	(489)	(489)
At end of year	469	469
Carrying Amount		
As at 31 March 2010	1,630	1,630

2009 Company

	Motor vehicles RM'000	Total RM'000
Cost		
At beginning of year	1,383	1,383
Additions	1,389	1,389
Disposals	(86)	(86)
At end of year	2,686	2,686
Accumulated Depreciation		
At beginning of year	483	483
Depreciation for the year	245	245
Disposals	(86)	(86)
At end of year	642	642
Carrying Amount		
As at 31 March 2009	2,044	2,044

20. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Group	
	2010 RM'000	2009 RM'000
(a) Goodwill	1,732,500	1,730,935
(b) Computer software	92,992	77,166
	1,825,492	1,808,101

The movements in intangible assets are as follows:

(a) Goodwill

	Group	
	2010 RM'000	2009 RM'000
At beginning of year	1,730,935	1,732,872
Adjustment to goodwill of AmLife	1,565	-
Arising from disposal of 19% equity interest in AMG	-	(1,937)
At end of year	1,732,500	1,730,935

20. INTANGIBLE ASSETS (contd.)

Impairment tests for goodwill

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

	Group	
	2010 RM'000	2009 RM'000
Investment Banking	557,931	557,931
Commercial and retail	1,105,598	1,105,598
Islamic banking	53,482	53,482
Insurance	15,489	13,924
	1,732,500	1,730,935

The recoverable amount of the CGU, which are the reportable business segments, is based on their value in use, computed by discounting the expected future cash flows of the units. The key assumptions for the computation of value in use include the discount rates and growth rates applied. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. The discount rates applied for the financial year ranged from 9.4% to 14.7%. Cash flow projection is based on the most recent five-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the sixth to tenth years are extrapolated using the growth rate of 3.0% to extrapolate cash flows beyond the projected years. The growth rate does not exceed the long-term average growth rate for the market in which the businesses operate. Impairment is recognised in the income statement when the carrying amount of a cash-generating unit exceeds its recoverable amounts.

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

(b) Computer software

	Group	
	2010 RM'000	2009 RM'000
Cost		
At beginning of year	255,415	220,968
Additions	46,915	11,028
Disposals	(597)	(22)
Reclassification/Transfer	260	24,460
Written off	(20,380)	(1,003)
Exchange adjustments	59	(16)
At end of year	281,672	255,415
Accumulated Amortisation		
At beginning of year	178,249	151,855
Amortisation for the year	30,790	27,411
Disposals	(317)	(22)
Reclassification/Transfer	311	20
Written off	(20,378)	(1,003)
Exchange adjustments	25	(12)
At end of year	188,680	178,249
Carrying Amount	92,992	77,166

21. DEPOSITS FROM CUSTOMERS

	Group	
	2010 RM'000	2009 RM'000
Term/Investment deposits	59,883,117	56,236,938
Savings deposits	3,985,055	3,581,219
Current deposits	4,386,833	3,173,901
Negotiable instruments of deposits	447,757	940,023
Other deposits	171,350	199,425
	68,874,112	64,131,506

The maturity structure of deposits from customers is as follows:

	Group	
	2010 RM'000	2009 RM'000
Due within six months	57,920,834	50,872,152
Six months to one year	7,116,698	10,394,563
One to three years	2,213,203	2,235,751
Three to five years	1,623,377	629,040
	68,874,112	64,131,506

The deposits are sourced from the following types of customers:

	Group	
	2010 RM'000	2009 RM'000
Individuals	26,828,735	25,510,224
Business enterprises	29,588,517	26,311,197
Government	11,240,282	10,915,816
Others	1,216,578	1,394,269
	68,874,112	64,131,506

22. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

Deposits and placements by type of banks and financial institutions are as follows:

	Group	
	2010 RM'000	2009 RM'000
Deposits from:		
Licensed banks	411,440	1,606,628
Licensed investment banks	512,060	670,675
Bank Negara Malaysia	902,577	908,666
Other financial institutions	2,489,199	2,949,440
	4,315,276	6,135,409

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

	Group	
	2010 RM'000	2009 RM'000
Negotiable instruments of deposits	873,509	2,725,248
Interbank borrowings	96,730	93,435

Included in deposits from BNM of the Group are long-term deposits amounting to RM135,000,000 (2009: RM135,000,000) bearing interest at 1.0% (2009: 1.0%) per annum and interest free loans amounting to RM493,000,000 (2009: RM493,000,000) placed with the commercial banking subsidiary in connection with the transfer of assets and liabilities of KUMB as mentioned in Note 13.

23. TERM FUNDING

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
(a) Short term loans/revolving credit	482,107	206,000	351,859	206,000
(b) Senior Notes	1,420,000	-	-	-
	1,902,107	206,000	351,859	206,000

(a) The short term loans/revolving credit obtained from financial institutions bear interests at rates ranging from 2.49% to 4.59%, 0.70% per annum above LIBOR and 0.75% to 1.00% per annum above the lender's cost of fund (3.30% to 4.37%, 0.70% per annum above LIBOR and 0.75% per annum above lender's cost of funds in 2009).

23. TERM FUNDING (contd.)

(b) On 25 March 2010, upon approval by BNM and the Securities Commission, AmBank issued RM1.42 billion Senior Notes under its programme of up to RM7.0 billion nominal value. The proceeds from the issuance of the Senior Notes shall be utilised for the bank's general working capital requirements.

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

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of AmBank. RAM Ratings has assigned a long term rating of AA3 to the SNP. The Senior Notes has a fixed interest rate ranging from 3.20% to 4.95% per annum and is payable semi annually.

24. BILLS AND ACCEPTANCES PAYABLE

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

25. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

These represent proceeds received from housing loans, hire purchase and leasing receivables (excluding Islamic financing) sold directly or indirectly to Cagamas Berhad with recourse to 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.

26. OTHER LIABILITIES

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade payables	766,418	-	508,293	-
Other payables and accruals	1,706,879	22,425	1,316,297	753
Interest payable on deposits and borrowings	539,841	340	444,455	319
Lease deposits and advance rentals	64,720	-	62,259	-
General insurance reserves	252,675	-	223,503	-
Provision for commitments and contingencies	21,916	-	-	-
Bank overdrafts	-	-	786	-
Amount due to subsidiaries	-	1,401	-	8,083
Profit equalisation reserve	49,298	-	62,162	-
Deferred tax liabilities (Note 41)	8,582	-	13,087	-
Tax payable	76,204	2,409	8,173	-
	3,486,533	26,575	2,639,015	9,155

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

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

	Group	
	2010 RM'000	2009 RM'000
Amount due to reassurers, reinsurers and agents	35,177	35,263
Treaty premium reserve withheld	-	1
Claims liabilities	377,180	357,806

The bank overdrafts pertaining to subsidiaries are unsecured and bear interest at rates ranging from 6.25% to 6.50% in 2009.

The amounts due to subsidiaries are interest-free and represent expenses paid on behalf.

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

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	62,162	37,607
Transfer (to)/from income statement	(12,858)	24,518
Exchange fluctuation adjustments	(6)	37
Balance at end of year	49,298	62,162

27. DEBT CAPITAL

		Group	
		2010 RM'000	2009 RM'000
(a)	Non-Cumulative Non-Voting Guaranteed Preference Shares	689,547	803,691
(b)	Medium Term Notes	1,557,800	1,460,000
(c)	Subordinated Sukuk Musyarakah	400,000	400,000
(d)	Exchangeable Bonds	-	575,000
(e)	Redeemable Unsecured Subordinated Bonds	115,000	115,000
(f)	Non-Innovative Tier 1 Capital Securities	500,000	500,000
(g)	Innovative Tier 1 Capital Securities	485,000	-
		3,747,347	3,853,691

(a) Non-cumulative non-voting guaranteed preference shares

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 and guaranteed by AmBank. The gross proceeds from the issuance 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:

(i) 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 percent. If not redeemed on 27 January 2016, the non-cumulative dividends is payable on a semi-annual basis.

(ii) 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.

(b) Medium term notes

During the previous financial year, AmBank implemented a RM2.0 billion nominal value MTN Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

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

The MTNs issued under the MTN Programme was included as Tier 2 capital under the capital adequacy frameworks for financial institutions in compliance with the Risk Weighted Capital Adequacy Framework issued by BNM.

The salient features of the MTNs issued are as follows:

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

(ii) Tranche 2 and 3 totalling RM240 million was issued on 14 March 2008 as follows:

- Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.

- Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iii) Tranche 4 and 5 totalling RM120 million was issued on 28 March 2008 as follows:

- Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.

- Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

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

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

27. DEBT CAPITAL (contd.)

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

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

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

(c) Subordinated Sukuk Musyarakah

On 21 December 2006, AmIslamic Bank issued RM400,000,000 Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing AmIslamic 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 for 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. AmIslamic 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% of the principal amount together with the expected profit payments.

(d) Exchangeable bonds

In the financial year 2008, the AmBank issued RM575,000,000 Exchangeable Bonds ("EB") to ANZ Funds Pty Ltd ("ANZ Funds"). The EB will mature on the 10th anniversary from the date of issue. Interest will accrue on the EB at a rate of 5% per annum for the first five years and 5.5% for the next five years. The EB are exchangeable into 188,524,590 new ordinary shares in the ultimate holding company, AMMB Holdings Berhad ("AHB") at an exchange price of RM3.05 per share. Pursuant to the completion of AHB's Rights Issue on 15 January 2008, the EB conversion price was adjusted from RM3.05 per share to RM2.95 per share. Bank Negara Malaysia has approved the Exchangeable Bonds as Tier II capital of AmBank under BNM's capital adequacy framework.

On 3 August 2009, pursuant to ANZ Fund's notice to exchange its entire holdings of the EB into new AHB shares, AHB has allotted 194,915,254 new AHB shares to ANZ Funds ("the Exchange"). Arising from the Exchange, AHB is the new holder of the EB.

(e) Redeemable Unsecured Subordinated Bonds

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

The salient features of the SubBonds III are as follows:

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

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

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

(f) Non-Innovative Tier 1 Capital Securities

During the previous financial year, upon approval from BNM and Securities Commission, the AmBank undertook the issuance of Non-Innovative Tier 1 Capital (NIT1) programme of up to RM500 million in nominal value comprising:

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

- Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank (collectively known as "Stapled Capital Securities").

The proceeds from the NIT1 programme shall be used as working capital. The Stapled Capital Securities cannot be traded separately until the occurrence of certain assignment events. Upon occurrence of an assignment event, the Stapled Capital Securities will "unstaple", leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be assigned to AmBank pursuant to the forward purchase contract entered into by AmBank unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities. If none of the assignment events as stipulated under the terms of the Stapled Capital Securities occur, the Stapled Capital Securities will unstaple on the 20th interest payment date of 10 years from the issuance date of the SubNotes.

27. DEBT CAPITAL (contd.)

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

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

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of AmBank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of AmBank but in priority to the rights and claims of the ordinary shareholders of AmBank. The SubNotes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of AmPremier.

As at 31 March 2010, AmBank had issued up to RM500 million Stapled Capital Securities in two tranches.

(g) Innovative Tier 1 Capital Securities

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

The proceeds from the ITICS is for AmBank's working capital purposes. The issuance has been approved by the Securities Commission and BNM via their approval letters dated 24 June 2009 and 8 July 2009 respectively. A long term rating of A3 has been assigned to the ITICS by Rating Agency Malaysia Berhad. The ITICS rank pari passu with other Tier I securities and the most junior class of preference shares but above ordinary shares.

28. SHARE CAPITAL

	Group and Company	
	2010 RM'000	2009 RM'000
Authorised:		
Shares of RM1.00 each	5,000,000	5,000,000
Converting preferences shares of RM1.00 each	200,000	200,000
Balance at the end of year	5,200,000	5,200,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at beginning of year	2,722,970	2,722,970
Effect of ordinary shares issued pursuant to:		
- Conversion of unsecured exchangeable bonds	194,915	-
- Special issue shares to eligible Bumiputera shareholders	96,300	-
Balance at end of year	3,014,185	2,722,970

29. RESERVES

Reserves as at 31 March are analysed as follows:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Non-distributable reserves:				
(a) Share premium	2,537,372	2,536,065	1,986,836	1,985,529
(b) Statutory reserve	1,420,163	-	1,323,767	-
(c) Available-for-sale reserve	97,069	-	(41,744)	-
(d) Cash flow hedging reserve	3,901	-	(91,486)	-
(e) Exchange fluctuation reserve	10,808	-	19,591	-
(f) Shares held in trust for ESS	(17,515)	(17,515)	(7,064)	(7,064)
(g) ESS Shares Reserve - LT Incentive	6,562	6,562	-	-
(h) ESS Options Reserve - LT Incentive	8,298	8,298	-	-
Total non-distributable reserves	4,066,658	2,533,410	3,189,900	1,978,465
Distributable reserve:				
Unappropriated profit	2,556,870	1,491,744	1,823,223	1,645,464
Total reserves	6,623,528	4,025,154	5,013,123	3,623,929

29. RESERVES (contd.)

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

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

(b) The statutory reserves of the investment banking and commercial banking subsidiaries are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and Islamic Banking Act 1983 and are not distributable as cash dividends.

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

(d) The hedging reserve is in respect of unrealised fair value gains and losses on cash flow hedging instruments.

(e) Exchange differences arising on translation of foreign subsidiaries and associates are taken to exchange fluctuation reserve, as described in the accounting policies.

(f) Shares held in trust for ESS represent shares purchased under the Executives' Share Scheme as mentioned in Note 30.

During the financial year, the Trustee of the ESS had purchased 2,574,800 (2009: 2,896,000) of the Company's issued ordinary shares from the open market at an average price of RM4.07 (2009: RM2.44) per share representing 0.18% (2009: 0.11%) of the issued and paid-up capital of the Company, totalling RM10,476,907 (2009: RM7,063,679).

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

As at 31 March 2010, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends amounting to approximately RM99,495,000 out of its distributable reserves. If the balance of the distributable reserve of RM1,392,249,000 were to be distributed as dividends prior to there being sufficient tax credit, the Company would automatically move to the single tier tax system and the balance of the dividends would be single tier dividends.

30. EXECUTIVES' SHARE SCHEME

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

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

The awards included in the "ESS" are :

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

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

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

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

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

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

30. EXECUTIVES' SHARE SCHEME (contd.)

The salient features of the ESS are as follows:

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

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

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

(c) employment has been confirmed in writing;

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

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

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

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

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

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

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

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

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

There were no shares and options granted under STI Award during the financial year.

The following shares and options were granted under LTI Award:

(a) Share Grants

2010 Group

	Share Grants				
	Number of Shares				
	Movements During the Year				
	Outstanding at 1 April '000	Granted '000	Vested '000	Forfeited '000	Outstanding at 31 March '000
2008 ESS	-	2,712	-	(101)	2,611
2009 ESS	-	2,751	(2)	(54)	2,695
	-	5,463	(2)	(155)	5,306
Company					
2008 ESS	-	55	-	-	55
2009 ESS	-	100	-	-	100
	-	155	-	-	155

30. EXECUTIVES' SHARE SCHEME (contd.)

(b) Share Options

2010 Group

	Share Options				
	Number of Options				
	Movements During the Year				
	Outstanding at 1 April '000	Granted '000	Vested '000	Forfeited '000	Outstanding at 31 March '000
2008 ESS	-	9,690	-	(269)	9,421
2009 ESS	-	9,129	(6)	(139)	8,984
	-	18,819	(6)	(408)	18,405
WAEP* (RM)	-	2.61	3.05	2.49	2.61
Company					
2008 ESS	-	342	-	-	342
2009 ESS	-	596	-	-	596
	-	938	-	-	938
WAEP* (RM)	-	2.80	-	-	2.80

* WAEP : weighted average exercise price

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

(a) 2008 ESS

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

(b) 2009 ESS

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

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

The weighted average share price at the date of vesting and exercise of share options and share grants were RM5.20 and RM4.97 respectively.

(ix) Fair value of share options and share grants awarded during the year:

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

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

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

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

31. MINORITY INTERESTS

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

The movements in minority interests in subsidiaries are as follows:

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	175,462	84,352
Effects of the first time adoption of RBC frawework	(3,365)	-
Acquisition of shares in AMG Insurance Berhad	-	112,700
Share in net results of subsidiaries	33,990	17,430
Subscription of shares in AmPrivate Equity	187	400
Dividends received	-	(39,420)
Balance at end of year	206,274	175,462

32. INTEREST INCOME

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Short-term funds and deposits with financial institutions	203,637	7,874	278,779	10,677
Securities held-for-trading	32,647	950	61,434	950
Securities available-for-sale	272,349	-	276,496	-
Securities held-to-maturity	21,155	18,983	31,538	-
Loans and advances:				
Interest income other than recoveries from NPLs	2,984,680	-	3,000,288	-
Recoveries from NPLs	175,072	-	215,111	-
Irrevocable convertible unsecured loan stock ("ICULS")	-	-	-	2,416
Others	2,294	-	1,786	-
Gross interest income	3,691,834	27,807	3,865,432	14,043
Accretion of discounts less amortisation of premium	13,467	-	23,422	-
Interest suspended	(90,459)	-	(95,486)	-
Total after interest suspension	3,614,842	27,807	3,793,368	14,043

33. INTEREST EXPENSE

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Deposits from customers	1,256,819	-	1,554,032	-
Deposits of banks and other financial institutions	119,061	-	191,217	-
Senior notes	3,289	-	-	-
Amount due to Cagamas Berhad	4,379	-	5,334	-
Bank borrowings:				
Term loans	10,835	8,358	31,564	23,428
Overdrafts	-	-	148	-
Subordinated deposits and term loan	50,401	-	19,321	-
Interest on bonds	17,049	-	52,600	-
Medium term notes	84,396	-	81,848	-
Interest rate swaps - net	106,273	-	18,586	-
Hybrid securities	71,033	-	46,495	-
Others	4,704	-	15,909	437
	1,728,239	8,358	2,017,054	23,865

34. OTHER OPERATING INCOME

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Fee income:				
Fees on loans and advances	175,516	-	150,954	-
Corporate advisory	21,158	-	27,017	-
Guarantee fees	36,463	133	29,445	10
Underwriting commissions	8,598	-	8,311	-
Portfolio management fees	14,050	-	13,043	-
Unit trust management fees	57,490	-	59,783	-
Real estate investment trust management fees	5,205	-	4,531	-
Brokerage fees and commissions	118,889	-	80,642	-
Bancassurance commission	34,404	-	26,879	-
Income from asset securitisation	1,004	-	893	-
Brokerage rebates	257	-	87	-
Other fee income	68,576	328	55,384	-
	541,610	461	456,969	10
Investment and trading income:				
Net gain/(loss) from sale of securities held-for-trading	51,788	-	(77,092)	-
Net gain from sale of securities available-for-sale	47,215	-	3,944	-
Net gain on redemption of securities held-to-maturity	29,479	-	46,625	-
Gain/(loss) on revaluation of securities held-for-trading	5,484	-	(32,978)	-
Foreign exchange *	42,973	-	(2,289)	-
Gain/(loss) on redemption of structured product	3	(2)	4	-
Gain/(loss) on derivatives	18,406	-	(55,790)	-
Gain on disposal of equity interest in subsidiary	-	-	95,462	-
Gross dividend income from:				
Subsidiaries	-	10,269	-	1,097,074
Securities held-for-trading	3,276	-	7,320	-
Securities available-for-sale	24,622	719	18,422	-
Securities held-to-maturity	7,171	-	5,976	-
	230,417	10,986	9,604	1,097,074
Other income:				
Non-trading foreign exchange	3,685	-	(15,541)	-
Gain on disposal of property and equipment - net	527	77	1,100	-
Rental income	3,978	-	4,339	-
Other non-operating income	11,766	6	873	-
	19,956	83	(9,229)	-
	791,983	11,530	457,344	1,097,084

* Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

35. OTHER OPERATING EXPENSES

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Personnel/Staff costs:				
Salaries, allowances and bonuses	677,461	-	571,050	-
Shares/options granted under Group Executives' Share Scheme	14,860	626	-	-
Others	205,284	51	177,178	11
	897,605	677	748,228	11
Establishment costs:				
Depreciation (Note 19)	54,824	316	50,486	245
Amortisation of computer software (Note 20)	30,790	-	27,411	-
Computerisation costs	103,229	-	74,267	-
Amortisation of prepaid land lease payments (Note 18)	158	-	159	-
Rental	81,034	-	73,290	-
Cleaning and maintenance	22,351	-	20,537	-
Others	31,341	-	24,422	-
	323,727	316	270,572	245
Marketing and communication expenses:				
Sales commission	22,225	-	17,134	-
Advertising, promotional and other marketing activities	63,052	324	51,757	236
Telephone charges	18,506	-	18,913	-
Postage	8,525	34	12,263	-
Travel and entertainment	14,645	26	17,015	34
Others	22,595	150	20,464	251
	149,548	534	137,546	521
Administration and general:				
Professional services	86,335	538	60,533	513
Donations	151	-	157	-
Administration and management expenses	1,377	-	989	-
Others	42,613	3,155	50,762	2,100
	130,476	3,693	112,441	2,613
	1,501,356	5,220	1,268,787	3,390

Staff cost include salaries, bonuses, contributions to defined contribution plan and all other staff related expenses. Contributions to defined contribution plan of the Group amounted to RM106,611,000 (2009: RM92,494,000) of which RM105,570,000 (2009: RM91,260,000) was contributed to the state pension scheme Employees' Provident Fund, a substantial shareholder of the Company.

Included in the above expenditure are the following statutory disclosures:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Directors' remuneration (Note 38)	8,263	2,450	7,354	2,285
Computer software written off	2	-	-	-
Property and equipment written off	59	-	40	-
Hire of motor vehicles and office equipment	15,099	-	13,290	-
Auditors' remuneration:				
Parent auditor:				
Audit	2,090	60	1,894	60
Assurance related	4,287	-	474	-
Other services	-	5	-	5
Firms affiliated with parent auditor:				
Audit	155	-	-	-
Other services	1,901	-	-	-
Other auditors:				
Audit	18	-	205	-
Sundry receivables written off	40	-	692	-

36. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group	
	2010 RM'000	2009 RM'000
Allowance for bad and doubtful debts and financing:		
Specific allowance – net	868,060	660,081
Allowance during the year	1,205,040	1,043,753
Amount written back in respect of recoveries and reversal	(336,980)	(383,672)
General allowance	104,924	53,561
Recoveries of value impairment on loans sold to Danaharta	(4,430)	-
Bad debts and financing recovered - net	(399,661)	(369,455)
Written off	-	1,504
Recovered	(399,661)	(370,959)
	568,893	344,187

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

The related parties of the Group and the Company are:

(i) Subsidiaries

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

(ii) Associates

An associate is a Company in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not in control over those policies. Details of associates are disclosed in Note 17.

(iii) Key management personnel

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

(iv) Companies in which certain directors have substantial financial interest

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Company.

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Company.

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (contd.)

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

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest	
Group	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Income								
Interest on loans, advances and financing	-	-	-	-	58	39	-	-
	-	-	-	-	58	39	-	-
Expenses								
Interest on deposits	-	-	-	-	467	205	-	-
Rental of premises	-	-	-	-	-	-	48,692	45,957
Insurance premiums	-	-	-	-	-	-	7,222	6,992
Cleaning and maintenance	-	-	-	-	-	-	435	374
Travelling expenses	-	-	-	-	-	-	2,112	2,488
Computer maintenance	-	-	-	-	-	-	8,039	8,625
Food and beverage	-	-	-	-	-	-	75	100
Information service provider	-	-	-	-	682	541	-	-
Training and consultancy	-	-	-	-	1,279	1,649	7,029	1,221
Provision of Security Services	-	-	-	-	-	-	161	149
Gift and flower arrangement	-	-	-	-	-	-	70	24
	-	-	-	-	2,428	2,395	73,835	65,930
Capital expenditure								
Purchase of computer hardware, software and related consultancy services	-	-	-	-	-	-	5	14
PMPC cards	-	-	-	-	-	-	2,251	1,964
	-	-	-	-	-	-	2,256	1,978
Company								
Income								
Interest on deposits	7,874	10,677	-	-	-	-	-	-
Investments income	20,652	2,416	-	-	-	-	-	-
Guarantee fees	133	10	-	-	-	-	-	-
Dividend income – gross	10,269	1,097,074	-	-	-	-	-	-
	38,928	1,110,177	-	-	-	-	-	-

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (contd.)

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

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest	
Group	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Amount due from:								
Loan (hire purchase, credit card, personal loan and housing loan)	-	-	-	-	1,632	939	-	-
Amount due to:								
Deposits and placements	-	-	-	-	20,061	17,902	-	-
	-	-	-	-	21,693	18,841	-	-
Company								
Amount due from:								
Cash and short-term funds	7,739	1,251	-	-	-	-	-	-
Money at call and deposits	395,719	282,787	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	8,962	16,986	-	-	-	-	-	-
Interest receivables	1,052	494	-	-	-	-	-	-
	413,472	301,518	-	-	-	-	-	-
Amount due to:								
Amount due to subsidiaries	1,401	8,083	-	-	-	-	-	-
	1,401	8,083	-	-	-	-	-	-

(c) There were no granting of loans to the Directors of the Company. Loans made to other key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. All related party transctions are conducted at arm's length basis and on normal commercial term which are not more favourable than those generally available to the public. No provisions have been recognised in respect of loans given to key management personnel (2009: RM NIL).

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

(e) Key management personnel compensation

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

	2010		2009	
	Group RM'000	**Company RM'000**	**Group RM'000**	**Company RM'000**
Directors:				
Fees	2,039	775	1,480	665
Salaries and other remuneration	6,020	1,675	5,793	1,620
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	204	-	81	-
Total short-term employee benefits	8,263	2,450	7,354	2,285
Other key management personnel:				
Salaries and other remuneration	11,473	-	12,338	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	595	-	402	-
Total short-term employee benefits	12,068	-	12,740	-

38. DIRECTORS' REMUNERATION

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

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Executive directors:				
Fees	229	-	220	-
Salaries	1,500	-	1,275	-
Other remuneration	612	-	468	-
Bonuses	1,380	-	1,300	-
Benefits-in-kind	162	-	81	-
	3,883	-	3,344	-
Non-executive directors:				
Fees	1,810	775	1,260	665
Other remuneration	2,528	1,675	2,750	1,620
Benefits-in-kind	42	-	-	-
	4,380	2,450	4,010	2,285
Total directors' remuneration	8,263	2,450	7,354	2,285
Total directors' remuneration excluding benefits-in-kind	8,059	2,450	7,273	2,285

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 are as follows:

	Number of Directors	
Group	**2010**	**2009**
Executive director:		
RM3,300,001 – RM3,350,000	-	1
RM3,500,001 – RM3,550,000	1	-
Non-executive director:		
Below RM50,000	1	2
RM50,001 – RM100,000	4	4
RM100,001 – RM150,000	2	1
RM150,001 – RM200,000	1	2
RM200,001 – RM250,000	1	-
RM300,001 – RM350,000	-	1
RM400,001 – RM450,000	2	1
RM2,350,001 – RM2,400,000	-	1
RM2,500,001 – RM2,550,000	1	-

39. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group	
Group	**2010 RM'000**	**2009 RM'000**
Outstanding credit exposures with connected parties	904,790	762,691
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures	1.25	1.13
which is non-performing or in default	0.02	0.26

The disclosure on Credit Transaction and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

39. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (contd.)

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit trasactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of, or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposure such as guarantees, trade-related facilities and loan commitments that give credit/counterparty risk. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness. Due care has been taken to ensure that the creditworthiness of the connected party is not less than that normally required of other persons.

40. TAXATION AND ZAKAT

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Estimated current tax payable	317,361	6,867	46,156	36,880
Transfer from deferred tax assets (Note 41)	26,118	-	296,877	-
Transfer from/(to) deferred tax liabilities (Note 41)	(7,354)	-	9,031	-
	336,125	6,867	352,064	36,880
Over provision of current taxation in respect of prior years	(3,344)	(2,461)	(13,714)	(13,933)
Taxation	332,781	4,406	338,350	22,947
Zakat	1,270	-	1,032	-
Taxation and zakat	334,051	4,406	339,382	22,947

Domestic current income tax is calculated at the statutory tax rate of 25.0% (2009: 25.0%) of the estimated assessable profit for the financial year.

As at 31 March 2010, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM98,601,000 (2009: RM100,109,000) and RM29,000,000 (2009: RM29,000,000) respectively, which, if confirmed by the Inland Revenue Board, will enable the Group and the Company to distribute tax exempt dividend up to the same amount.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Profit before taxation	1,376,659	25,759	1,217,636	1,083,872
Taxation at Malaysian statutory tax rate of 25.0% (2009: 25.0%)	344,165	6,440	304,409	270,968
Effect of different tax rates in Labuan and certain subsidiaries	(5,056)	-	800	-
Deferred tax relating to changes in tax rates	-	-	93	-
Over provision of current taxation in respect of prior years	(3,344)	(2,461)	(13,714)	(13,933)
Income not subject to tax	(10,990)	(199)	(14,674)	(239,828)
Expenses not deductible for tax purposes	39,825	626	39,758	5,740
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(9,637)	-	-	-
Deferred tax assets (not recognised in prior years)/ charged out	(22,182)	-	21,678	-
Tax expense for the year	332,781	4,406	338,350	22,947

41. DEFERRED TAXATION

Deferred taxation pertains to subsidiaries are as follows:

(a) Deferred tax assets

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	(346,997)	(608,583)
Recognised in equity	58,119	(35,291)
Transfer to income statement (Note 40)	26,118	296,877
Balance at end of year	(262,760)	(346,997)
The deferred tax credits/(debits) are in respect of the following:		
Temporary differences arising from deferred charges	54,502	47,391
Temporary differences between depreciation and tax allowances on property and equipment	41,639	36,557
Unutilised tax losses	(900)	(90,508)
Temporary differences arising from general allowance for loans, advances and financing	(252,003)	(224,885)
Temporary differences arising from impairment loss on foreclosed properties	(28,889)	(24,487)
Temporary differences arising from profit equalisation reserve	(12,324)	(15,483)
Allowance for investment	2,729	1,518
Others	(67,514)	(77,100)
	(262,760)	(346,997)

(b) Deferred tax liabilities

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	13,087	5,925
Recognised in equity	2,849	(1,869)
Transfer from/(to) income statement (Note 40)	(7,354)	9,031
Balance at end of year	8,582	13,087

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

As mentioned in Note 3, the effects of temporary differences and unutilised tax losses which would give rise to deferred tax assets are recognised only when it is probable that the respective subsidiaries will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2010, 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 RM145,313,000 (2009: RM149,257,000).

42. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
In respect of financial year ended 2010	
Proposed gross dividend of 4.40%, less 25.0% taxation, on 3,014,184,844 ordinary shares of RM1.00 each	99,496
Proposed single tier dividend of 6.10%, on 3,014,184,844 ordinary shares of RM1.00 each	183,829
In respect of financial year ended 2009	
Proposed dividend – 8.0%, less 25.0% taxation, on 2,917,884,844 ordinary shares of RM1.00 each	175,073

42. DIVIDENDS (contd.)

During the financial year, the Company paid a first and final dividend of 8.0% less 25.0% taxation, in respect of the previous financial year totaling RM175,073,091 which amount had been dealt with in the directors' report for that financial year and paid on 4 September 2009 to shareholders whose names appeared in the Record of Depositors on 21 August 2009.

In the previous financial year, the Company paid a first and final dividend of 6% less 25.0% taxation, in respect of the preceding financial year totalling RM122,533,632.

The directors now recommend the payment of a first and final ordinary dividend of 10.50% in respect of the current financial year based on the issued and paid-up share capital as at 31 March 2010, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profit in the next financial year ending 31 March 2011.

43. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2010		2009	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net profit attributable to equity holders of the Company	1,008,618	21,353	860,824	1,060,925
Number of ordinary shares at beginning of year	2,722,970	2,722,970	2,722,970	2,722,970
Effect of ordinary shares issued pursuant to:				
conversion of unsecured exchangeable bonds	194,915	194,915	-	-
special issue shares to eligible Bumiputera shareholders	96,300	96,300	-	-
Number of ordinary shares at end of year	3,014,185	3,014,185	2,722,970	2,722,970
Weighted average number of ordinary shares in issue	2,906,168	2,906,168	2,722,970	2,722,970
Basic earnings per share (sen)	34.71	0.73	31.61	38.96

(b) Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted net profit attributable to equity holders of the Company for the financial year by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The Company has one category of dilutive potential ordinary shares:

i) Unsecured exchangeable bonds

	2010		2009	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net profit attributable to equity holders of the Company	1,008,618	21,353	860,824	1,060,925
Weighted average number of ordinary shares in issue (as in (a) above)	2,906,168	2,906,168	2,722,970	2,722,970
Fully diluted earnings per share (sen)	34.71	0.73	31.61	38.96

For the financial year ended 31 March 2010, the unsecured exchangable bonds were exchanged into new ordinary shares of RM1.00 each at the exchange price of RM2.95 nominal value of the unsecured exchangable bonds for one new ordinary share in the Company.

For the financial year ended 31 March 2009, outstanding unsecured exchangeable bonds has 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 be anti-dilutive in nature.

44. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2010 amounted to RM22,604,853,000 (2009: RM16,399,295,000).

45. CAPITAL COMMITMENTS

As at 31 March 2010, capital commitments pertaining to subsidiaries are as follows:

	Group	
	2010 RM'000	2009 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	54,112	31,723
Purchase of other investments	100	100
Purchase of leasehold improvements	4,573	2,140
	58,785	33,963
Authorised but not contracted for:		
Purchase of office equipment, information technology equipment and solutions	68,121	54,884
	126,906	88,847

46. 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 are as follows:

	Group	
	2010 RM'000	2009 RM'000
Within one year	92,919	30,391
Between one and two years	98,339	42,510
More than two years	148,317	175,104
	339,575	248,005

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.

47. COMMITMENTS AND CONTINGENCIES

As at 31 March 2010, other commitments and contingencies of the Group and of the Company are as follows:

(a) The Company has given unsecured guarantee amounting to RM75,000,000 (31 March 2009: RM50,000,000) on behalf of a subsidiary company for the payment and discharge of all moneys due on a trading account maintained by a customer with that subsidiary company. During the financial year, unsecured guarantee totalling RM259,600,000 issued by the Company to various financial institution in respect of credit facilities extended to certain subsidiaries have been fully discharged due to the full settlement of such credit facilities by the subsidiaries.

(b) The Company has given a continuing undertaking totalling SGD40,000,000 (2009: SGD40,000,000) to the Monetary Authority of Singapore on behalf of AmFraser Securities Pte Ltd to meet its liabilities and financial obligations and requirements.

(c) AmBank has given a continuing guarantee to BNM on behalf of AMIL, AmBank's offshore bank subsidiary, to meet all its liabilities and financial obligations and requirements.

(d) The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its subsidiary, AmLife Insurance Berhad (formerly known as AmAssurance Berhad)("AmLife"), for the performance and discharge by AmLife of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AmLife's investment-linked product called AmAsia Link-Capital Guaranteed Fund.

47. COMMITMENTS AND CONTINGENCIES (contd.)

(e) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee Berhad ("AmTrustee") ("Meridian Suit"), a subsidiary of the Company in respect of a claim amounting to RM27,606,169.65 for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ("MAA") has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178 together with interest and costs. AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA ("MAA Suit"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

AmTrustee had filed an application to dismiss Meridian's Suit on a point of law which was dismissed with costs on 17 January 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 15 February 2008 and it was fixed for Hearing on 23 June 2010. The Appeal was dismissed with cost.

AmTrustee has also filed a stay of proceedings application of the Meridian's Suit due to Meridian's counter claim in the MAA action amounting to duplicity/abuse of process on 22 February 2008 which was dismissed with costs on 26 June 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 25 July 2008. No hearing date has been fixed as yet.

Parties have filed several interim applications in the Meridian suit amongst which was application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank Berhad as 2nd Defendant and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian. This application was fixed for hearing on 17 October 2008, and the court dismissed the application with cost. Meridian filed an appeal to the judge in Chambers against this Order and the same was heard on the 8 January 2009 and was fixed for decision on the 23 January 2009. The Learned Judge dismissed Meridian's application to add AmInvestment Bank Berhad as a Party to the Meridian's suit and allowed Meridian's claim to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

No Appeal was lodged to the Court of Appeal by Meridian against the High Court's decision in dismissing its application to add AmInvestment Bank Berhad as a Party to its Suit. With the High Court decision dated 23 March 2009, in dismissing Meridian's application to add AmInvestment Bank as a party to its suit, and with no appeal lodged at the Court of Appeal, there is no litigation pending today against AmInvestment Bank Berhad by Meridian.

In the MAA Suit, AmTrustee has filed and served a Third Party Notice dated 6 November 2006 on Meridian seeking indemnification/ contribution from Meridian for MAA's claim. Exchange of pleadings has also been completed with Meridian.

It is to be noted that both the Meridian's Suit and MAA Suit were ordered on 16 September 2008 to be tried together at the same time pursuant to Order 4 Rule 1 of the Rules of the High Court 1980.

AmTrustee has also been served on 2 September 2009 with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian.

The Third Party Notice is taken against AmTrustee by Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007, at the Kuala Lumpur High Court via suit number D5-22- 1457-2007 ("KWAP Suit"). The facts of this case revolve around the same facts as that of the above Meridian Suit and MAA Suit. The High Court suit by KWAP is for an alleged breach by Meridian of an Investment Management Agreement executed between KWAP and Meridian in 2001 ("the Agreement") for a sum of RM7,254,050.42 general damages for breach of the Agreement and breach of trust together with interests and costs (KWAP's claim").

On the basis of KWAP's claim, Meridian is seeking against AmTrustee via the Third Party Notice for AmTrustee to indemnify Meridian in respect of KWAP's claim.

On 23 March 2010 the Court directed all parties in all the three suits to consider the process of resolving these matters via Mediation rather than a trial and to revert back to court with an update on 23 April 2010. On 23 April 2010, parties informed court they are not agreeable to resolving these matters via Mediation. Therefore matters have now reverted back to the court to be tried via trial.

That being the case, both Meridian and MAA case is fixed for Case Management on 13 July 2010, whilst the KWAP Suit is fixed for Case Management on 21 July 2010.

It is also to be noted that AmTrustee has filed an Application to strike out the Third Party Notice in the KWAP Suit and the Application is fixed for Mention on 13 July 2010.

Based on documents and evidence in their possession, the solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claim by MAA and in any event, that AmTrustee will be entitled to an indemnity or contribution from Meridian in respect of the claim.

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

48. 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. The Group's current strategic goals are for top quartile shareholder returns and target return on equity wherein the Group will de-risk, further diversify and have a differentiated growth strategy within its various business lines.

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 thresholds structure aligns specific risk-taking activities with the overall risk appetite of the Group.

48. RISK MANAGEMENT POLICY (contd.)

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

	Non Trading Book									
2010 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- interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/profit rate %
ASSETS										
Cash and short-term funds	11,023,222	-	-	-	-	-	604,230	-	11,627,452	1.89
Securities purchased under resale agreements	16,992	-	-	-	-	-	-	-	16,992	1.20
Deposits and placements with banks and other financial institutions	-	1,831,405	-	100	-	-	-	-	1,831,505	1.97
Securities held-for-trading	-	-	-	-	-	-	-	1,713,441	1,713,441	3.98
Securities available-for-sale	1,716,405	2,018,750	218,906	274,419	2,043,018	2,281,978	540,380	-	9,093,856	3.71
Securities held-to-maturity	10,422	4,961	31,099	26,659	291,464	31,885	166,253	-	562,743	2.32
Loans, advances and financing:										
- performing	28,361,589	2,341,944	1,289,404	69,699	11,043,922	21,310,925	-	-	64,417,483	6.45
- non-performing *	-	-	-	-	-	-	8,437	-	8,437	-
Derivative financial assets	-	-	-	-	-	-	343,643	-	343,643	-
Amount due from Originators	-	-	-	1,965	20,828	-	-	-	22,793	5.74
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	6,841,958	-	6,841,958	-
TOTAL ASSETS	41,128,630	6,197,060	1,539,409	372,842	13,399,232	23,624,788	8,504,901	1,713,441	96,480,303	
LIABILITIES AND EQUITY										
Deposits from customers	32,131,921	13,658,424	7,572,554	7,116,697	3,822,416	-	4,572,100	-	68,874,112	2.28
Deposits and placements of banks and other financial institutions	1,739,536	457,799	202,041	829,753	877,604	154,098	54,445	-	4,315,276	2.26
Bills and acceptances payable	564,154	784,902	50,516	-	-	-	-	-	1,399,572	2.56
Recourse obligation on loans sold to Cagamas Berhad	-	112,896	-	1,965	20,828	-	-	-	135,689	3.98
Derivative financial liabilities	-	-	-	-	-	-	392,977	-	392,977	-
Term funding	276,107	206,000	-	101,250	1,318,750	-	-	-	1,902,107	4.15
Debt capital	-	-	-	-	1,357,800	2,389,547	-	-	3,747,347	6.36
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	5,869,236	-	5,869,236	-
Total liabilities	34,711,718	15,220,021	7,825,111	8,049,665	7,397,398	2,543,645	10,888,758	-	86,636,316	
Share capital	-	-	-	-	-	-	3,014,185	-	3,014,185	
Reserves	-	-	-	-	-	-	6,623,528	-	6,623,528	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	9,637,713	-	9,637,713	
Minority interests	-	-	-	-	-	-	206,274	-	206,274	
Total equity	-	-	-	-	-	-	9,843,987	-	9,843,987	
TOTAL LIABILITIES AND EQUITY	34,711,718	15,220,021	7,825,111	8,049,665	7,397,398	2,543,645	20,732,745	-	96,480,303	
On-balance sheet interest/profit rate gap sensitivity	6,416,912	(9,022,961)	(6,285,702)	(7,676,823)	6,001,834	21,081,143	(12,227,844)	1,713,441	-	
Off-balance sheet interest/profit rate gap sensitivity	873,526	9,273,000	(662,400)	(195,000)	(9,341,526)	112,400	-	-	60,000	
Total interest/profit rate gap sensitivity	7,290,438	250,039	(6,948,102)	(7,871,823)	(3,339,692)	21,193,543	(12,227,844)	1,713,441	60,000	
Cumulative interest/ profit rate gap sensitivity	7,290,438	7,540,477	592,375	(7,279,448)	(10,619,140)	10,574,403	(1,653,441)	60,000		

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

48. RISK MANAGEMENT POLICY (contd.)

2009 Group	Non Trading Book									
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	Non- interest/ profit sensitive	Trading Book	Total	Effective interest/profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	16,373,381	-	-	-	-	-	575,200	-	16,948,581	1.99
Securities purchased under resale agreements	16,807	-	-	-	-	-	-	-	16,807	1.15
Deposits and placements with banks and other financial institutions	22,659	-	873	-	22,494	-	-	-	46,026	2.81
Securities held-for-trading	-	-	-	-	-	-	-	1,399,873	1,399,873	3.35
Securities available-for-sale	16,805	145,390	73,100	205,328	1,999,737	3,102,485	1,083,209	-	6,626,054	4.83
Securities held-to-maturity	7,704	60,838	1,748	35,475	382,821	122,638	168,985	-	780,209	3.51
Loans, advances and financing:										
- performing	22,047,386	2,781,357	539,239	540,082	8,396,915	22,051,969	-	-	56,356,948	6.70
- non-performing *	-	-	-	-	-	-	590,883	-	590,883	-
Derivative financial assets	-	-	-	-	-	-	482,933	-	482,933	-
Amount due from Originators	-	-	-	-	25,789	-	-	-	25,789	5.74
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	6,618,778	-	6,618,778	-
TOTAL ASSETS	38,484,742	2,987,585	614,960	780,885	10,827,756	25,277,092	9,519,988	1,399,873	89,892,881	
LIABILITIES AND EQUITY										
Deposits from customers	28,017,430	12,101,809	7,432,352	10,412,788	2,864,791	-	3,302,336	-	64,131,506	2.71
Deposits and placements of banks and other financial institutions	1,695,943	825,474	1,047,873	325,731	966,019	781,369	493,000	-	6,135,409	2.74
Bills and acceptances payable	703,905	1,053,556	355,597	7,189	-	-	-	-	2,120,247	2.05
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	-	155,037	3.98
Derivative financial liabilities	-	-	-	-	-	-	587,763	-	587,763	-
Term funding	145,859	206,000	-	-	-	-	-	-	351,859	3.11
Debt capital	-	-	-	-	1,110,000	2,743,691	-	-	3,853,691	6.69
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	4,645,814	-	4,645,814	-
Total liabilities	30,563,137	14,186,839	8,835,822	10,745,708	5,095,847	3,525,060	9,028,913	-	81,981,326	
Share capital	-	-	-	-	-	-	2,722,970	-	2,722,970	
Reserves	-	-	-	-	-	-	5,013,123	-	5,013,123	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	7,736,093	-	7,736,093	
Minority interests	-	-	-	-	-	-	175,462	-	175,462	
Total equity	-	-	-	-	-	-	7,911,555	-	7,911,555	
TOTAL LIABILITIES AND EQUITY	30,563,137	14,186,839	8,835,822	10,745,708	5,095,847	3,525,060	16,940,468	-	89,892,881	
On-balance sheet interest/profit rate gap sensitivity	7,921,605	(11,199,254)	(8,220,862)	(9,964,823)	5,731,909	21,752,032	(7,420,480)	1,399,873	-	
Off-balance sheet interest/profit rate gap sensitivity	798,353	3,115,000	(1,757,088)	30,000	(2,881,853)	755,588	-	-	60,000	
Total interest/profit rate gap sensitivity	8,719,958	(8,084,254)	(9,977,950)	(9,934,823)	2,850,056	22,507,620	(7,420,480)	1,399,873	60,000	
Cumulative interest/ profit rate gap sensitivity	8,719,958	635,704	(9,342,246)	(19,277,069)	(16,427,013)	6,080,607	(1,339,873)	60,000		

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

48. RISK MANAGEMENT POLICY (contd.)

2010 Company	Non Trading Book Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
ASSETS							
Cash and short-term funds	395,719	-	-	7,738	-	403,457	2.05
Deposits and placements with banks and other financial institutions	-	8,962	-	-	-	8,962	2.29
Securities held-for-trading	-	-	-	-	20,000	20,000	4.75
Securities available-for-sale	-	-	-	55,856	-	55,856	-
Securities held-for-maturity	-	-	575,000	-	-	575,000	5.21
Other non-interest/profit sensitive balances	-	-	-	6,208,639	-	6,208,639	-
TOTAL ASSETS	395,719	8,962	575,000	6,272,233	20,000	7,271,914	
LIABILITIES AND EQUITY							
Term funding	-	206,000	-	-	-	206,000	4.05
Other non-interest/profit sensitive balances	-	-	-	26,575	-	26,575	-
Total liabilities	-	206,000	-	26,575	-	232,575	
Share capital	-	-	-	3,014,185	-	3,014,185	
Reserves	-	-	-	4,025,154	-	4,025,154	
Equity attributable to equity holders of the Company	-	-	-	7,039,339	-	7,039,339	
TOTAL LIABILITIES AND EQUITY	-	206,000	-	7,065,914	-	7,271,914	
On-balance sheet interest/profit rate gap sensitivity	395,719	(197,038)	575,000	(793,681)	20,000	-	
Off-balance sheet interest/profit rate gap sensitivity	-	-	-	-	-	-	
Total interest/profit rate gap sensitivity	395,719	(197,038)	575,000	(793,681)	20,000	-	
Cumulative interest/profit rate gap sensitivity	395,719	198,681	773,681	(20,000)	-		

48. RISK MANAGEMENT POLICY (contd.)

2009 Company	Non Trading Book Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
ASSETS							
Cash and short-term funds	282,786	-	-	1,251	-	284,037	2.50
Deposits and placements with banks and other financial institutions	-	16,986	-	-	-	16,986	2.46
Securities held-for-trading	-	-	-	-	20,000	20,000	4.75
Securities available-for-sale	-	-	-	3,978	-	3,978	-
Other non-interest/profit sensitive balances	-	-	-	6,237,053	-	6,237,053	-
TOTAL ASSETS	282,786	16,986	-	6,242,282	20,000	6,562,054	
LIABILITIES AND EQUITY							
Term funding	-	206,000	-	-	-	206,000	4.05
Other non-interest/profit sensitive balances	-	-	-	9,155	-	9,155	-
Total liabilities	-	206,000	-	9,155	-	215,155	
Share capital	-	-	-	2,722,970	-	2,722,970	
Reserves	-	-	-	3,623,929	-	3,623,929	
Equity attributable to equity holders of the Company	-	-	-	6,346,899	-	6,346,899	
TOTAL LIABILITIES AND EQUITY	-	206,000	-	6,356,054	-	6,562,054	
On-balance sheet interest/profit rate gap sensitivity	282,786	(189,014)	-	(113,772)	20,000	-	
Off-balance sheet interest/profit rate gap sensitivity	-	-	-	-	-	-	
Total interest/profit rate gap sensitivity	282,786	(189,014)	-	(113,772)	20,000	-	
Cumulative interest/profit rate gap sensitivity	282,786	93,772	93,772	(20,000)	-		

LIQUIDITY RISK

Liquidity risk is the risk that the organisation 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.

The ongoing liquidity risk management at the Group is based on the following key strategies:

- 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.

48. RISK MANAGEMENT POLICY (contd.)

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

2010 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
ASSETS								
Cash and short-term funds	11,023,222	-	-	-	-	-	604,230	11,627,452
Securities purchased under resale agreements	16,992	-	-	-	-	-	-	16,992
Deposits and placements with banks and other financial institutions	-	1,831,405	-	100	-	-	-	1,831,505
Securities held-for-trading	37,950	9,945	24,582	399,259	553,250	594,717	93,738	1,713,441
Securities available-for-sale	1,716,405	2,018,750	218,906	274,419	2,066,810	2,257,530	541,036	9,093,856
Securities held-to-maturity	10,422	4,961	31,099	26,659	291,464	31,885	166,253	562,743
Loans, advances and financing	6,262,151	1,640,814	2,051,205	1,411,670	17,700,917	35,371,805	(12,642)	64,425,920
Derivative financial assets	-	-	-	-	-	-	343,643	343,643
Other assets	139,034	1,462	5,651	2,015	20,972	301	1,819,538	1,988,973
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	167,623	167,623
Investment in jointly controlled company	-	-	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-	1,301	1,301
Prepaid land lease payment	-	-	-	-	-	-	6,350	6,350
Property and equipment	-	-	-	-	-	-	229,549	229,549
Life fund assets	-	-	-	-	-	-	2,382,703	2,382,703
Deferred tax assets	-	-	-	-	-	-	262,760	262,760
Intangible assets	-	-	-	-	-	-	1,825,492	1,825,492
TOTAL ASSETS	19,206,176	5,507,337	2,331,443	2,114,122	20,633,413	38,256,238	8,431,574	96,480,303
LIABILITIES AND EQUITY								
Deposits from customers	32,148,378	13,641,505	7,573,019	7,116,697	3,836,330	-	4,558,183	68,874,112
Deposits and placements of banks and other financial institutions	1,739,646	458,290	204,216	826,977	877,604	154,098	54,445	4,315,276
Bills and acceptances payable	564,154	784,902	50,516	-	-	-	-	1,399,572
Recourse obligation on loans sold to Cagamas Berhad	-	112,896	-	1,965	20,828	-	-	135,689
Derivative financial liabilities	-	-	-	-	-	-	392,977	392,977
Other liabilities	1,404	11,713	-	-	2,688	-	3,470,728	3,486,533
Term funding	15,147	206,000	97,860	264,350	1,318,750	-	-	1,902,107
Debt capital	-	-	-	-	-	3,747,347	-	3,747,347
Life fund liabilities	-	-	-	-	-	-	200,357	200,357
Life policyholder funds	-	-	-	-	-	-	2,182,346	2,182,346
Total liabilities	34,468,729	15,215,306	7,925,611	8,209,989	6,056,200	3,901,445	10,859,036	86,636,316
Share capital	-	-	-	-	-	-	3,014,185	3,014,185
Reserves	-	-	-	-	-	-	6,623,528	6,623,528
Equity attributable to equity holders of the Company	-	-	-	-	-	-	9,637,713	9,637,713
Minority interests	-	-	-	-	-	-	206,274	206,274
Total equity	-	-	-	-	-	-	9,843,987	9,843,987
TOTAL LIABILITIES AND EQUITY	34,468,729	15,215,306	7,925,611	8,209,989	6,056,200	3,901,445	20,703,023	96,480,303
Net maturity mismatch	(15,262,553)	(9,707,969)	(5,594,168)	(6,095,867)	14,577,213	34,354,793	(12,271,449)	-

48. RISK MANAGEMENT POLICY (contd.)

2009 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
ASSETS								
Cash and short-term funds	16,859,413	-	-	-	-	-	89,168	16,948,581
Securities purchased under resale agreements	16,807	-	-	-	-	-	-	16,807
Deposits and placements with banks and other financial institutions	21,873	24,052	-	101	-	-	-	46,026
Securities held-for-trading	56,948	118,357	119,486	48,111	276,080	768,431	12,460	1,399,873
Securities available-for-sale	4,998	88,698	83,336	218,630	2,407,874	3,272,905	549,613	6,626,054
Securities held-to-maturity	7,704	60,838	1,747	133,089	326,246	122,638	127,947	780,209
Loans, advances and financing	5,951,626	1,806,645	832,415	989,848	13,745,550	33,629,312	(7,565)	56,947,831
Derivative financial assets	-	-	-	-	-	-	482,933	482,933
Other assets	260,467	2,543	4,468	-	25,930	729,438	705,520	1,728,366
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	517,578	517,578
Investment in jointly controlled company	-	-	-	-	-	-	380	380
Investments in associates	-	-	-	-	-	-	1,301	1,301
Prepaid land lease payment	-	-	-	-	-	-	6,646	6,646
Property and equipment	-	-	-	-	-	-	228,399	228,399
Life fund assets	-	-	-	-	-	-	2,006,799	2,006,799
Deferred tax assets	-	-	-	-	-	-	346,997	346,997
Intangible assets	-	-	-	-	-	-	1,808,101	1,808,101
TOTAL ASSETS	23,179,836	2,101,133	1,041,452	1,389,779	16,781,680	38,522,724	6,876,277	89,892,881
LIABILITIES AND EQUITY								
Deposits from customers	31,323,809	12,178,478	7,351,640	10,412,788	2,864,791	-	-	64,131,506
Deposits and placements of banks and other financial institutions	1,730,517	725,963	1,138,174	818,109	923,787	153,369	645,490	6,135,409
Bills and acceptances payable	703,905	1,053,556	355,597	7,189	-	-	-	2,120,247
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	155,037
Derivative financial liabilities	-	-	-	-	-	-	587,763	587,763
Other liabilities	12,366	41,614	1,191	24	-	729,100	1,854,720	2,639,015
Term funding	-	206,000	-	145,859	-	-	-	351,859
Debt capital	-	-	-	-	-	3,853,691	-	3,853,691
Life fund liabilities	-	-	-	-	-	-	222,160	222,160
Life policyholder funds	-	-	-	-	-	-	1,784,639	1,784,639
Total liabilities	33,770,597	14,205,611	8,846,602	11,383,969	3,943,615	4,736,160	5,094,772	81,981,326
Share capital	-	-	-	-	-	-	2,722,970	2,722,970
Reserves	-	-	-	-	-	-	5,013,123	5,013,123
Equity attributable to equity holders of the Company	-	-	-	-	-	-	7,736,093	7,736,093
Minority interests	-	-	-	-	-	-	175,462	175,462
Total equity	-	-	-	-	-	-	7,911,555	7,911,555
TOTAL LIABILITIES AND EQUITY	33,770,597	14,205,611	8,846,602	11,383,969	3,943,615	4,736,160	13,006,327	89,892,881
Net maturity mismatch	(10,590,761)	(12,104,478)	(7,805,150)	(9,994,190)	12,838,065	33,786,564	(6,130,050)	-

48. RISK MANAGEMENT POLICY (contd.)

2010 Company	Up to 1 month RM'000	>1 - 3 months RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS					
Cash and short-term funds	395,719	-	-	7,738	403,457
Deposits and placements with banks and other financial institutions	-	8,962	-	-	8,962
Securities held-for-trading	-	-	20,000	-	20,000
Securities available-for-sale	-	-	-	55,856	55,856
Securities held-to-maturity	-	-	575,000	-	575,000
Other assets	-	-	-	2,331	2,331
Investments in subsidiaries	-	-	-	6,204,678	6,204,678
Property and equipment	-	-	-	1,630	1,630
TOTAL ASSETS	395,719	8,962	595,000	6,272,233	7,271,914
LIABILITIES AND EQUITY					
Other liabilities	-	-	-	26,575	26,575
Term funding	-	206,000	-	-	206,000
Total liabilities	-	206,000	-	26,575	232,575
Share capital	-	-	-	3,014,185	3,014,185
Reserves	-	-	-	4,025,154	4,025,154
Equity attributable to equity holders of the Company	-	-	-	7,039,339	7,039,339
TOTAL LIABILITIES AND EQUITY	-	206,000	-	7,065,914	7,271,914
Net maturity mismatch	395,719	(197,038)	595,000	(793,681)	-

2009 Company					
ASSETS					
Cash and short-term funds	282,787	-	-	1,250	284,037
Deposits and placements with banks and other financial institutions	-	16,986	-	-	16,986
Securities held-for-trading	-	-	20,000	-	20,000
Securities available-for-sale	-	-	-	3,978	3,978
Other assets	-	-	-	30,331	30,331
Investments in subsidiaries	-	-	-	6,204,678	6,204,678
Property and equipment	-	-	-	2,044	2,044
TOTAL ASSETS	282,787	16,986	20,000	6,242,281	6,562,054
LIABILITIES AND EQUITY					
Other liabilities	-	-	-	9,155	9,155
Term funding	-	206,000	-	-	206,000
Total liabilities	-	206,000	-	9,155	215,155
Share capital	-	-	-	2,722,970	2,722,970
Reserves	-	-	-	3,623,929	3,623,929
Equity attributable to equity holders of the Company	-	-	-	6,346,899	6,346,899
TOTAL LIABILITIES AND EQUITY	-	206,000	-	6,356,054	6,562,054
Net maturity mismatch	282,787	(189,014)	20,000	(113,773)	-

48. RISK MANAGEMENT POLICY (contd.)

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 extent, 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, including a group risk appetite framework, 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.

For non-retail credits, 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 and 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.

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 nine rating grades. 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, 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 organisation 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.

48. RISK MANAGEMENT POLICY (contd.)

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 focused on interest rate, equity 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.

The principal equity contracts used are equity option and equity futures. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future.

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, equity and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

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

Risk associated with financial derivatives

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

Market risk of derivatives used for trading purposes

Market risk arising from the above interest rate-related 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 measure that estimates the potential changes in portfolio value that may occur, brought about by daily changes in market rates over a specified holding period at a specific confidence level under normal market condition.

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.

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

49. 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 subsidiaries and taxation are excluded, as they do not fall within the scope of FRS 132 Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

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

	Group		Company	
2010	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Assets				
Cash and short-term funds	11,627,452	11,627,452	403,457	403,457
Securities purchased under resale agreements	16,992	16,992	-	-
Deposits and placements with banks and other financial institutions	1,831,505	1,831,505	8,962	8,962
Securities held-for-trading	1,713,441	1,713,441	20,000	22,116
Securities available-for-sale	9,093,856	9,093,856	55,856	55,856
Securities held-to-maturity	562,743	753,003	575,000	617,249
Loans, advances and financing *	65,429,392	66,242,689	-	-
Derivative financial assets	343,643	343,643	-	-
Amount due from Originators	22,793	22,793	-	-
Other financial assets	3,344,046	3,344,046	1,131	1,131
	93,985,863	94,989,420	1,064,406	1,108,771
Non-financial assets	2,494,440		6,207,508	
TOTAL ASSETS	96,480,303		7,271,914	
Financial Liabilities				
Deposits from customers	68,874,112	68,779,316	-	-
Deposits and placements of banks and other financial institutions	4,315,276	4,238,119	-	-
Term funding	1,902,107	1,902,207	206,000	206,000
Bills and acceptances payable	1,399,572	1,399,572	-	-
Recourse obligation on loans sold to Cagamas Berhad	135,689	135,689	-	-
Derivative financial liabilities	392,977	392,977	-	-
Debt capital	3,747,347	4,733,566	-	-
Other financial liabilities	1,341,436	1,341,436	340	340
	82,108,516	82,922,882	206,340	206,340
Non-Financial Liabilities				
Other non-financial liabilities	4,527,800		26,235	
Equity attributable to equity holders of the Company	9,637,713		7,039,339	
Minority interests	206,274		-	
	14,371,787		7,065,574	
TOTAL LIABILITIES AND EQUITY	96,480,303		7,271,914	

49. FAIR VALUES OF FINANCIAL INSTRUMENTS (contd.)

	Group		Company	
2009	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	16,948,581	16,948,581	284,037	284,037
Securities purchased under resale agreements	16,807	16,807	-	-
Deposits and placements with banks and other financial institutions	46,026	47,790	16,986	16,986
Securities held-for-trading	1,399,873	1,399,873	20,000	20,000
Securities available-for-sale	6,626,054	6,626,054	3,978	3,978
Securities held-to-maturity	780,209	870,499	-	-
Loans, advances and financing *	57,847,348	58,628,753	-	-
Derivative financial assets	482,933	482,933	-	-
Amount due from Originators	25,789	25,789	-	-
Other financial assets	2,815,399	2,815,399	494	494
	86,989,019	87,862,478	325,495	325,495
Non-financial assets	2,903,862		6,236,559	
TOTAL ASSETS	89,892,881		6,562,054	
Financial Liabilities				
Deposits from customers	64,131,506	63,757,549	-	-
Deposits and placements of banks and other financial institutions	6,135,409	6,170,419	-	-
Term funding	351,859	351,859	206,000	206,000
Bills and acceptances payable	2,120,247	2,120,247	-	-
Recourse obligation on loans sold to Cagamas Berhad	155,037	129,106	-	-
Derivative financial liabilities	587,763	587,763	-	-
Debt capital	3,853,691	4,136,935	-	-
Other financial liabilities	988,797	988,797	319	319
	78,324,309	78,242,675	206,319	206,319
Non-Financial Liabilities				
Other non-financial liabilities	3,657,017		8,836	
Equity attributable to equity holders of the Company	7,736,093		6,346,899	
Minority interests	175,462		-	
	11,568,572		6,355,735	
TOTAL LIABILITIES AND EQUITY	89,892,881		6,562,054	

* The general allowance for the Group amounting to RM1,003,472,000 (2009: RM899,517,000) has been included under non-financial assets.

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 2010 and 2009:

(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.

49. FAIR VALUES OF FINANCIAL INSTRUMENTS (contd.)

(c) Securities Held-for-Trading, Securities Available-for-Sale and Securities Held-to-Maturity

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

(d) Loans, Advances and Financing and Subordinated Term Loans ("Loans and Financing")

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

(e) Derivative Financial Instruments

The fair values of the derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

(f) Other Assets

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

(g) 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.

(h) Bills and Acceptances Payables

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

(i) Other Liabilities

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

(j) Recourse Obligations on Loans Sold to Cagamas Berhad

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

(k) Term Loans, Subordinated Term Loans, Redeemable Unsecured Bonds, Medium Term Notes 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.

(l) 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.

(m) Short Term Financial Assets and Financial Liabilities

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

50. 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:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Total assets	96,480,303	7,271,914	89,892,881	6,562,054
Less:				
Total liabilities	86,636,316	232,575	81,981,326	215,155
Minority interests	206,274	-	175,462	-
	86,842,590	232,575	82,156,788	215,155
Net assets	9,637,713	7,039,339	7,736,093	6,346,899
Issued and fully paid up ordinary shares of RM1.00 each	3,014,185	3,014,185	2,722,970	2,722,970
Net assets per share (RM)	3.20	2.34	2.84	2.33

51. BUSINESS SEGMENT ANALYSIS

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

The Group comprises the following main business segments:

(a) Retail banking

Retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as auto financing, mortgages and other consumer loans, credit cards and line of credit, asset financing and small business, personal financing, retail distribution and deposits.

(b) Business banking

The business banking operations consist of providing of trade services, cash management and transactional banking services.

(c) Investment banking

The investment banking caters to the business needs of large corporate customers and financial institutions and provides customers with extensive range of financial solutions. Investment banking encompasses debt capital markets and equity capital markets services, equity derivatives, corporate finance, structured finance, share-broking, futures broking, funds management and private banking where it provides wealth management services to high net worth individuals, family groups and companies.

(d) Corporate and institutional banking

The corporate and institutional banking focuses on deepening and expanding corporate and institutional banking relationships with the Group's corporate clients, as well as offering of a wider spectrum of the Group's commercial and investment banking products through the overseas business operations and providing real estate management services.

(e) Insurance

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

(f) Treasury and markets

The treasury and markets operations focuses on activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments.

(g) Group functions and others

Group functions and others comprises of activities which complements and supports the operations of the main business units and non-core operations of the Group.

51. BUSINESS SEGMENT ANALYSIS (CONTD.)

Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Major Customers

No revenues from one single customer amounted to greater than 10% of the Group's revenues for the current financial year (2009: RM NIL).

2010 Group	Retail Banking RM'000	Business Banking RM'000	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Insurance RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Revenue	2,871,751	367,057	308,009	323,127	1,353,416	345,099	1,260,486	6,828,945
Income	1,952,818	329,554	306,440	267,921	177,815	270,467	272,022	3,577,037
Expenses	(739,898)	(88,224)	(164,690)	(87,809)	(80,018)	(51,280)	(289,437)	(1,501,356)
Profit/(Loss) before provisions	1,212,920	241,330	141,750	180,112	97,797	219,187	(17,415)	2,075,681
Provisions	(307,644)	(75,893)	(6,236)	(47,492)	(1,043)	(36,019)	(224,695)	(699,022)
Profit/(Loss) before taxation	905,276	165,437	135,514	132,620	96,754	183,168	(242,110)	1,376,659
Taxation and zakat	(226,321)	(41,425)	(34,761)	(28,547)	(15,973)	(49,108)	62,084	(334,051)
Net profit/(loss) for the year	678,955	124,012	100,753	104,073	80,781	134,060	(180,026)	1,042,608
Other information								
Cost to income ratio	37.9%	26.8%	53.7%	32.8%	45.0%	19.0%	106.4%	42.0%
Gross loans/financing	43,974,343	11,854,111	364,016	9,116,030	3,798	-	970,827	66,283,125
Net loans/financing	42,991,841	11,634,558	352,828	8,971,499	3,776	-	471,418	64,425,920
Gross non-performing loans/financing	1,289,192	77,644	5,995	-	-	-	492,924	1,865,755
Net non-performing loans/financing	974,686	38,865	178	-	-	-	(1,704)*	1,012,025
Total deposits	38,455,791	3,623,069	92,294	3,527,906	-	2,437,575	25,052,753	73,189,388
2009 Group								
Revenue	2,842,560	344,769	202,316	249,425	1,109,684	145,475	1,416,428	6,310,657
Income	1,754,779	313,400	201,208	185,774	144,364	35,912	291,968	2,927,405
Expenses	(654,701)	(85,654)	(145,606)	(76,609)	(71,128)	(33,747)	(201,342)	(1,268,787)
Profit/(Loss) before provisions	1,100,078	227,746	55,602	109,165	73,236	2,165	90,626	1,658,618
Provisions	(262,199)	(78,562)	430	(2,725)	382	(11,974)	(86,334)	(440,982)
Profit/(Loss) before taxation	837,879	149,184	56,032	106,440	73,618	(9,809)	4,292	1,217,636
Taxation and zakat	(209,470)	(37,296)	(14,423)	(20,998)	(28,545)	2,533	(31,183)	(339,382)
Net profit/(loss) for the year	628,409	111,888	41,609	85,442	45,073	(7,276)	(26,891)	878,254
Other information								
Cost to income ratio	37.3%	27.3%	72.4%	41.2%	49.3%	94.0%	69.0%	43.3%
Gross loans/financing	42,667,495	9,983,106	220,932	5,043,250	3,626	-	850,550	58,768,959
Net loans/financing	41,626,342	9,773,396	211,095	4,957,273	3,626	-	376,099	56,947,831
Gross non-performing loans/financing	1,683,697	106,929	6,733	-	-	-	629,099	2,426,458
Net non-performing loans/financing	1,289,323	49,075	108	-	-	-	166,341*	1,504,847
Total deposits	37,811,343	1,956,837	15,526	2,355,583	-	2,245,715	25,881,911	70,266,915

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiaries, AMCI, AmCapital (B) Sdn Bhd, AmSecurities (H.K.) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia, Brunei and Hong Kong respectively. These activities in Singapore, Indonesia, Brunei and Hong Kong are not significant in relation to the Group's activities in Malaysia.

* including specific provisions made on performing loans under watchlist on prudential basis.

52. INSURANCE BUSINESS

(a) Income from insurance business

	Group	
	2010 RM'000	2009 RM'000
Premium income from general insurance business	494,231	492,604
Surplus transfer from life insurance business	36,000	20,000
	530,231	512,604

(b) Insurance claims and commissions

	Group	
	2010 RM'000	2009 RM'000
Insurance commission	47,782	48,335
General insurance claims	358,762	342,929
	406,544	391,264

(c) Life business liabilities and life policyholders' fund

The state of affairs as at 31 March 2010 and the results for the financial year ended 31 March 2010 under the life business liabilities and life policyholders' fund of AmLife Insurance Berhad (formerly known as AmAssurance Berhad), are summarised as follows:

BALANCE SHEET
AS AT 31 MARCH 2010

	2010 RM'000	2009 RM'000
ASSETS		
Cash and short-term funds	15,095	16,502
Securities purchased under resale agreements	218,912	165,325
Deposits and placements with banks and other financial institutions	128,072	109,729
Securities held-for-trading	-	73,015
Securities available-for-sale	882,955	940,644
Securities held to maturity	563,825	265,292
Loans, advances and financing	109,643	100,003
Other assets	320,998	201,106
Investment properties	84,193	84,193
Property and equipment	34,955	30,438
Intangible assets	24,055	20,552
TOTAL ASSETS	2,382,703	2,006,799
LIABILITIES AND POLICYHOLDERS' FUND		
Other liabilities	200,357	222,160
Life policyholders' fund	2,182,346	1,784,639
TOTAL LIABILITIES AND POLICYHOLDERS' FUND	2,382,703	2,006,799

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	2010 RM'000	2009 RM'000
Revenue	767,522	572,699
Interest income	91,308	79,023
Writeback of losses on loans and financing	1	1
	91,309	79,024
Net premium investment and other income	676,213	493,675
Net income	767,522	572,699
Other operating expenses and transfer to policyholders's funds	(731,522)	(552,699)
Transfer to shareholders' funds	36,000	20,000

53. CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios of the banking subsidiaries Group are as follows:

	2010					
	AmBank	AmIslamic	AmBank Group	AmIB	AmIB Group	The Group*
Before deducting proposed dividends:						
Core capital ratio	10.98%	10.53%	9.88%	28.29%	23.98%	10.32%
Risk-weighted capital ratio	15.34%	15.29%	15.33%	30.07%	29.37%	15.77%
After deducting proposed dividends:						
Core capital ratio	10.38%	10.53%	9.39%	25.51%	21.73%	9.78%
Risk-weighted capital ratio	14.83%	15.29%	14.91%	27.30%	27.13%	15.30%

	2009					
	AmBank	AmIslamic	AmBank Group	AmIB	AmIB Group	The Group*
Before deducting proposed dividends:						
Core capital ratio	10.39%	11.22%	9.25%	28.13%	27.14%	9.74%
Risk-weighted capital ratio	14.20%	16.65%	14.62%	28.13%	34.16%	15.16%
After deducting proposed dividends:						
Core capital ratio	10.39%	11.22%	9.25%	28.13%	27.14%	9.74%
Risk-weighted capital ratio	14.20%	16.65%	14.62%	28.13%	34.16%	15.16%

The capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

* The aggregated components of the Group Tier I and Tier II capital are that of the banking subsidiaries, namely AmBank (M) Berhad ("AmBank"), AmIslamic Bank Berhad ("AmIslamic"), AmInvestment Bank Berhad ("AmIB") and AmInternational (L) Ltd ("AMIL").

The capital adequacy ratios are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord. Both AmBank and AmInvestment Bank have adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

The capital adequacy ratio of the AmBank refers to the combined capital base as a ratio of the combined risk-weighted assets of AmBank and its wholly-owned offshore banking subsidiary company, AmInternational (L) Ltd ("AmIL").

The capital adequacy ratios of AmIslamic are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. AmIslamic has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

53. CAPITAL ADEQUACY RATIO (contd.)

(b) The aggregated components of Tier I and Tier II Capital of the Group are as follows:

	2010					
	AmBank RM'000	AmIslamic RM'000	AmBank Group RM'000	AmIB RM'000	AmIB Group RM'000	The Group* RM'000
Tier 1 capital						
Paid-up ordinary share capital	670,364	403,038	670,364	200,000	200,000	870,364
Share premium	942,844	534,068	942,844	-	-	942,844
Statutory reserve	680,459	265,169	945,628	200,000	200,000	1,145,628
Capital reserve	-	-	377,492	-	2,815	380,307
Merger reserve	-	-	397,566	-	7,656	405,222
Exchange fluctuation reserve	9,470	-	60	-	24,172	24,232
Irredeemable non-cumulative convertible preference shares	150,000	-	150,000	-	-	150,000
Innovative tier 1 capital	921,431	-	1,011,446	-	-	1,011,446
Non-innovative tier 1 capital	500,000	-	500,000	-	-	500,000
Unappropriated profit at end of year	2,498,526	133,719	2,019,923	113,874	116,133	2,136,056
Total	6,373,094	1,335,994	7,015,323	513,874	550,776	7,566,099
Less: Goodwill	-	-	-	-	(11,243)	(11,243)
Deferred tax (assets)/liabilities - net	(231,088)	(42,218)	(273,306)	(4,556)	(4,870)	(278,176)
Total tier 1 capital	6,142,006	1,293,776	6,742,017	509,318	534,663	7,276,680
Tier 2 capital						
Medium term notes	1,557,800	-	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	400,000	135,000	135,000	535,000
Exchangeable bonds	575,000	-	575,000	-	-	575,000
Redeemable unsecured bonds	-	-	-	-	-	-
Innovative Tier 1 capital	313,669	-	223,654	-	-	223,654
General allowance for bad and doubtful debts	808,631	184,803	997,741	9,768	9,768	1,007,509
Total tier 2 capital	3,255,100	584,803	3,754,195	144,768	144,768	3,898,963
Total capital funds	9,397,106	1,878,579	10,496,212	654,086	679,431	11,175,643
Less: Investment in subsidiaries	(816,850)	-	(32,779)	(88,231)	-	(32,779)
Investment in capital of related financial institutions	-	-	-	(24,448)	(24,448)	(24,448)
Other deduction	(50)	-	(50)	-	-	(50)
Capital base	8,580,206	1,878,579	10,463,383	541,407	654,983	11,118,366

The risk-weighted assets of the Group are derived by aggregating the risk-weighted assets of the banking subsidiaries. The breakdown of risk-weighted assets of the Group in the various risk categories are as follows:

Credit risk	50,564,550	10,740,202	61,340,190	1,287,199	1,652,878	62,993,068
Market risk	1,584,871	456,330	2,041,201	148,564	148,712	2,189,913
Operational risk	3,783,839	1,090,009	4,877,266	364,560	428,455	5,305,721
Large exposure risk requirements for equity holdings	5,203	-	5,203	-	-	5,203
Total risk-weighted assets	55,938,463	12,286,541	68,263,860	1,800,323	2,230,045	70,493,905

53. CAPITAL ADEQUACY RATIO (contd.)

(b) The aggregated components of Tier I and Tier II Capital of the Group are as follows: (contd.)

	2009					
	AmBank RM'000	AmIslamic RM'000	AmBank Group RM'000	AmIB RM'000	AmIB Group RM'000	The Group* RM'000
Tier 1 capital						
Paid-up ordinary share capital	670,364	403,038	670,364	200,000	200,000	870,364
Share premium	942,844	534,068	942,844	-	-	942,844
Statutory reserve	680,459	168,773	849,232	200,000	200,000	1,049,232
Capital reserve	-	-	377,492	-	2,815	380,307
Merger reserve	-	-	397,566	-	-	397,566
Exchange fluctuation reserve	21,367	-	11,904	6,840	24,899	36,803
Irredeemable non-cumulative convertible preference shares	150,000	-	150,000	-	-	150,000
Innovative tier 1 capital	750,100	-	750,100	-	-	750,100
Non-innovative tier 1 capital	500,000	-	500,000	-	-	500,000
Unappropriated profit at end of year	1,766,189	168,770	1,322,399	31,391	80,240	1,402,639
Total	5,481,323	1,274,649	5,971,901	438,231	507,954	6,479,855
Less: Goodwill	-	-	-	-	(47,686)	(47,686)
Deferred tax (assets)/liabilities - net	(204,174)	(102,161)	(306,334)	8,507	8,601	(297,733)
Total tier 1 capital	5,277,149	1,172,488	5,665,567	446,738	468,869	6,134,436
Tier 2 capital						
Medium term notes	1,460,000	-	1,460,000	-	-	1,460,000
Subordinated bonds	-	400,000	400,000	-	-	400,000
Exchangeable bonds	575,000	-	575,000	-	-	575,000
Redeemable unsecured bonds	-	-	-	135,000	135,000	135,000
General allowance for bad and doubtful debts	729,148	166,507	895,655	4,330	4,330	899,985
Total tier 2 capital	2,764,148	566,507	3,330,655	139,330	139,330	3,469,985
Total capital funds	8,041,297	1,738,995	8,996,222	586,068	608,199	9,604,421
Less: Investment in subsidiaries	(816,850)	-	(32,780)	(122,671)	-	(32,780)
Investment in capital of related financial institutions	-	-	-	(18,105)	(18,105)	(18,105)
Other deduction	(10,219)	-	(10,219)	-	-	(10,219)
Capital base	7,214,228	1,738,995	8,953,223	445,292	590,094	9,543,317

The risk-weighted assets of the Group are derived by aggregating the risk-weighted assets of the banking subsidiaries. The breakdown of risk-weighted assets of the Group in the various risk categories are as follows:

Credit risk	45,568,372	9,279,536	54,833,233	1,270,849	1,373,712	56,206,945
Market risk	1,654,717	237,786	1,892,502	127,467	127,467	2,019,969
Operational risk	3,560,356	929,719	4,487,810	184,082	226,052	4,713,862
Large exposure risk requirements for equity holdings	12,986	-	12,986	405	405	13,391
Total risk-weighted assets	50,796,431	10,447,041	61,226,531	1,582,803	1,727,636	62,954,167

53. CAPITAL ADEQUACY RATIO (contd.)

(c) The aggregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Group for the current financial year are as follows:

2010
Group*

Exposure Class

		Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	**Credit Risk**				
	On-Balance Sheet Exposures:				
	Sovereigns/Central Banks	11,956,160	11,956,160	-	-
	Public Sector Entities ("PSEs")	79,464	79,464	15,893	1,272
	Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	6,813,793	6,813,793	2,072,109	165,769
	Corporates	23,252,974	21,776,056	19,544,419	1,563,554
	Regulatory Retail	33,520,188	33,358,800	24,946,606	1,995,729
	Residential Mortgages	6,879,999	6,870,606	2,909,190	232,736
	Higher Risk Assets	225,754	225,754	338,631	27,090
	Other Assets	2,452,746	2,452,746	2,106,934	168,555
	Equity Exposure	70,620	70,620	70,620	5,650
	Securitisation Exposures	326,731	326,730	95,256	7,620
	Defaulted Exposures	5,100,676	4,182,241	5,970,715	477,657
	Total for On-Balance Sheet Exposures	90,679,105	88,112,970	58,070,373	4,645,632
	Off-Balance Sheet Exposures:				
	Over the counter ("OTC") derivatives	1,176,143	1,176,143	523,626	41,890
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	5,053,745	4,724,286	4,399,069	351,926
	Total for Off-Balance Sheet Exposures	6,229,888	5,900,429	4,922,695	393,816
	Total On and Off-Balance Sheet Exposures	96,908,993	94,013,399	62,993,068	5,039,448
2.	**Large Exposures Risk Requirement**	-	-	5,203	416

		Long Position	Short Position		
3.	**Market Risk**				
	Interest Rate Risk				
	- General interest rate risk	29,457,508	27,208,078	1,037,283	82,983
	- Specific interest rate risk	3,230,626	1,011,669	230,851	18,468
	Foreign Currency Risk	729,299	276	729,299	58,344
	Equity Risk				
	- General risk	94,965	-	94,965	7,597
	- Specific risk	94,965	-	83,717	6,697
	Option Risk	290,074	220,852	13,798	1,104
	Total	33,897,437	28,440,875	2,189,913	175,193
4.	**Operational Risk**			5,305,721	424,457
5.	**Total RWA and Capital Requirements**			70,493,905	5,639,514

The Group does not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

53. CAPITAL ADEQUACY RATIO (contd.)

(c) The aggregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Group for the current financial year are as follows: (contd)

2009
Group*

Exposure Class

		Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	**Credit Risk**				
	On-Balance Sheet Exposures:				
	Sovereigns/Central Banks	16,196,838	16,196,838	-	-
	Public Sector Entities ("PSEs")	70,928	70,928	14,186	1,135
	Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	2,821,137	2,821,137	900,727	72,058
	Corporates	21,220,171	19,859,870	16,501,287	1,320,103
	Regulatory Retail	32,200,659	32,036,417	23,996,353	1,919,708
	Residential Mortgages	6,402,124	6,394,984	2,721,869	217,750
	Higher Risk Assets	180,954	180,954	271,432	21,714
	Other Assets	2,546,519	2,546,519	1,841,162	147,293
	Equity Exposure	294,336	294,336	294,336	23,547
	Securitisation Exposures	215,864	215,864	73,955	5,916
	Defaulted Exposures	3,167,345	3,094,368	4,230,420	338,434
	Total for On-Balance Sheet Exposures	85,316,875	83,712,215	50,845,727	4,067,658
	Off-Balance Sheet Exposures:				
	Over the counter ("OTC") derivatives	1,304,464	1,304,464	578,234	46,259
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	5,617,333	5,400,877	4,782,984	382,639
	Total for Off-Balance Sheet Exposures	6,921,797	6,705,341	5,361,218	428,898
	Total On and Off-Balance Sheet Exposures	92,238,672	90,417,556	56,206,945	4,496,556
2.	**Large Exposures Risk Requirement**	202	202	13,391	1,071

		Long Position	Short Position		
3.	**Market Risk**				
	Interest Rate Risk				
	- General interest rate risk	30,636,665	28,307,712	1,379,902	110,392
	- Specific interest rate risk	1,717,431	6,099	40,076	3,206
	Foreign Currency Risk	221,009	379,640	380,934	30,475
	Equity Risk				
	- General risk	31,045	-	31,045	2,483
	- Specific risk	161,843	-	109,012	8,721
	Option Risk	592,000	-	79,000	6,320
	Total	33,359,993	28,693,451	2,019,969	161,597
4.	**Operational Risk**			4,713,862	377,109
5.	**Total RWA and Capital Requirements**			62,954,167	5,036,333

The Group does not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

53. CAPITAL ADEQUACY RATIO (contd.)

(d) The aggregated breakdown of credit risk exposures by risk weights of the Group for the current financial year are as follows:

2010
Group*

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	12,093,492	-	-	-	-	-	-	-	323,188	-	50	-	12,416,730	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	83,064	5,860,158	-	2,355,901	16,710	-	-	28,280	-	292,072	-	8,636,185	1,727,237
35%	-	-	-	-	-	-	3,508,930	-	-	-	-	-	3,508,930	1,228,126
50%	-	-	1,158,746	-	685,864	232,118	3,362,006	-	-	-	15,073	-	5,453,807	2,726,904
75%	-	-	-	-	-	34,611,982	444	-	-	-	-	-	34,612,427	25,959,320
100%	-	-	3,254	800,826	22,222,886	53,043	201,092	-	2,101,278	-	-	70,620	25,452,999	25,452,999
150%	-	-	-	-	2,922,607	760,098	-	230,080	-	-	19,536	-	3,932,321	5,898,482
Average Risk Weight														
Total	12,093,492	83,064	7,022,158	800,826	28,187,258	35,673,951	7,072,472	230,080	2,452,746	-	326,731	70,620	94,013,399	62,993,068
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	50	-	50	

2009
Group*

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	16,198,999	-	-	-	-	-	-	-	292,252	-	-	-	16,491,251	-
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20%	-	70,959	2,382,174	-	3,771,700	10,378	-	-	502,400	-	168,088	-	6,905,700	1,381,140
35%	-	-	-	-	-	-	3,171,497	-	-	-	-	-	3,171,497	1,110,024
50%	-	-	1,462,578	-	990,114	157,586	3,244,358	-	-	-	14,876	-	5,869,511	2,934,756
75%	-	-	-	-	-	33,915,078	493	-	-	-	-	-	33,915,571	25,436,677
100%	-	-	258,039	4,486	18,802,051	118,975	218,361	-	1,774,238	-	32,900	294,336	21,503,386	21,503,386
150%	-	-	-	-	1,516,129	880,116	-	186,768	(22,372)	-	-	-	2,560,640	3,840,962
Average Risk Weight														
Total	16,198,999	70,959	4,102,791	4,486	25,079,994	35,082,133	6,634,709	186,768	2,546,518	-	215,864	294,336	90,417,556	56,206,945
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	40	-	40	

53. CAPITAL ADEQUACY RATIO (contd.)

(e) The aggregated Off-Balance Sheet exposures and their related counterparty credit risk of the Group are as follows:

2010
Group*

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Credit-Related Exposures				
Guarantees given on behalf of customers	2,455,921		2,396,791	2,181,702
Certain transaction-related contingent items	1,812,955		936,042	879,324
Obligations under underwriting agreements	696,115		-	-
Short term self liquidating trade-related contingencies	473,429		94,686	95,417
Islamic financing sold to Cagamas	335,852		335,852	253,809
Irrevocable commitments to extend credit maturing:				
- within one year	13,408,721		-	-
- more than one year	1,954,602		422,678	346,698
Unutilised credit card line	4,192,748		838,550	627,089
Others	39,798		150	150
	25,370,141		5,024,749	4,384,189
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts				
- One year or less	3,742,457	39,351	55,880	30,701
Cross currency swaps				
- One year or less	49,631	1,031	1,854	927
- Over one to five years	481,496	6,726	48,830	31,328
- Over five years	-	-	-	-
Interest rate related contracts:				
Interest rate futures				
- One year or less	60,000	1,325	-	-
- Over one to five years	100,000	1,262	-	-
Interest rate swaps				
- One year or less	4,240,000	4,858	15,660	7,722
- Over one to five years	23,627,526	170,554	669,377	259,890
- Over five years	3,305,524	105,727	353,144	177,025
Equity related contracts:				
Options				
- One year or less	30,521	-	-	-
- Over one to five years	237,162	9,348	21,897	14,133
Futures				
- One year or less	28,173	-	-	-
- Over one to five years	-	-	-	-
- Over five years	-	-	-	-
Commodity related contracts:				
Options				
- Over one to five years	75,500	3,461	9,501	1,900
	35,977,990	343,643	1,176,143	523,626
Other Treasury-Related Exposures				
Forward purchase commitments	912,542		28,996	14,880
Total	**62,260,673**	**343,643**	**6,229,888**	**4,922,695**

53. CAPITAL ADEQUACY RATIO (contd.)

(e) The aggregated Off-Balance Sheet exposures and their related counterparty credit risk of the Group are as follows: (contd.)

2009
Group*

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Credit-Related Exposures				
Guarantees given on behalf of customers	2,723,184		2,723,184	2,378,082
Certain transaction-related contingent items	1,496,866		748,433	740,965
Obligations under underwriting agreements	592,000		-	-
Short term self liquidating trade-related contingencies	493,284		98,657	98,716
Islamic financing sold to Cagamas	879,088		879,088	663,997
Irrevocable commitments to extend credit maturing:				
- within one year	10,490,292		-	-
- more than one year	1,905,373		280,705	241,501
Unutilised credit card line	4,383,472		876,694	655,346
Others	149,120		150	150
	23,112,679		5,606,911	4,778,757
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts				
- One year or less	824,899	29,552	30,173	14,435
Cross currency swaps				
- One year or less	298,931	607	10,068	5,034
- Over one to five years	311,282	-	26,721	13,360
Interest rate related contracts:				
Interest rate futures				
- Over one to five years	60,000	1,507	-	-
Interest rate swaps				
- One year or less	4,215,000	12,904	21,022	9,005
- Over one to five years	17,641,853	291,170	765,528	351,903
- Over five years	2,755,588	137,697	450,952	184,496
Equity related contracts:				
Options				
- One year or less	157,290	6,190	-	-
- Over one to five years	119,660	1,421	-	-
Futures				
- One year or less	8,262	-	-	-
- Over one to five years	-	-	-	-
- Over five years	-	-	-	-
Commodity related contracts:				
Options				
- Over one to five years	44,494	1,885	-	-
	26,437,259	482,933	1,304,464	578,233
Other Treasury-Related Exposures				
Forward purchase commitments	361,704		10,422	4,228
Total	**49,911,642**	**482,933**	**6,921,797**	**5,361,218**

54. SIGNIFICANT EVENTS

(i) AmG Insurance Berhad ("AmG") has on 10 November 2008 entered into a non-binding memorandum of understanding ("MOU") with MAA Holdings Berhad and Malaysian Assurance Alliance Berhad (MAA) in respect of the proposed acquisitions of:

(a) the general insurance business of MAA at a headline price of RM274.8 million (subject to adjustments), and

(b) a 4.9% equity stake in MAA Takaful Berhad at a consideration of RM16.2 million, equivalent to RM3.30 per share.

On 17 November 2009, the Company announced the following in relation to the above proposed acquisitions:

(a) to proceed with the proposed acquisition of general insurance business of MAA on a standalone basis and the proposed acquisition of 4.9% equity stake in MAA Takaful Berhad will no longer be pursued, and

(b) revision of headline price for the proposed acquisition of general insurance business of MAA to RM180.0 million (subject to adjustments).

Bank Negara Malaysia has vide its letter of 5 January 2010 approved the acquisition of general insurance business of MAA.

(ii) On 19 December 2007, the Company received BNM's approval for the internal shareholding restructuring of certain operating subsidiaries to constitute the Capital Market Group and Asset Management Group (the "Proposed Internal Transfer") involving the intra-group transfer of following subsidiaries, which was completed on 1 April 2009:

(a) AmFutures Sdn Bhd, a licensed futures broker, from AmSecurities Holding Sdn Bhd ("AMSH") to AmInvestment Bank Berhad ("AmInvestment Bank") for a cash consideration based on book value;

(b) AmResearch Sdn Bhd, a licensed investment adviser, from AMSH to AmInvestment Bank for a cash consideration based on book value;

(c) AmInvestment Management Sdn Bhd, an asset management company, from AmInvestment Bank to AmInvestment Group Berhad ("AIGB") for a cash consideration based on book value; and

(d) AmInvestment Services Berhad, a unit trust management company, from AmInvestment Bank to AIGB for a cash consideration based on book value.

The Proposed Internal Transfer involving PT. AmCapital Indonesia, the group's Indonesian subsidiary which is licensed to undertake stockbroking, underwriting and investment management activities, is subject to obtaining the approval of Badan Pengawas Pasar Modal dan Lembaga Kewangan, the Indonesian securities regulatory authority.

(iii) On 23 January 2009, the Company announced that it is proposing to undertake a Bumiputera issue of 96,300,000 new ordinary shares of RM1.00 each ("Special Issue Shares") to its eligible Bumiputera shareholders to be identified later ("Identified Bumiputera Shareholders") at an issue price to be determined after obtaining all relevant approvals ("Proposed Special Issue").

The Proposed Special Issue is being undertaken to enable the Company to comply with the Bumiputera equity condition imposed by the SC pursuant to its approval for the equity participation of Australia and New Zealand Banking Group Limited in the Company.

The price of the Special Issue Shares was fixed at RM2.77 per ordinary share (as announced on 26 May 2009) and was arrived at based on a discount of 15% to the volume weighted average market price of the Company's shares for the five market days up to and including 25 May 2009 of RM3.26, being the market day immediately preceding the date of price fixing.

Upon allotment and issuance, the Special Issue Shares shall rank pari passu in all respects with the then existing issued and paid-up shares of the Company except that they will not be entitled to any dividend declared in respect of the financial year ended 31 March 2009, irrespective of the date on which such dividend is declared, made or paid, nor will they be entitled to any rights, allotments and/or other distributions, if the Special Issue Shares are allotted and issued after the entitlement date for such rights, allotments or other distributions.

The total proceeds to be raised under the Proposed Special Issue (based on the issue price of RM2.77 per share) is estimated at RM266.7 million. The proceeds from the Proposed Special Issue are expected to be utilised for working capital requirements after defraying expenses in relation to the Proposed Special Issue.

On 25 August 2009, the Company announced that the Proposed Special Issue was completed. The shares were subsequently listed on the Main Market of Bursa Malaysia Securities Berhad on 26 August 2009.

(iv) During the financial year, the Company offered the following Scheme Shares and Options to the eligible executives of the Group pursuant to the Company's ESS:

(a) 5,462,100 scheme shares under the long-term incentive award;
(b) 9,689,800 options under the long-term incentive award at option price of RM2.20 per share; and
(c) 9,128,500 options under the long-term incentive award at option price of RM3.05 per share

Scheme shares will only vest on or options are only exercisable by scheme participants subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined to be satisfied by the ESS Committee.

The Company operates an equity-settled, share-based compensation plan pursuant to the ESS.

54. SIGNIFICANT EVENTS (contd.)

(v) On 3 August 2009, the Company announced that, the RM575.0 million nominal value of 10-year unsecured subordinated exchangeable bonds ("EBs") issued by AmBank, a wholly owned subsidiary of the Company, on 18 May 2007 to ANZ Funds Pty Ltd, a wholly owned subsidiary of Australia and New Zealand Banking Group Limited ("ANZ") in relation to the equity participation by ANZ in the Company in May 2007 were exchanged into new ordinary shares of RM1.00 each at the exchange price of RM2.95 nominal value of EBs for one new ordinary share in the Company. The Company's additional 194,915,254 new ordinary shares of RM1.00 each arising from the exercise were subsequently listed on the Main Market of Bursa Malaysia Securities Berhad on 6 August 2009.

(vi) During the financial year, the trustee of the executives' share scheme ("ESS") had purchased 2,574,800 of the Company's issued ordinary shares from the open market at an average price of RM4.07 per share. The total consideration paid for the purchase including transaction costs amounted to RM10,476,907.

As at 31 March 2010, 8,000 shares have been vested and transferred from the trustee to the eligible employee of the subsidiary in accordance with the terms under the ESS. The trustee of the ESS held 5,462,800 ordinary shares representing 0.18% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM17,514,936.

(vii) During the financial year, AmBank (M) Bhd ("AmBank"), a wholly owned subsidiary of the Company, implemented a Ringgit Malaysia Innovative Tier 1 Capital Securities Programme ("RMIT1 Programme") of up to RM500 million.

A first tranche amounting to RM300 million was issued on 18 August 2009 and a second tranche amounting to RM185 million was issued on 30 September 2009. Arising from the above issuance, AmBank has issued a total of RM485 million RMIT1 under the RMIT1 Programme.

The RMIT1 is structured in accordance with the Risk-Weighted Capital Adequacy Framework issued by Bank Negara Malaysia ("BNM"). The RMIT1 is rated A3 by RAM Rating Services Berhad. The 2-notch differential between the rating of the RMIT1 Programme and AmBank's long term financial institutional rating of A1 reflects the deeply subordinated nature and embedded interest-deferral option of the RMIT1.

Under the RMIT1 Programme, AmBank is given the flexibility to issue the RMIT1 during the availability of the RMIT1 Programme based on the funding requirements of AmBank. Each tranche of RMIT1 issue shall have a permanent tenure of 30 years from the issue date with AmBank having an option to call back on the 10th anniversary of the issue date or on any interest payment date thereafter. The proceeds raised from the RMIT1 Programme will be utilised for the general working capital of AmBank and to defray expenses in relation to the programme.

The RMIT1 Programme is not expected to have any material impact on the consolidated net assets and earnings of the Company and will not have any effect on its dividend policy, share capital and its substantial shareholders' shareholding.

(viii) AmBank (M) Bhd ("AmBank") has on 10 December 2009 issued the seventh tranche of the RM2.0 billion Subordinated Medium Term Notes for RM97.8 million for 10 years tenure. The proceeds from the issuance will be utilised for general working capital and refinancing Tier 2 subordinated bonds/loans of AmBank.

(ix) On 25 February 2010, the Company announced that its subsidiary AmBank (M) Berhad ("AmBank") has obtained approval of the Securities Commission vide its letter dated 24 February 2010, for the issuance of up to RM7.0 billion senior notes under a senior notes issuance programme ("Senior Notes Programme").

The Senior Notes Programme has a tenor of up to thirty (30) years from the date of first issuance of the senior notes. Each tranche of senior notes to be issued will have a tenor of more than one (1) year and up to ten (10) years. The Senior Notes is a funding programme and a measure formulated to enhance liquidity risk management process of AmBank.

AmBank has issued the first tranche of the senior notes amounting to RM1.42 billion on 25 March 2010.

(x) During the financial year, the Company announced the winding-up and deregistration of following subsidiaries:

(a) members' voluntary winding-up of Arab-Malaysian Services Berhad ("AMSB"), a subsidiary of AmLife Insurance Berhad which in turn is a 70%-owned subsidiary of the Group. AMSB was incorporated on 13 December 1973 to carry out general insurance business and had ceased business operations in 1986.

(b) deregistered from the Registrar of Companies Commission of Malaysia ("CCM") pursuant to Section 308 of the Companies Act, 1965 as follow:

Subsidiaries	Dissolution Date
MBf Nominees (Asing) Sdn Bhd	21 March 2010
Li & Ho Sdn Berhad	21 March 2010
Annling Sdn Bhd	21 March 2010
Crystal Land Sdn Bhd	21 March 2010
Lekir Development Sdn Bhd	21 March 2010
AmManagement Services Sdn Bhd	29 March 2010
AMMB Properties Sdn Bhd	29 March 2010
MBf Equity Partners Sdn Bhd	31 March 2010

55. SUBSEQUENT EVENT

Subsequent to the Proposed Internal Transfer, AIGB has on 1 April 2010 performed an internal transfer of 100% equity interest in AmInvestment Bank to the Company for a cash consideration based on book value. This is to facilitate the formation of Capital Market Group and Asset Management Group which are to be anchored by AmInvestment Bank and AIGB respectively.

56. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES

(1) BNM Circular on Reclassification of Securities under Specific Circumstances

The Group adopted Bank Negara Malaysia's Circular on the Reclassification of Securities under Specific Circumstances which allow banking institutions to reclassify securities in held-for-trading category under the Revised Guidelines of Financial Reporting for Licensed Institutions (BNM/GP8). The provisions in the Circular shall override the existing requirements of BNM/GP8 in relation to the reclassification of securities into or out of the held-for-trading category and are effective from 1 July 2008 until 31 December 2009.

(i) Effects on Balance Sheet as at 30 September 2008:

Description of change	Increase/(Decrease)		
	30.9.08 Before reclass	BNM Guidelines on reclassification	30.9.08 After reclass
Group	RM'000	RM'000	RM'000
Securities held-for-trading	1,966,677	(785,770)	1,180,907
Securities available-for-sale	5,622,487	785,770	6,408,257
Available-for-sale reserve	(134,321)	(37,887)	(172,208)
Unappropriated profits	1,564,536	31,774	1,596,310

(ii) Effects on Income Statement for the quarter ended 30 September 2008:

	Increase/(Decrease)		
	30.9.08 Before reclass	BNM Guidelines on reclassification	30.9.08 After reclass
Group	RM'000	RM'000	RM'000
Revenue	1,406,584	39,664	1,446,248
Other operating income	108,799	39,664	148,463
Taxation	(84,427)	(6,197)	(90,624)
Profit after taxation attributable to equity holders of the Company	198,355	31,774	230,129

(iii) Effects on Income Statement for the 6 months period ended 30 September 2008:

	Increase/(Decrease)		
	30.9.08 Before reclass	BNM Guidelines on reclassification	30.9.08 After reclass
Group	RM'000	RM'000	RM'000
Revenue	2,805,561	39,664	2,845,225
Other operating income	328,766	39,664	368,430
Taxation	(153,914)	(6,197)	(160,111)
Profit after taxation attributable to equity holders of the Company	401,269	31,774	433,043

(iv) The carrying amounts and fair values of all securities reclassified from securities held-for-trading to securities available-for-sale are as follows:

	31.3.10		30.9.08	
	Carrying amount	Fair values	Carrying amount	Fair values
Group	RM'000	RM'000	RM'000	RM'000
Securities reclassified from securities held-for-trading to securities available-for-sale	341,369	370,307	822,964	785,770

56. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES (contd.)

(2) (a) Adoption of Risk-Based Capital Framework for the insurance business

During the reporting period, the insurance business of the Group adopted the Risk-Based Capital Framework pursuant to Section 23 of the Insurance Act 1996. The framework requires the insurer to maintain a capital adequacy level that is commensurate with the risk profiles that has been developed based on certain principles. The framework also sets out the statutory valuation bases for insurers' assets and liabilities and Bank Negara Malaysia's expectations on the investments and risk management policies.

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
(i) Effects on Balance Sheets for the financial year ended 31 March 2009			
Unappropriated profits	1,823,223	(3,502)	1,819,721

(b) Restatement of comparatives

During the reporting period, the Group had reviewed and changed the presentation of income and expenses arising from insurance business. These income and expenses which were previously taken up under other operating income and expenses are now presented as net income from insurance business.

The comparative amounts which have been reclassified to conform with the current year's presentation are as follows:

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
Income Statement for financial year ended 31 March 2009			
Operating revenue	5,860,729	449,928	6,310,657
Net income from insurance business	-	121,340	121,340
Other operating income	922,043	(464,699)	457,344
Other operating expenses	(1,612,146)	343,359	(1,268,787)
Balance Sheet for financial year ended 31 March 2009			
Cash and short-term funds	17,186,941	(238,360)	16,948,581
Other assets	1,490,006	238,360	1,728,366

57. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2010 and the results for the year ended 31 March 2010 of the Islamic banking business of the Group included in the financial statements, after elimination of intercompany transactions and balances, are summarised as follows:

BALANCE SHEET
AS AT 31 MARCH 2010

		Group	
	Note	2010 RM'000	2009 RM'000
ASSETS			
Cash and short-term funds	ii	3,926,360	3,218,641
Deposit and placements with banks and other financial institutions	iii	150,000	-
Securities held-for-trading	iv	350,934	203,863
Securities available-for-sale	v	907,930	569,295
Securities held-to-maturity	vi	-	36,710
Derivative financial assets		3,461	1,885
Financing and advances	vii	11,758,678	9,810,477
Statutory deposits with Bank Negara Malaysia		32,079	86,079
Other receivables, deposits and prepayments		92,584	109,803
Property and equipment	viii	408	489
Deferred tax assets	xxi	41,500	99,191
Computer software	ix	452	565
TOTAL ASSETS		17,264,386	14,136,998
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	x	13,395,919	10,155,389
Deposits and placements of banks and other financial institutions	xi	1,398,521	1,425,410
Derivative financial liabilities		3,458	1,884
Converted fund	xii	-	7,240
Acceptances payable		394,986	612,567
Other liabilities	xiii	229,174	208,235
Subordinated Sukuk Musyarakah	27(c)	400,000	400,000
Total Liabilities		15,822,058	12,810,725
ISLAMIC BANKING FUNDS			
Share capital/Capital funds	xiv	435,877	435,877
Reserves		1,006,451	890,396
Islamic Banking Funds		1,442,328	1,326,273
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		17,264,386	14,136,998
OFF-BALANCE SHEET EXPOSURES	xxv(e)	4,255,836	4,345,793

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

57. ISLAMIC BANKING BUSINESS (contd.)

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	Note	Group 2010 RM'000	Group 2009 RM'000
Income derived from investment of depositors' funds and others	xv	885,817	809,625
Allowance for losses on financing	xvi	(90,297)	(91,951)
Writeback/(provision) for commitment and contingencies		12,713	(11,978)
Impairment loss for sundry debt		(4,218)	(18)
Transfer from/(to) profit equalisation reserve		12,858	(24,518)
Total attributable income		816,873	681,160
Income attributable to the depositors	xvii	(330,631)	(383,685)
Profit attributable to the Group		486,242	297,475
Income derived from Islamic Banking Funds	xviii	240,423	165,879
Total net income		726,665	463,354
Operating expenditure	xix	(267,291)	(221,808)
Finance cost		(20,100)	(19,200)
Profit before taxation and zakat		439,274	222,346
Taxation and zakat	xx	(115,828)	(58,001)
Profit after taxation and zakat		323,446	164,345

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010

		Non-Distributable			Distributable		
Group	Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropri-ated profits RM'000	Total RM'000
At 1 April 2008	505,877	534,068	90,439	52	(733)	303,767	1,433,470
Transfer from unappropriated profits	-	-	78,334	-	-	(78,334)	-
Amount retained by AmInvestment Bank's conventional business	(70,000)	-	-	-	-	(211,118)	(281,118)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	8,906	-	-	8,906
Translation adjustments	-	-	-	-	670	-	670
Profit for the year	-	-	-	-	-	164,345	164,345
At 31 March 2009	435,877	534,068	168,773	8,958	(63)	178,660	1,326,273
At 1 April 2009	435,877	534,068	168,773	8,958	(63)	178,660	1,326,273
Transfer from unappropriated profits	-	-	96,396	-	-	(96,396)	-
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(6,754)	-	-	(6,754)
Translation adjustments	-	-	-	-	(637)	-	(637)
Profit for the year	-	-	-	-	-	323,446	323,446
Dividend paid	-	-	-	-	-	(200,000)	(200,000)
At 31 March 2010	435,877	534,068	265,169	2,204	(700)	205,710	1,442,328

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

57. ISLAMIC BANKING BUSINESS (contd.)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	Group	
	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	439,274	222,346
Add/(less) adjustments for:		
Specific allowance for bad and doubtful financing	104,866	108,429
General allowance for bad and doubtful financing	18,295	11,554
Depreciation of property and equipment	157	145
Amortisation of computer software	166	150
Transfer (from)/to profit equalisation reserve	(12,858)	24,518
Net gain from sale of securities held-for-trading	(2,952)	(7,489)
Loss on revaluation of securities held-for-trading	716	3,958
Operating profit before working capital changes	547,664	363,611
(Increase)/decrease in operating assets		
Deposit and placements with banks and other financial institutions	(150,000)	-
Securities held-for-trading	(144,835)	359,080
Financing and advances	(2,071,363)	(1,875,499)
Other receivables, deposits and prepayments	13,398	(14,692)
Statutory deposits with Bank Negara Malaysia	54,000	185,621
Increase/(decrease) in operating liabilities		
Deposits from customers	3,240,530	3,237,816
Deposits and placements of banks and other financial institutions	(26,889)	(211,029)
Converted funds	(7,240)	5,080
Acceptances payable	(217,581)	65,220
Other liabilities	7,035	28,320
Cash generated from operating activites	1,244,719	2,143,528
Taxation and zakat paid	(28,193)	(503)
Net cash generated from operating activites	1,216,526	2,143,025
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities - net	(308,679)	(564,726)
Purchase of property and equipment	(75)	(98)
Purchase of computer software	(53)	(104)
Net cash used in investing activities	(308,807)	(564,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net capital funds transferred to conventional business	-	(281,118)
Dividend paid	(200,000)	-
Net cash used in financing activities	(200,000)	(281,118)
Net increase in cash and cash equivalents	707,719	1,296,979
Cash and cash equivalents at beginning of year	3,218,641	1,921,662
Cash and cash equivalents at end of year	3,926,360	3,218,641

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

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisors

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

(a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.

(b) Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

Zakat Obligations

This represents business zakat. It is an obligatory amount payable by the Group to comply with the principles of Shariah. The Group does not pay zakat on behalf of the shareholders or depositors.

(ii) CASH AND SHORT-TERM FUNDS

	Group	
	2010 RM'000	2009 RM'000
Cash and bank balances	4,510	8,541
Money on call and deposits maturing within one month:		
Other financial institutions	3,921,850	3,210,100
	3,926,360	3,218,641

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

	Group	
	2010 RM'000	2009 RM'000
Other financial institutions	150,000	-

(iv) SECURITIES HELD-FOR-TRADING

	Group	
	2010 RM'000	2009 RM'000
At Fair Value		
Money Market Securities:		
Treasury bills	39,141	-
Malaysian Government Investment Certificates	189,911	-
Islamic Khazanah Bonds	-	991
Sukuk Bank Negara Malaysia	14,990	-
Bank Negara Malaysia Monetary Notes	48,716	-
	292,758	991
Unquoted Private Debt Securities:		
In Malaysia:		
Islamic corporate bonds	12,896	135,714
Islamic corporate notes	45,280	67,158
	58,176	202,872
Total	350,934	203,863

(v) SECURITIES AVAILABLE-FOR-SALE

	Group	
	2010 RM'000	2009 RM'000
At Fair Value		
Quoted Securities:		
In Malaysia:		
Corporate bonds	907,930	569,295

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(vi) SECURITIES HELD-TO-MATURITY

	Group	
	2010 RM'000	2009 RM'000
At Amortised Cost		
Unquoted Private Debt Securities:		
In Malaysia:		
Corporate bonds	-	36,710
Market/Indicative Value		
Unquoted Private Debt Securities:		
In Malaysia:		
Corporate bonds	-	35,458

(vii) FINANCING AND ADVANCES

	Group	
	2010 RM'000	2009 RM'000
Islamic hire purchase, net of unearned income	6,040,264	5,283,928
Term financing and revolving credit facilities*	3,839,443	3,029,943
Claims on customer under acceptance credits	917,819	763,656
Credit card receivables	286,801	310,266
Trust receipts	69,009	31,828
Other financing	854,929	656,417
Gross financing and advances	12,008,265	10,076,038
Allowance for bad and doubtful debts and financing:		
General	(184,803)	(166,508)
Specific	(64,784)	(99,053)
	(249,587)	(265,561)
Net financing and advances	11,758,678	9,810,477

* Included in term financing and revolving credit facilities of the Group as at 31 March 2010 is financing amounting to RM210,618,521 (31 March 2009: RM NIL) which are exempted from general allowance by Bank Negara Malaysia.

Financing and advances analysed by concepts are as follows:

	Group	
	2010 RM'000	2009 RM'000
Al-Ijarah	6,271,747	5,430,924
Al-Bai' Bithaman Ajil	1,260,664	1,177,304
Al-Murabahah	1,033,047	861,692
Al-Musyarakah	-	6
Al-Istina	-	625
Others	3,442,807	2,605,487
	12,008,265	10,076,038

The maturity structure of financing and advances are as follows:

	Group	
	2010 RM'000	2009 RM'000
Maturing within one year	1,982,230	1,268,160
One to three years	804,687	759,163
Three to five years	2,074,631	1,536,020
Over five years	7,146,717	6,512,695
	12,008,265	10,076,038

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(vii) FINANCING AND ADVANCES (contd.)

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

	Group	
	2010 RM'000	2009 RM'000
Individuals	8,519,544	7,801,363
Business enterprises	2,063,244	1,319,548
Small and medium industries	1,150,197	946,981
Government	210,619	-
Foreign entities	4,571	4,040
Other domestic entities	2,078	-
Non-bank financial institutions	58,012	4,106
	12,008,265	10,076,038

Gross financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	2010 RM'000	2009 RM'000
Fixed rate:		
Housing finance	325,779	381,353
Hire Purchase receivables	6,271,747	5,430,921
Others	5,201,701	4,101,031
Variable rate:		
Cost-plus	125,959	160,720
BLR-plus	83,079	2,013
	12,008,265	10,076,038

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

	Group	
	2010 RM'000	2009 RM'000
Purchase of transport vehicles	6,190,341	5,349,678
Purchase of landed properties:		
(a) Residential	382,422	383,048
(b) Non-residential	183,016	213,184
Personal use	2,050,316	2,035,433
Working capital	2,006,439	1,216,669
Credit cards	279,355	309,379
Fixed assets	157,110	161,385
Construction	228,931	109,673
Purchase of securities	3,232	6,319
Consumer durables	1,313	124
Other purpose	525,790	291,146
	12,008,265	10,076,038

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(vii) FINANCING AND ADVANCES (contd.)

Movements in non-performing financing and advances ("NPF") are as follows:

	Group	
	2010 RM'000	2009 RM'000
Gross		
Balance at beginning of year	239,637	305,321
Non-performing during the year	155,135	186,216
Reclassification to performing financing	(54,810)	(62,432)
Recoveries	(21,151)	(27,618)
Amount written off	(136,579)	(161,850)
Balance at end of year	182,232	239,637
Specific allowance	(64,784)	(99,053)
Non-performing financing - net	117,448	140,584
Net NPL as % of gross financing and advances		
(including Islamic financing sold to Cagamas Berhad)		
less specific allowance	0.96%	1.29%

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

	Group	
	2010 RM'000	2009 RM'000
Purchase of transport vehicles	111,528	120,820
Purchase of landed properties:		
(a) Residential	37,872	58,008
(b) Non-residential	5,294	14,277
Working capital	13,696	30,747
Credit cards	9,510	11,095
Personal use	2,607	496
Fixed assets	-	2,312
Construction	-	6
Purchase of securities	81	626
Consumer durables	207	-
Other purpose	1,437	1,250
	182,232	239,637

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

	Group	
	2010 RM'000	2009 RM'000
General Allowance		
Balance at beginning of year	166,508	154,954
Allowance made during the year	18,295	11,554
Balance at end of year	184,803	166,508
% of total financing and advances less specific allowance	1.5%	1.5%
Specific Allowance		
Balance at beginning of year	99,053	153,436
Allowance made during the year	149,764	156,574
Amount written back in respect of recoveries	(44,898)	(48,145)
Net charge to income statement	104,866	108,429
Amount written off/Adjustment to Asset Deficiency Account	(139,135)	(162,812)
Balance at end of year	64,784	99,053

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(viii) PROPERTY AND EQUIPMENT

Group	Leasehold Improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2010				
COST				
At beginning of year	286	413	272	971
Addition	63	11	1	75
Reclassification/Transfers	-	(3)	(79)	(82)
At end of year	349	421	194	964
ACCUMULATED DEPRECIATION				
At beginning of year	148	179	155	482
Depreciation for the year	51	81	25	157
Reclassification/Transfers	-	(3)	(80)	(83)
At end of year	199	257	100	556
NET BOOK VALUE				
As at 31 March 2010	150	164	94	408
2009				
COST				
At beginning of year	275	207	391	873
Addition	11	79	8	98
Reclassification/Transfers	-	127	(127)	-
At end of year	286	413	272	971
ACCUMULATED DEPRECIATION				
At beginning of year	99	74	164	337
Depreciation for the year	49	72	24	145
Reclassification/Transfers	-	33	(33)	-
At end of year	148	179	155	482
NET BOOK VALUE				
As at 31 March 2009	138	234	117	489

(ix) COMPUTER SOFTWARE

	Group	
	2010 RM'000	2009 RM'000
COST		
At beginning of year	813	709
Additions	53	104
At end of year	866	813
ACCUMULATED AMORTISATION		
At beginning of year	248	98
Amortisation for the year	166	150
At end of year	414	248
NET CARRYING AMOUNT	452	565

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(x) DEPOSITS FROM CUSTOMERS

	Group	
	2010 RM'000	2009 RM'000
Mudarabah Fund:		
Special Investment deposits	78,570	44,850
General Investment deposits	11,086,851	8,251,739
	11,165,421	8,296,589
Non-Mudarabah Fund:		
Demand deposits	910,759	645,865
Saving deposits	1,154,413	945,950
Negotiable Islamic debt certificates	155,782	266,985
Other deposits	9,544	-
	2,230,498	1,858,800
	13,395,919	10,155,389

The maturity structure of deposits from customers is as follows:

	Group	
	2010 RM'000	2009 RM'000
Due within six months	12,688,967	9,180,487
Six months to one year	411,653	525,255
One to three years	232,968	379,264
Three to five years	62,331	70,383
	13,395,919	10,155,389

The deposits are sourced from the following types of customers:

	Group	
	2010 RM'000	2009 RM'000
Business enterprises	6,161,423	4,765,935
Government and statutory bodies	4,745,630	2,914,913
Individuals	2,171,919	1,957,159
Others	316,947	517,382
	13,395,919	10,155,389

(xi) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2010 RM'000	2009 RM'000
Mudarabah Fund:		
Other financial institutions	604,594	588,790
Licensed investment/merchant banks	152	-
Non-Mudarabah Fund:		
Licensed investment/merchant banks	2,669	158,978
Other financial institutions	48,158	61,731
Licensed banks	450,363	198,258
Licensed islamic banks	289,762	414,224
Bank Negara Malaysia	2,823	3,429
	1,398,521	1,425,410

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(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	
	2010 RM'000	2009 RM'000
Other payables and accruals	134,597	130,875
Taxation and zakat payable	35,537	7,930
Amount due (from)/to head office	(613)	401
Lease deposits and advance rentals	10,355	6,867
Profit equalisation reserve	49,298	62,162
	229,174	208,235

The movements in profit equalisation reserve are as follows:

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	62,162	37,607
Transfer (to)/from income statements	(12,858)	24,518
Exchange fluctuation adjustments	(6)	37
Balance at end of year	49,298	62,162

(xiv) CAPITAL FUNDS

	Group	
	2010 RM'000	2009 RM'000
Allocated:		
Balance at beginning and end of year	563,381	563,381
Utilised:		
Balance at beginning of year	435,877	505,877
Amount retained by AmInvestment Bank conventional business	-	(70,000)
Balance at end of year	435,877	435,877

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

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

	Group	
	2010 RM'000	2009 RM'000
Income derived from investment of:		
(i) General investment deposits	647,960	477,791
(ii) Specific investment deposits	25	211
(iii) Other deposits	237,832	331,623
	885,817	809,625

(i) Income derived from investment of general investment deposits:

	Group	
	2010 RM'000	2009 RM'000
Finance income and hibah:		
Financing and advances	554,540	403,011
Securities held-for-trading	3,317	7,603
Securities held-to-maturity	-	1,063
Money at call and deposits with financial institutions	57,112	39,554
	614,969	451,231
Accretion of discount	1,970	2,004
	616,939	453,235
Net gain from sale of securities held-for-trading	1,896	3,347
Loss on revaluation of securities-held-for-trading	(460)	(1,989)
Others	(33)	258
	1,403	1,616
Fee and commission income:		
Commission	5,819	4,184
Other fee income	23,799	18,756
	29,618	22,940
Total	647,960	477,791

(ii) Income derived from investment of specific investment deposits:

	Group	
	2010 RM'000	2009 RM'000
Finance income and hibah:		
Securities held-to-maturity	25	211
	25	211

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

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

(iii) Income derived from investment of other deposits:

	Group	
	2010 RM'000	2009 RM'000
Finance income and hibah:		
Financing and advances	202,612	280,024
Securities held-for-trading	1,212	5,379
Securities held-to-maturity	559	-
Money at call and deposits with financial institutions	21,395	27,766
	225,778	313,169
Accretion of discount	720	1,392
	226,498	314,561
Net gain from sale of securities held-for-trading	693	2,325
Loss on revaluation of securities-held-for-trading	(168)	(1,382)
Others	(12)	180
	513	1,123
Fee and commission income:		
Commission	2,126	2,907
Other fee income	8,695	13,032
	10,821	15,939
Total	237,832	331,623

(xvi) ALLOWANCE FOR LOSSES ON FINANCING

	Group	
	2010 RM'000	2009 RM'000
Allowance for bad and doubtful financing:		
General allowance	18,295	11,554
Specific allowance (net)	104,866	108,429
	123,161	119,983
Bad debts recovered	(32,864)	(28,032)
	90,297	91,951

(xvii) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group	
	2010 RM'000	2009 RM'000
Deposits from customers:		
Mudarabah Fund	242,781	230,017
Non-Mudarabah Fund	25,565	29,469
Deposits and placements of banks and other financial institutions:		
Mudarabah Fund	13,036	14,321
Non-Mudarabah Fund	22,130	43,267
Converted fund	9	118
Others	27,110	66,493
	330,631	383,685

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xviii) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	2010 RM'000	2009 RM'000
Finance income and hibah:		
Financing and advances	106,280	119,063
Securities held-for-trading	636	2,574
Securities available-for-sale	21,254	12,685
Securities held-to-maturity	-	220
Money at call and deposits with financial institutions	12,408	12,738
	140,578	147,280
Amortisation of premium less accretion of discount-net	(1,431)	472
	139,147	147,752
Net gain from sale of securities held-for-trading	60,597	1,817
Net gain from disposal of securities available-for-sale	4,665	2,307
Loss on revaluation of securities-held-for-trading	(88)	(587)
Others	(7)	76
	65,167	3,613
Fee and commission income:		
Guarantee fees	2,437	1,716
Commission	2,596	1,236
Other fee income	31,076	11,562
	36,109	14,514
Total	240,423	165,879

(xix) OPERATING EXPENDITURE

	Group	
	2010 RM'000	2009 RM'000
Personnel costs	13,957	9,446
Establishment costs	1,303	1,709
Marketing and communication expenses	8,703	6,661
Administration and general expenses	243,328	203,992
	267,291	221,808

Included in the administration and general expenses above is shared service cost of RM239,815,000 (2009: RM201,351,000) in respect of the Islamic Banking business of the Group.

(xx) TAXATION AND ZAKAT

	Group	
	2010 RM'000	2009 RM'000
Estimated current tax payable	54,621	1,336
Transfer from deferred tax assets (Note xxi)	59,937	55,633
Taxation	114,558	56,969
Zakat	1,270	1,032
Taxation and zakat	115,828	58,001

(xxi) DEFERRED TAX ASSETS

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	99,191	157,781
Net transfer to income statement	(59,937)	(55,633)
Recognised in equity	2,246	(2,957)
Balance at end of year	41,500	99,191
The deferred taxation is in respect of the following:		
Unabsorbed tax losses	-	59,570
General allowance for financing activites	46,201	41,627
Profit equalisation reserve	12,324	15,483
Temporary difference between depreciation and tax allowance	(147)	(187)
Temporary difference arising from unrealised loss on securities available-for-sale	(718)	(2,957)
Others	(16,160)	(14,345)
	41,500	99,191

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxii) 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.

	Non Trading Book									
2010	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	Trading Book RM'000	Total RM'000	Effective profit rate %
Group										
ASSETS										
Cash and short-term funds	3,921,850	-	-	-	-	-	4,510	-	3,926,360	2.01
Deposits and placements with banks and other financial institutions	-	150,000	-	-	-	-	-	-	150,000	2.03
Securities held-for-trading	-	-	-	-	-	-	-	350,934	350,934	3.00
Securities available-for-sale	-	433,336	151,873	10,231	178,735	133,755	-	-	907,930	3.42
Derivative financial assets	-	-	-	-	-	-	3,461	-	3,461	-
Financing and advances										
- performing*	1,130,778	484,421	355,019	(197,007)	3,143,706	6,909,116	-	-	11,826,033	7.66
- non-performing**	-	-	-	-	-	-	(67,355)	-	(67,355)	-
Other non-profit sensitive balances	-	-	-	-	-	-	167,023	-	167,023	-
TOTAL ASSETS	5,052,628	1,067,757	506,892	(186,776)	3,322,441	7,042,871	107,639	350,934	17,264,386	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	6,978,296	3,757,758	1,032,610	411,653	295,299	-	920,303	-	13,395,919	2.13
Deposits and placements of banks and other financial institutions	881,746	120,340	102,585	6,543	286,768	-	539	-	1,398,521	2.66
Derivative financial liabilities	-	-	-	-	-	-	3,458	-	3,458	-
Bills and acceptances payables	185,269	176,432	33,285	-	-	-	-	-	394,986	2.54
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	229,174	-	229,174	-
Total liabilities	8,045,311	4,054,530	1,168,480	418,196	982,067	-	1,153,474	-	15,822,058	
Islamic Banking Funds	-	-	-	-	-	-	1,442,328	-	1,442,328	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	8,045,311	4,054,530	1,168,480	418,196	982,067	-	2,595,802	-	17,264,386	
On-balance sheet yield/profit rate gap sensitivity	(2,992,683)	(2,986,773)	(661,588)	(604,972)	2,340,374	7,042,871	(2,488,163)	350,934	-	
Off-balance sheet yield/profit rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total yield/profit rate sensitivity gap	(2,992,683)	(2,986,773)	(661,588)	(604,972)	2,340,374	7,042,871	(2,488,163)	350,934	-	
Cumulative yield/ profit rate gap sensitivity	(2,992,683)	(5,979,456)	(6,641,044)	(7,246,016)	(4,905,642)	2,137,229	(350,934)	-	-	

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxii) YIELD/PROFIT RATE RISK (contd.)

	Non Trading Book									
2009	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	Trading Book RM'000	Total RM'000	Effective profit rate %
Group										
ASSETS										
Cash and short-term funds	3,210,100	-	-	-	-	-	8,541	-	3,218,641	2.10
Securities held-for-trading	-	-	-	-	-	-	-	203,863	203,863	4.62
Securities available-for-sale	-	7,384	9,286	31,760	336,935	183,930	-	-	569,295	2.22
Securities held-to-maturity	-	36,455	-	-	-	-	255	-	36,710	3.03
Derivative financial assets	-	-	-	-	-	-	1,885	-	1,885	-
Financing and advances										
- performing*	762,591	440,423	(245,620)	86,593	2,019,866	6,772,547	-		9,836,400	7.88
- non-performing**	-	-	-	-	-		(25,923)	-	(25,923)	-
Other non-profit sensitive balances	-	-	-	-	-	-	296,127	-	296,127	-
TOTAL ASSETS	3,972,691	484,262	(236,334)	118,353	2,356,801	6,956,477	280,885	203,863	14,136,998	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits from customers	5,000,417	2,294,215	1,239,990	525,255	449,647	-	645,865	-	10,155,389	2.46
Deposits and placements of banks and other financial institutions	469,588	297,622	293,707	166,528	192,778	-	5,187	-	1,425,410	3.03
Derivative financial liabilities	-	-	-	-	-	-	1,884	-	1,884	-
Converted fund	7,240	-	-	-	-	-	-	-	7,240	1.02
Bills and acceptances payable	220,903	281,824	109,840	-	-	-	-	-	612,567	2.00
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	208,235	-	208,235	-
Total liabilities	5,698,148	2,873,661	1,643,537	691,783	1,042,425	-	861,171	-	12,810,725	
Islamic Banking Funds	-	-	-	-	-	-	1,326,273	-	1,326,273	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	5,698,148	2,873,661	1,643,537	691,783	1,042,425	-	2,187,444	-	14,136,998	
On-balance sheet yield/profit rate gap sensitivity	(1,725,457)	(2,389,399)	(1,879,871)	(573,430)	1,314,376	6,956,477	(1,906,559)	203,863	-	
Off-balance sheet yield/profit rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total yield/profit rate sensitivity gap	(1,725,457)	(2,389,399)	(1,879,871)	(573,430)	1,314,376	6,956,477	(1,906,559)	203,863	-	
Cumulative yield/ profit rate gap sensitivity	(1,725,457)	(4,114,856)	(5,994,727)	(6,568,157)	(5,253,781)	1,702,696	(203,863)	-	-	

* This is arrived at after deducting Islamic financing sold to Cagamas Berhad from financing and advances.
** This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxiii) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

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

	2010		2009	
Group	**Carrying Value RM'000**	**Fair Value RM'000**	**Carrying Value RM'000**	**Fair Value RM'000**
Financial Assets				
Cash and short-term funds	3,926,360	3,926,360	3,218,641	3,218,641
Deposit and placements with banks and other financial institutions	150,000	150,000	-	-
Securities held-for-trading	350,934	350,934	203,863	203,863
Securities available-for-sale	907,930	907,930	569,295	569,295
Securities held-to-maturity	-	-	36,710	35,458
Derivative financial assets	3,461	3,461	1,885	1,885
Financing and advances *	11,943,481	12,175,028	9,976,985	10,190,850
Other financial assets	41,615	41,615	97,168	97,168
	17,323,781	17,555,328	14,104,547	14,317,160
Non-financial Assets	(59,395)		32,451	
TOTAL ASSETS	17,264,386		14,136,998	
Financial Liabilities				
Deposits from customers	13,395,919	13,394,993	10,155,389	10,181,045
Deposits and placements of banks and other financial insitutions	1,398,521	1,409,353	1,425,410	1,402,044
Derivative financial liabilities	3,458	3,458	1,884	1,884
Converted fund	-	-	7,240	7,240
Bills and acceptances payable	394,986	394,986	612,567	612,567
Subordinated Sukuk Musyarakah	400,000	442,544	400,000	456,142
Other financial liabilities	48,910	48,910	60,055	60,055
	15,641,794	15,694,244	12,662,545	12,720,977
Non-financial Liabilities				
Other non-financial liabilities	180,264		148,180	
Islamic Banking Funds	1,442,328		1,326,273	
	1,622,592		1,474,453	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	17,264,386		14,136,998	

* The general allowance for the Group amounting to RM184,803,000 (2009: RM166,508,000) has been included under non-financial assets.

(xxiv) NET INCOME FROM ISLAMIC BANKING BUSINESS

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

	Group	
	2010 RM'000	**2009 RM'000**
Income derived from investment of depositors' funds and others	885,817	809,625
Less: Income attributable to depositors	(330,631)	(383,685)
Income attributable to the Group	555,186	425,940
Income derived from Islamic Banking Funds	240,423	165,879
Less: Finance cost	(20,100)	(19,200)
	775,509	572,619

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxv) CAPITAL ADEQUACY RATIO

(a) The aggregated capital adequacy ratios under the Islamic banking business of the Group as at 31 March are as follows:

	Group	
	2010	**2009**
Before deducting proposed dividend:		
Core capital ratio	11.14%	11.39%
Risk-weighted capital ratio	15.80%	16.70%
After deducting proposed dividend:		
Core capital ratio	11.14%	11.39%
Risk-weighted capital ratio	15.80%	16.70%

The capital adequacy ratios of the Islamic banking business of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II) and the Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

(b) The aggregated components of Tier I and Tier II Capital of the Islamic banking business of the Group are as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Tier 1 capital		
Paid-up ordinary share capital	435,877	435,877
Share premium	534,068	534,068
Statutory reserve	265,169	168,773
Unappropriated profits at end of year	205,710	178,032
Total tier 1 capital	1,440,824	1,316,750
Less: Deferred tax assets - net	(42,218)	(102,161)
Total	1,398,606	1,214,589
Tier 2 capital		
Subordinated Sukuk Musyarakah	400,000	400,000
General allowance for bad and doubtful financing	184,803	166,508
Total tier 2 capital	584,803	566,508
Capital base	1,983,409	1,781,097

The breakdown of risk-weighted assets of the Islamic banking business of the Group in the various risk categories are as follows:

	Group	
	2010 RM'000	**2009 RM'000**
Credit risk	10,908,343	9,476,490
Market risk	456,330	237,786
Operational risk	1,186,863	949,499
	12,551,536	10,663,775

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxv) CAPITAL ADEQUACY RATIO (contd.)

(c) The aggeregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Islamic banking business of the Group for the current financial year are as follows:

2010
Group

Exposure Class

		Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	**Credit Risk**				
	On-Balance Sheet Exposures:				
	Sovereigns/Central Banks	3,968,133	3,968,133	-	-
	Public Sector Entities ("PSEs")	29,831	29,831	5,966	477
	Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	880,295	880,295	176,098	14,088
	Corporates	3,418,971	3,367,269	3,179,488	254,359
	Regulatory Retail	8,330,738	8,325,365	6,243,317	499,465
	Residential Mortgages	198,113	198,060	79,736	6,379
	Other Assets	106,838	106,838	102,537	8,202
	Defaulted Exposures	274,924	259,821	365,502	29,240
	Total for On-Balance Sheet Exposures	17,207,843	17,135,612	10,152,644	812,210
	Off-Balance Sheet Exposures:				
	OTC Derivatives	9,501	9,501	1,900	152
	Off-balance sheet exposures other than over the counter derivatives or credit derivatives	874,955	861,550	753,799	60,304
	Total for Off-Balance Sheet Exposures [Note xxv (e)]	884,456	871,051	755,699	60,456
	Total On and Off-Balance Sheet Exposures	18,092,299	18,006,663	10,908,343	872,666
2.	**Large Exposures Risk Requirement**	-	-	-	-

		Long Position	Short Position		
3.	**Market Risk**				
	Profit rate risk				
	- General interest rate risk	1,047,739	106,263	301,642	24,131
	- Specific interest rate risk	1,047,739	106,263	154,688	12,375
	Foreign exchange risk	-	-	-	-
	Option Risk	-	-	-	-
	Total	2,095,478	212,526	456,330	36,506
4.	**Operational Risk**			1,186,863	94,950
5.	**Total RWA and Capital Requirements**			12,551,536	1,004,122

The Group does not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxv) CAPITAL ADEQUACY RATIO (contd.)

(c) The aggeregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Islamic banking business of the Group for the current financial year are as follows: (contd.)

2009
Group

Exposure Class

		Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	**Credit Risk**				
	On-Balance Sheet Exposures:				
	Sovereigns/Central Banks	3,087,200	3,087,200	-	-
	Public Sector Entities ("PSEs")	25,561	25,561	5,112	409
	Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	349,504	349,504	87,356	6,988
	Corporates	2,534,177	2,501,758	2,128,768	170,302
	Regulatory Retail	7,679,664	7,674,712	5,749,139	459,931
	Residential Mortgages	154,919	154,873	63,758	5,101
	Other Assets	44,689	44,689	33,119	2,650
	Defaulted Exposures	176,861	176,680	227,844	18,227
	Total for On-Balance Sheet Exposures	14,052,575	14,014,978	8,295,096	663,608
	Off-Balance Sheet Exposures:				
	OTC Derivatives	-	-	-	-
	Off-balance sheet exposures other than over the counter derivatives or credit derivatives	1,421,312	1,398,789	1,181,394	94,512
	Total for Off-Balance Sheet Exposures [Note xxv (e)]	1,421,312	1,398,789	1,181,394	94,512
	Total On and Off-Balance Sheet Exposures	15,473,887	15,413,767	9,476,490	758,120
2.	**Large Exposures Risk Requirement**	-	-	-	-

		Long Position	Short Position		
3.	**Market Risk**				
	Profit rate risk				
	- General interest rate risk	770,071	53,563	160,198	12,816
	- Specific interest rate risk	304,537	-	21,419	1,714
	Foreign exchange risk	1,294	-	1,294	104
	Option Risk	399,000	-	54,875	4,390
	Total	1,474,902	53,563	237,786	19,024
4.	**Operational Risk**			949,499	75,959
5.	**Total RWA and Capital Requirements**			10,663,775	853,103

The Group does not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxv) CAPITAL ADEQUACY RATIO (contd.)

(d) The aggregated breakdown of credit risk exposures by risk weights of the Islamic banking business of the Group for the current financial year are as follows:

2010
Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,968,133	-	-	-	-	-	-	-	3,549	-	-	-	3,971,682	-
20%	-	29,831	889,667	-	209,137	-	-	-	939	-	-	-	1,129,574	225,913
35%	-	-	-	-	-	-	128,622	-	-	-	-	-	128,622	45,018
50%	-	-	1,129	-	44,250	10,808	69,457	-	-	-	-	-	125,644	62,822
75%	-	-	-	-	-	8,761,036	-	-	-	-	-	-	8,761,036	6,570,777
100%	-	-	-	303	3,533,731	12,841	13,463	-	102,350	-	-	-	3,662,688	3,662,688
150%	-	-	-	-	137,421	87,086	-	2,910	-	-	-	-	227,417	341,125
Average Risk Weight											-		-	-
Total	3,968,133	29,831	890,796	303	3,924,539	8,871,771	211,542	2,910	106,838	-	-	-	18,006,663	10,908,343
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

2009
Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,087,200	-	-	-	-	-	-	-	4,703	-	-	-	3,091,903	-
20%	-	25,593	291,322	-	409,685	-	-	-	3,818	-	-	-	730,418	146,083
35%	-	-	-	-	-	-	91,042	-	-	-	-	-	91,042	31,864
50%	-	-	58,194	-	53,283	15,901	65,516	-	-	-	-	-	192,894	96,446
75%	-	-	-	-	-	8,650,287	-	-	-	-	-	-	8,650,287	6,487,716
100%	-	-	-	129	2,468,804	16,490	13,695	-	43,788	-	-	-	2,542,906	2,542,906
150%	-	-	-	-	23,780	94,181	-	3,977	(7,621)	-	-	-	114,317	171,475
Average Risk Weight											-		-	-
Total	3,087,200	25,593	349,516	129	2,955,552	8,776,859	170,253	3,977	44,688	-	-	-	15,413,767	9,476,490
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxv) CAPITAL ADEQUACY RATIO (contd.)

(e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Islamic banking business of the Group are as follows:

	2010			
Group	Principal Amount RM'000	Positive Fair Value of Derivative Contract RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Credit -Related Exposures				
Al-Kafalah guarantees	322,689		322,689	309,284
Certain transaction-related contingent items	130,228		65,114	65,772
Islamic revolving underwriting facilities	-		-	-
Short term self liquidating trade-related contingencies	90,357		18,071	18,372
Financing sold to Cagamas Bhd	335,852		335,852	253,809
Irrevocable commitments to extend credit maturing:				
- within one year	1,987,102		-	-
- more than one year	160,507		37,415	33,823
Unutilised credit card line	447,639		89,528	66,953
Sale and buy back agreements	306,538		6,286	5,786
Obligations under underwriting agreements	391,000		-	-
Others	8,424		-	-
Derivative Financial Instruments				
Commodity related contracts:				
Options				
- Over one to five years	75,500	3,461	9,501	1,900
Total	4,255,836	3,461	884,456	755,699

<----------Note xxv (c)---------->

	2009			
Group	Principal Amount RM'000	Positive Fair Value of Derivative Contract RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Credit -Related Exposures				
Al-Kafalah guarantees	328,104		328,104	314,700
Certain transaction-related contingent items	182,317		91,159	91,659
Islamic revolving underwriting facilities	-		-	-
Short term self liquidating trade-related contingencies	55,734		11,147	11,147
Financing sold to Cagamas Bhd	879,088		879,088	663,997
Irrevocable commitments to extend credit maturing:				
- within one year	1,508,291		-	-
- more than one year	259,804		10,433	24,083
Unutilised credit card line	505,845		101,169	75,602
Sale and buy back agreements	155,560		212	206
Obligations under underwriting agreements	399,000		-	-
Others	27,556		-	-
Derivative Financial Instruments				
Commodity related contracts:				
Options				
- Over one to five years	44,494	1,885	-	-
Total	4,345,793	1,885	1,421,312	1,181,394

<----------Note xxv (c)---------->

57. ISLAMIC BANKING BUSINESS (contd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

(xxvi) RESTATEMENT OF COMPARATIVES

The Group had reveiwed and changed the presentation of certain balances as follows:

(a) credit card receivables under instalments payments scheme which were previously classified under Other Assets have been reclassified as part of financing and advances.

(b) deposits for certain deposits which were previously classified under Deposits and placements of bank and other financial institutions have been reclassified as part of Deposits from customers.

(c) certain incidental expenses which were incurred in the acquisition of house financing and commercial property financing were previously taken up under Operating expenditure are now deducted against income earned from the said financing.

The above classifications are to conform with current year presentation which better reflects the nature of the items.

Group	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
Balance Sheet as at 31 March 2009			
Assets			
Financing and advances	9,775,162	35,315	9,810,477
Other assets	145,118	(35,315)	109,803
Liabilities			
Deposits from customers	7,552,313	2,603,076	10,155,389
Deposits and placements of banks and other financial institutions	4,028,486	(2,603,076)	1,425,410
Income Statement for 31 March 2009			
Income derived from investment of depositors' funds and others	809,739	(114)	809,625
Operating expenditure	(221,922)	114	(221,808)