

Company No. 8515–D

AmBank (M) Berhad

(Company No. 8515–D)
(Incorporated in Malaysia)

**Financial Statements
For the Financial Year Ended
31 March 2010**

(In Ringgit Malaysia)

AmBank (M) Berhad
(Incorporated in Malaysia)
And Its Subsidiaries

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AmBank (M) Berhad
(Incorporated in Malaysia)
And Its Subsidiaries

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to carry on the business of a licensed commercial bank and finance company which also includes the provision of Islamic banking services via its wholly-owned subsidiary, AmIslamic Bank Berhad ("AmIslamic Bank").

The principal activities of its subsidiaries are disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

SIGNIFICANT EVENTS

The significant events during the financial year are as disclosed in Note 46 to the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the financial statements.

FINANCIAL RESULTS

	The Group	The Bank
	RM'000	RM'000
Profit before zakat and taxation	1,077,717	952,683
Zakat	(1,270)	-
Taxation	<u>(280,151)</u>	<u>(235,557)</u>
Profit after zakat and taxation	<u>796,296</u>	<u>717,126</u>
Attributable to:		
Equity holder of the Bank	796,307	717,126
Minority interests	<u>(11)</u>	<u>-</u>
Profit after zakat and taxation	<u>796,296</u>	<u>717,126</u>

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 spend, 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 AMMB Holdings Berhad and its subsidiaries (“AHB Group”) 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 AHB Group continues to place concerted effort in growing customer deposits and increasing the mix of low cost deposits, which is governed by the Group 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 AHB Group’s strategy to support deposits growth.

The retail banking division remains a major contributor to the AHB 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 income whilst acquiring new customers with good track record and good quality business plans.

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 based income. 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”), AHB Group has established an integrated framework for the FX and derivatives businesses to provide customers end-to-end product and service offerings in forex, interest rates and commodities.

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%. AHB 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.

AHB Group will stay focused on executing to 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. AHB Group’s aspirations centre on growing non-interest income 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 AHB 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 the operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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 Bank for the current financial year in which this report is made.

DIVIDENDS

No dividend on ordinary shares has been paid by the Bank since the end of the previous financial year.

In respect of the current financial year, the Directors recommend a final single tier cash dividend of approximately 42.26 sen per ordinary share on 670,363,762 ordinary shares amounting to RM283,325,000. The financial statements for the current financial year do not reflect this dividend. Such dividend, upon approval of the shareholder will be accounted for in equity as an appropriation of unappropriated profits in the financial year ending 31 March 2011.

RESERVES AND ALLOWANCES

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those disclosed in the financial statements.

ISSUANCE OF SHARES AND DEBENTURES

There were no issuance of shares or debentures during the financial year other than those disclosed in the financial statements.

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

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

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements and balance sheets of the Group and of the Bank 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 allowances had been made for doubtful debts and financing.

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

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 of the Group and of the Bank 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 Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability in respect of the Group and of the Bank 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 Bank 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 Bank 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 Bank that would render any amount stated in the financial statements misleading.

CURRENT ASSETS

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

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

DIRECTORS

The directors of the Bank who served on the Board since the date of the last report and at the date of this report are:

Tan Sri Azman Hashim
 Tun Mohammed Hanif Omar
 Tan Sri Datuk Clifford Francis Herbert
 Dato' Gan Nyap Liou @ Gan Nyap Liow
 Tan Kheng Soon
 Cheah Tek Kuang
 Ashok Ramamurthy

In accordance with Article 87 of the Bank's Articles of Association, Tan Sri Datuk Clifford Francis Herbert retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Tan Sri Azman Hashim, Tun Mohammed Hanif Omar and Mr Tan Kheng Soon, retire at the forthcoming Annual General Meeting. Tan Sri Azman Hashim and Tun Mohammed Hanif Omar offer themselves for reappointment to hold office until the conclusion of the next Annual General Meeting of the Bank.

DIRECTORS' INTERESTS

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

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

DIRECT INTERESTS

**In the ultimate holding company,
 AMMB Holdings Berhad ("AHB")**

Shares	No. of ordinary shares of RM1.00 each ("shares")			Balance at 31.3.2010
	Balance at 1.4.2009	Bought	Sold	
Tan Kheng Soon	25,000	-	-	25,000
Cheah Tek Kuang	78,800	-	-	78,800
Ashok Ramamurthy	100,000	-	-	100,000

Scheme Shares	No. of shares pursuant to AHB Executives' Share Scheme			Balance at 31.3.2010
	Balance at 1.4.2009	Granted *	Vested	
Cheah Tek Kuang	-	110,000	-	110,000
Ashok Ramamurthy	-	44,300	-	44,300

DIRECTORS' INTERESTS (CONTD.)**DIRECT INTERESTS (CONTD.)**

Shares under Options	No. of shares pursuant to AHB Executives' Share Scheme				Balance at 31.3.2010
	Balance at 1.4.2009	Granted *	Vested	Exercised	
Ceah Tek Kuang	-	672,400	-	-	672,400
Ashok Ramamurthy	-	264,800	-	-	264,800

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

INDIRECT INTERESTS

In the ultimate holding company,
AMMB Holdings Berhad

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

By virtue of Tan Sri Azman Hashim's shareholding in the ultimate holding company, AMMB Holdings Berhad, he is deemed to have interests in the shares of the Bank and its related corporations, to the extent the ultimate holding company has an interest.

Other than as disclosed, none of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 42 to the financial statements) by reason of a contract made by the Bank 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, other than for the related party transactions as shown in Note 41 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is 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 Bank or any other body corporate.

CORPORATE GOVERNANCE

(a) 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 Bank and its 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 Bank’s businesses, policies and affairs with the goal of enhancing shareholder’s value. The Board meets nine (9) 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, organization structure, business developments (subject to matters reserved for shareholders’ meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises seven (7) directors with wide skills and experience, four (4) of whom are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Chief Executive Officer of the Bank. The Senior Management team of the Bank 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.

CORPORATE GOVERNANCE (CONTD.)**(b) Committees of the Board**

The Board delegates certain responsibilities to the Board Committees. The Committees together with the Committees established at Group level (AMMB Holdings Berhad), which were created to assist the Board in certain areas of deliberations, are:

1. Audit and Examination Committee
2. Risk Management Committee
3. Group Nomination Committee (at Group level)
4. Group Remuneration Committee (at Group level)

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

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

Number of meetings attended in Financial Year 2010 ("FY2010")					
	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Risk Management Committee
Tan Sri Azman Hashim	9 (Chairman)	2	3	N/A	N/A
Tun Mohammed Hanif Omar	9	2 (Chairman)	N/A	10	N/A
Tan Sri Datuk Clifford Francis Herbert	9	2	N/A	10 (Chairman)	7 (Chairman)
Dato' Gan Nyap Liou @ Gan Nyap Liow	7	N/A	N/A	9	2
Tan Kheng Soon	9	N/A	N/A	N/A	7
Cheah Tek Kuang	8	N/A	N/A	N/A	N/A
Ashok Ramamurthy	9	N/A	N/A	N/A	N/A
Number of meetings held in FY2010	9	2	3	10	7

Notes:

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

CORPORATE GOVERNANCE (CONTD.)

Group Nomination Committee

Established at AMMB Holdings Berhad ("AHB"), the Bank's ultimate holding company, 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 recommendation to the Board of the Bank 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 Committees 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

Established at AHB, 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 Bank 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 three (3) members, all 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 control to safeguard the Bank's assets and shareholder's investments.

The AEC met 10 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 financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

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

CORPORATE GOVERNANCE (CONTD.)

Risk Management Committee

Risk management is an integral part of the Bank'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 also approves the engagement of new products or activities after considering the risk bearing capacity and readiness of the Bank.

The Risk Management Committee exercises oversight on behalf of the Board to ensure adequate overall management of credit, market, liquidity, operational, legal and capital risks impacting the Bank.

The Committee is independent from management and comprises three (3) members, all of whom are Independent 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 Bank. It also assesses the Bank's ability to accommodate risks under normal and stress scenarios.

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

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 Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meetings. 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 reviews of 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 Bank. The structured 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.)

MANAGEMENT INFORMATION

The Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank 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 Bank, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

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

HOLDING AND ULTIMATE HOLDING COMPANY

The Directors regard AMFB Holdings Berhad and AMMB Holdings Berhad, both of which are incorporated in Malaysia, as the holding company and the ultimate holding company respectively.

RATING BY EXTERNAL AGENCIES

The Bank's long-term rating and short-term rating were upgraded to AA3/P1/Stable by Rating Agency Malaysia Berhad ("RAM"). Additionally, the Bank's rating was complemented by the upgraded international ratings of BBB/F3/Stable by Fitch Ratings Ltd. Outlook revision was also upgraded to BBB-/A3/Positive by Standard and Poor's Ratings Services, and BBB-/A3/Positive from Capital Intelligence Ltd whilst Moody's Investors Services had upgraded the Bank's banking financial strength rating to D and reaffirmed international rating at Baa2/P3/Stable.

The Bank'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 were upgraded to A2/Stable by RAM. The long-term rating of the Bank'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 has been assigned a long term rating of AA3/Stable by RAM.

The Bank'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 had been upgraded with a long-term rating of A2/Stable.

In line with Moody's revised methodology on rating bank's hybrids and subordinated debt, the Hybrid Securities of USD200.0 million issued by the Bank (via its wholly-owned subsidiary, AMBB Capital (L) Ltd) had been re-rated to B2 by Moody's Investor Services. However, the Hybrid Securities were upgraded to BB+ by Fitch whilst reaffirmed at BB by Standard and Poor's Ratings Services.

RAM had upgraded the financial institution ratings of AmIslamic Bank at AA3/P1/Stable.

Following the upgrade on financial institution ratings on AmIslamic Bank, the long term rating of AmIslamic Bank's RM400.0 million Subordinated Sukuk Musyarakah had been upgraded to A1/Stable by RAM.

Company No. 8515–D

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

Chairman

CHEAH TEK KUANG

Chief Executive Officer

Kuala Lumpur, Malaysia

12 May 2010

AmBank (M) Berhad
(Incorporated in Malaysia)
And Its Subsidiaries

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

We, **TAN SRI AZMAN HASHIM** and **CHEAH TEK KUANG**, being two of the directors of **AmBank (M) Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements as set on pages 17 to 136 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 Bank as at 31 March 2010 and of the results and the cash flows of the Group and of the Bank for the financial year then ended.

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

TAN SRI AZMAN HASHIM
Chairman

CHEAH TEK KUANG
Chief Executive Officer

Kuala Lumpur, Malaysia
12 May 2010

AmBank (M) Berhad
(Incorporated in Malaysia)
And Its Subsidiaries

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

I, **LIM HOCK AUN**, being the Officer primarily responsible for the financial management of **AmBank (M) Berhad**, do solemnly and sincerely declare that the accompanying financial statements as set out on pages 17 to 136 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
LIM HOCK AUN at Kuala Lumpur
this 12 May 2010

LIM HOCK AUN

Before me,

COMMISSIONER FOR OATHS
Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur
Telephone Number: 03-20362633

Company No. 8515–D

**Independent auditors' report to the member of
AmBank (M) Berhad**

(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AmBank (M) Berhad, which comprise the balance sheets as at 31 March 2010 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 136.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Company No. 8515–D

**Independent auditors' report to the member of
AmBank (M) Berhad**

(Incorporated in Malaysia)

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("the Act") 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 have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank 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.
- (c) The auditors' reports on the financial statements 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 member of the Bank, 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
12 May 2010

AmBank (M) Berhad
(Incorporated in Malaysia)
And Its Subsidiaries

BALANCE SHEETS AS AT 31 MARCH 2010

	Note	The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
ASSETS					
Cash and short-term funds	5	11,632,433	16,868,087	7,447,516	13,395,759
Deposits and placements with banks and other financial institutions	6	2,118,135	421,050	1,902,368	427,143
Securities held-for-trading	7	1,679,658	1,387,411	1,328,725	1,183,549
Securities available-for-sale	8	7,814,492	5,598,484	7,405,684	5,053,563
Securities held-to-maturity	9	532,685	753,359	532,685	710,798
Derivative financial assets	10	343,643	477,132	340,182	475,247
Loans, advances and financing	11	64,076,357	56,739,792	52,010,508	46,899,886
Other assets	12	1,042,969	992,398	964,567	888,327
Statutory deposit with Bank Negara Malaysia	13	167,623	517,578	135,544	431,499
Deferred tax assets	14	259,307	344,230	213,089	241,639
Investment in subsidiaries	15	-	-	849,870	849,870
Investment in associates	16	986	805	111	137
Prepaid land lease payments	17	3,815	4,051	2,781	2,860
Property and equipment	18	183,923	171,196	159,683	146,088
Intangible assets	19	86,407	66,407	85,957	65,846
TOTAL ASSETS		89,942,433	84,341,980	73,379,270	70,772,211

AmBank (M) Berhad
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BALANCE SHEETS AS AT 31 MARCH 2010 (CONTD.)

	Note	The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	20	69,371,802	63,947,135	55,347,520	53,199,845
Deposits and placements of banks and other financial institutions	21	5,253,129	7,641,406	4,384,868	6,645,325
Term funding	22	1,680,960	145,820	1,680,960	145,820
Derivative financial liabilities	10	392,510	565,483	389,052	563,600
Bills and acceptances payable	23	1,399,573	2,120,249	1,004,586	1,507,680
Recourse obligation on loans sold to Cagamas Berhad	24	135,689	155,037	135,689	155,037
Other liabilities	25	1,875,897	1,384,242	1,678,276	1,186,739
Debt capital	26	4,385,779	3,910,853	3,985,779	3,510,853
Total Liabilities		84,495,339	79,870,225	68,606,730	66,914,899
Share capital	27	670,364	670,364	670,364	670,364
Reserves	28	4,776,713	3,801,363	4,102,176	3,186,948
Equity attributable to equity holder of the Bank		5,447,077	4,471,727	4,772,540	3,857,312
Minority interests	29	17	28	-	-
Total Equity		5,447,094	4,471,755	4,772,540	3,857,312
TOTAL LIABILITIES AND EQUITY		89,942,433	84,341,980	73,379,270	70,772,211
OFF-BALANCE SHEET EXPOSURE	45 (f)	61,638,618	49,211,943	57,477,383	45,031,062
NET ASSETS PER SHARE (RM)	39	8.13	6.67	7.12	5.75

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

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INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

	Note	The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Revenue		5,074,287	4,871,706	4,519,379	4,097,876
Interest income	30	3,568,619	3,724,165	3,560,952	3,718,264
Interest expense	31	(1,772,298)	(2,025,663)	(1,775,752)	(2,024,176)
Net interest income		1,796,321	1,698,502	1,785,200	1,694,088
Net income from Islamic Banking business	32	698,061	538,314	-	-
Other operating income	33	471,962	182,471	958,427	379,612
Share in results of associates		181	65	-	-
Net income		2,966,525	2,419,352	2,743,627	2,073,700
Other operating expenses	34	(1,185,889)	(987,647)	(1,163,725)	(965,950)
Operating profit		1,780,636	1,431,705	1,579,902	1,107,750
Allowance for losses on loans and financing	35	(580,798)	(349,210)	(492,977)	(170,652)
(Provision)/writeback for commitments and contingencies		(3,866)	(11,974)	(16,578)	4
Impairment loss	36	(118,255)	(58,862)	(117,664)	(177,908)
Profit before zakat and taxation		1,077,717	1,011,659	952,683	759,194
Zakat		(1,270)	(1,032)	-	-
Taxation	37	(280,151)	(309,457)	(235,557)	(253,409)
Profit after zakat and taxation		796,296	701,170	717,126	505,785
Attributable to:					
Equity holder of the Bank		796,307	701,183	717,126	505,785
Minority interests		(11)	(13)	-	-
Profit after zakat and taxation		796,296	701,170	717,126	505,785
Earnings per share (sen)	38				
Basic		118.79	104.71	106.98	75.56
Fully diluted		98.16	86.66	88.51	62.84

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

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

The Group	Attributable to Equity Holder of the Bank										Total Equity RM'000
	Non-distributable						Distributable				
	Share Capital RM'000	ICULS (equity component) RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Available For-Sale Reserve RM'000	Other Reserves RM'000	Unappro- priated Profits RM'000	Minority Interests RM'000	
At 1 April 2008	610,364	200,792	710,660	770,898	2,313,401	377,492	(2,090)	-	735,060	41	5,716,618
Conversion of Irredeemable Convertible Unsecured Loan Stocks	60,000	(200,792)	232,184	-	-	-	-	-	-	-	91,392
Net change in revaluation of securities available-for-sale	-	-	-	-	-	-	(42,009)	-	-	-	(42,009)
Exchange fluctuation adjustments	-	-	-	-	-	-	-	11,904	-	-	11,904
Net change in cash flow hedge	-	-	-	-	-	-	-	(91,485)	-	-	(91,485)
Effect arising from the pooling of interests	-	-	-	-	(1,915,835)	-	-	-	-	-	(1,915,835)
Profit/(loss) for the year	-	-	-	-	-	-	-	-	701,183	(13)	701,170
Transfer to statutory reserve	-	-	-	78,334	-	-	-	-	(78,334)	-	-
At 31 March 2009	670,364	-	942,844	849,232	397,566	377,492	(44,099)	(79,581)	1,357,909	28	4,471,755

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

AmBank (M) Berhad
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010 (CONTD.)

The Group (Contd.)	-----> Attributable to Equity Holder of the Bank <----->										
	Non-distributable							Distributable		Minority Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Available		Unappro- priated Profits RM'000			
For-Sale Reserve RM'000						Other Reserves RM'000					
At 1 April 2009	670,364	942,844	849,232	397,566	377,492	(44,099)	(79,581)	1,357,909	28	4,471,755	
Net change in revaluation of securities available-for-sale	-	-	-	-	-	95,500	-	-	-	95,500	
Exchange fluctuation adjustments	-	-	-	-	-	-	(11,843)	-	-	(11,843)	
Net change in cash flow hedge	-	-	-	-	-	-	95,386	-	-	95,386	
Profit/(loss) for the year	-	-	-	-	-	-	-	796,307	(11)	796,296	
Transfer to statutory reserve	-	-	96,396	-	-	-	-	(96,396)	-	-	
At 31 March 2010	670,364	942,844	945,628	397,566	377,492	51,401	3,962	2,057,820	17	5,447,094	

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

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

	←----- Attributable to Equity Holder of the Bank ----->								
	Non-distributable					Distributable			
The Bank	Share Capital RM'000	ICULS (equity component) RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Available For-Sale Reserve RM'000	Other Reserves RM'000	Unappro- priated Profits RM'000	Total Equity RM'000
At 1 April 2008	610,364	200,792	710,660	680,459	1,597,933	(2,090)	-	1,202,508	5,000,626
Conversion of Irredeemable Convertible Unsecured Loan Stocks	60,000	(200,792)	232,184	-	-	-	-	-	91,392
Net change in revaluation of securities available-for-sale	-	-	-	-	-	(50,885)	-	-	(50,885)
Exchange fluctuation adjustments	-	-	-	-	-	-	(188)	-	(188)
Net change in cash flow hedge	-	-	-	-	-	-	(91,485)	-	(91,485)
Effects arising from pooling of interests	-	-	-	-	(1,597,933)	-	-	-	(1,597,933)
Profit for the year	-	-	-	-	-	-	-	505,785	505,785
At 31 March 2009	670,364	-	942,844	680,459	-	(52,975)	(91,673)	1,708,293	3,857,312

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

AmBank (M) Berhad
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010 (CONTD.)**

	←----- Attributable to Equity Holder of the Bank ----->					Distributable Unappropriated Profits RM'000	Total Equity RM'000
	Non-distributable			Available			
The Bank (Contd.)	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	For-Sale Reserve RM'000	Other Reserves RM'000		
At 1 April 2009	670,364	942,844	680,459	(52,975)	(91,673)	1,708,293	3,857,312
Net change in revaluation of securities available-for-sale	-	-	-	102,173	-	-	102,173
Exchange fluctuation adjustments	-	-	-	-	543	-	543
Net change in cash flow hedge	-	-	-	-	95,386	-	95,386
Profit for the year	-	-	-	-	-	717,126	717,126
At 31 March 2010	670,364	942,844	680,459	49,198	4,256	2,425,419	4,772,540

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

AmBank (M) Berhad
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before zakat and taxation	1,077,717	1,011,659	952,683	759,194
Adjustments for:				
Loan and financing loss and allowances, net of writeback	971,900	715,736	844,349	595,886
Interest in suspense - net	103,458	108,698	90,442	94,670
Depreciation of property and equipment	45,911	38,706	45,268	38,073
Amortisation of intangible assets	28,875	24,161	28,711	24,012
Amortisation of prepaid land lease payments	99	99	79	79
Transfer (from)/to profit equalisation reserve	(12,858)	24,518	-	-
Amortisation of premium less accretion of discount	(7,015)	(17,317)	(5,757)	(13,450)
Property and equipment written off	47	828	46	821
Intangible assets written off	2	-	2	-
Share of results of associates	(181)	(65)	-	-
Gross dividend income from securities held-for-trading	(2,098)	(1,214)	(2,098)	(1,214)
Gross dividend income from securities available-for-sale	(4,564)	(7,572)	(4,564)	(7,572)
Gross dividend income from securities held-to-maturity	(6,151)	(5,296)	(6,151)	(5,268)
Gross dividend income from subsidiary	-	-	(250,020)	-
Net (gain)/loss on sale of securities held-for-trading	(48,262)	48,315	(45,311)	54,976
Net gain on sale of securities available-for-sale	(45,495)	(17,900)	(40,830)	(15,593)
Net gain on redemption of securities held-to-maturity	(29,458)	(46,085)	(29,458)	(46,085)
Net (gain)/loss on revaluation of securities held-for-trading	(3,848)	24,584	(4,564)	20,626
Net (gain)/loss on revaluation of derivatives	(17,094)	37,598	(17,094)	37,598
Impairment loss on securities	90,697	75,176	90,145	75,176
Impairment loss on foreclosed property	21,383	1,942	21,383	1,942
Gain on disposal of property and equipment	(204)	(532)	(204)	(477)
Gain on disposal of foreclosed properties	(2,047)	(343)	(2,047)	(343)

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTD.)

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Impairment write-back on amount recoverable under asset-backed securitisation transaction	-	(17,000)	-	(17,000)
Impairment loss/(write-back) of sundry receivables	6,175	(3,746)	6,110	144
Provision for/(write-back) of commitments and contingencies	3,866	11,974	16,578	(4)
Amortisation of cost capitalised for issuance of Hybrid securities	5,401	816	5,401	816
Interest paid on ICULS (equity portion)	-	(5,274)	-	(5,274)
Unrealised (gain)/loss on foreign exchange (net)	(144,761)	92,524	(144,725)	92,524
Impairment loss on prepaid land lease payments	-	254	-	254
Impairment loss on property and equipment	-	2,236	-	2,236
Impairment loss of subsidiary companies	-	-	-	115,156
Impairment loss of associates	-	-	26	-
Share and options granted under Executive Share Scheme	8,143	-	7,916	-
Operating profit before working capital changes	2,039,638	2,097,480	1,556,316	1,801,903
(Increase)/decrease in operating assets:				
Deposits and placements with banks and other financial institutions	(1,697,085)	908,650	(1,475,225)	911,150
Securities held-for-trading	(227,256)	4,746,648	(85,109)	4,384,931
Loans, advances and financing	(8,411,924)	(5,238,976)	(6,045,413)	(3,352,299)
Other assets	(85,067)	(177,129)	(111,160)	(155,890)
Statutory deposit with Bank Negara Malaysia	349,955	1,142,619	295,955	956,998

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTD.)

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Increase/(decrease) in operating liabilities:				
Deposits from customers	5,424,667	8,327,394	2,147,675	4,981,978
Deposits and placements of banks and other financial institutions	(2,388,277)	(536,460)	(2,260,457)	43,949
Bills and acceptances payable	(720,676)	211,006	(503,094)	145,784
Recourse obligation of loans sold to Cagamas Berhad	(19,348)	(88,942)	(19,348)	(88,942)
Term funding	1,558,875	(160,113)	1,558,875	(160,113)
Other liabilities	529,876	(560,678)	525,342	(592,367)
Cash (used in)/generated from operations	(3,646,622)	10,671,499	(4,415,643)	8,877,082
Zakat paid	(1,174)	(503)	-	-
Net taxation (paid)/refunded	(185,229)	8,568	(157,700)	9,011
Net cash (used in)/generated from operating activities	(3,833,025)	10,679,564	(4,573,343)	8,886,093

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTD.)

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchase of securities available-for-sale	(2,091,405)	(3,803,726)	(2,225,519)	(3,274,326)
Net redemption of securities held-to maturity	191,377	376,485	153,061	377,874
Net dividend received from securities held-for-trading	2,098	1,201	2,098	1,201
Net dividend received from securities available-for-sale	4,516	6,699	4,516	6,699
Net dividend received from securities held-to-maturity	5,319	4,579	5,319	4,559
Net dividend received from subsidiary	-	-	200,000	-
Proceeds from disposal of property and equipment	226	1,033	226	583
Purchase of intangible assets	(38,373)	(4,639)	(38,320)	(4,539)
Purchase of property and equipment	(69,541)	(68,559)	(69,435)	(68,475)
Proceeds from disposal of foreclosed properties	10,354	10,185	10,354	10,185
Capital injection to subsidiaries	-	-	-	(118,156)
Subscription to ordinary shares of new subsidiary	-	-	-	(1)
Cash paid for net assets vested	-	(1,452,198)	-	(1,137,344)
Net cash used in investing activities	(1,985,429)	(4,928,940)	(1,957,700)	(4,201,740)

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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010 (CONTD.)

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of subordinated term loan	-	(460,000)	-	(460,000)
Proceeds from Medium term notes	97,800	600,000	97,800	600,000
Proceeds from issuance of Non- Innovative Tier 1 capital securities	-	500,000	-	500,000
Repayment of subordinated bonds	-	(200,000)	-	(200,000)
Proceeds from issuance of Innovative Tier 1 capital securities	485,000	-	485,000	-
Net cash generated from financing activities	582,800	440,000	582,800	440,000
Net (decrease)/increase in cash and cash equivalents	(5,235,654)	6,190,624	(5,948,243)	5,124,353
Cash and cash equivalents at beginning of year	16,868,087	10,677,463	13,395,759	8,271,406
Cash and cash equivalents at end of year (Note 5)	11,632,433	16,868,087	7,447,516	13,395,759

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

AmBank (M) Berhad
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2010

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The principal activity of the Bank is to carry on the business of a licensed commercial bank and finance company which also includes the provision of Islamic banking services via its 100% owned subsidiary, AmIslamic Bank Berhad.

The principal activities of its subsidiaries are disclosed in Note 15.

There have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business for the Retail and Business Banking Divisions are located at Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur and Menara Dion, Jalan Sultan Ismail, 50250 Kuala Lumpur respectively.

The financial statements of the Group and of the Bank have been approved and authorised for issue by the Board of Directors on 26 April 2010.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank 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, and the applicable Financial Reporting Standards (“FRS”) in Malaysia as modified by Bank Negara Malaysia (“BNM”) Guidelines.

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

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

The preparation of financial statements in conformity with FRS requires management to exercise judgement, 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 Bank, which are:

Effective for financial periods beginning on or after 1 January 2010

FRS 4: Insurance contracts
FRS 7: Financial Instruments: Disclosure
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 Cancellation
Amendments to FRS 132 Financial Instruments: Presentation
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosure 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 Institution

Effective for financial periods beginning on or after 1 March 2010

Amendments to FRS132 Financial Instruments: Presentation

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 FRS 138: Intangible Assets
Amendments to IC interpretation 9: Reassessment of Embedded derivatives
IC Interpretation 12: Service Concession Arrangements
IC Interpretation 15: Agreements for the Construction of Real Estate
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17: Distributions of Non-cash Assets to Owners

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)

The Group and the Bank 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 Bank 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 Bank upon their initial application:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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 Bank.

FRS 123: Borrowing Costs

This Standard supersedes FRS 123²⁰⁰⁴: 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 and the Bank'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 and the Bank 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: Disclosure and Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosure

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 Bank's exposure to risks, enhanced disclosure regarding components of the Group's and Bank'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 Bank are exempted from disclosing the possible impact to the financial statements upon the initial application.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Amendments to FRSs "Improvements to FRSs (2009)"

FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group and the Bank 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 and the Bank 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 and the Bank 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 Unappropriated profits. The Group and the Bank is currently in the process of assessing the impact of this amendment.

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 amendment 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. The amendment to FRS 127 does not have any impact on the financial statements of the Group.

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: Presentation* 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.

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

The Amendments to FRS 132 as identified in paragraphs 95A, 97AA and 97AB of the Standard shall apply to financial statements of annual periods beginning on or after 1 January 2010. The amendments in paragraphs 11, 16 and 97E of the Standard, relating to Classification of Rights Issues shall apply to financial statements of annual periods beginning on or after 1 March 2010.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated in the accounting policies below.

(b) Basis of Consolidation

The financial statements of the Group include the financial statements of the Bank and all its subsidiaries listed under Note 15 made up to the end of the financial year.

The Bank adopts the purchase method in preparing the consolidated financial statements except where the criteria for the merger accounting method as permitted under FRS 122: Business Combinations are met.

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 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 the income statement.

Where the merger accounting method is used, 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 Bank 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 holder of the Bank 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 holder of the Bank or subsidiaries until the minority interest's share of losses previously absorbed by the equity holder of the Bank or subsidiaries has been recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Operating Revenue

Operating revenue of the Group and the Bank comprise interest income and other operating income.

(d) Interest and Financing Income and Expense Recognition

Interest and financing income is recognised in the income statement for all interest/profit bearing assets on an accrual basis. Interest and financing income includes the amortisation of premium or accretion of discount. Interest and financing income on investments 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. Interest and financing income from hire purchase financing and block discounting of the Group and Bank is recognised using the 'sum-of-digits' method.

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

When a loan becomes non-performing, interest accrued and recognised as income prior to the date the loan is classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, interest on the non-performing loan shall be recognised as income on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three (3) months from first day of default or after maturity date for trade bills, bankers' acceptances and trust receipts.

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

Interest expense and attributable income (pertaining to activities relating to Islamic Banking Business) on deposits and borrowings of the Bank are recognised on an accrual basis.

(e) Recognition of Fees and Other Income

Loan arrangement fees, participation fees and commissions are recognised as income when all conditions precedent are fulfilled.

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

Other fees on a variety of services and facilities extended to customers are recognised on inception of such transactions.

Property rental are recognised on an accrual basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Employee Benefits

(i) Short-Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Bank. 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 contributions have been paid, the Group and the Bank have 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 and the Bank 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.

(iv) Share-based Compensation benefits

The ultimate holding company, AHB, operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AHB 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 AHB 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 AHB 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.)

(g) Allowance for Doubtful Debts and Financing

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing. Allowances for 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 and the Bank against risks which are not specifically identified.

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

The Group adopted a more stringent basis for specific allowances on non-performing loans and are as follows:

- (i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:
 - (a) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
 - (b) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.
- (ii) Specific allowance of 20% is provided on non-performing loans which are four (4) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(h) Provisions

Provisions are recognised when the Group or the Bank has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(i) 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 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. PER is maintained up to the maximum of 30% of total Islamic banking capital fund.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Impairment of Assets (contd.)

(iii) Other assets

The carrying values of assets are reviewed for impairment when there is an indication that the asset might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. An impairment loss is charged to the income statement immediately.

Subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(k) Income Tax

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 it is recognised in equity.

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

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 or from 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 enacted or substantively enacted at the balance sheet date.

(l) Securities

The holdings of the securities portfolio of the Group and the Bank 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 movement or to lock in arbitrage profits. The securities held-for trading are stated at fair value and any gain or loss arising from a change in their fair values or the derecognition of securities held-for-trading are recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Securities (contd.)

(ii) 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 cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(iii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and the Bank 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

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

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

(m) Trade and Other Receivables

Trade and other receivables are stated at book 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Other Assets

(i) Amount Recoverable Under Asset-Backed Securitisation ("ABS") Transaction

This relates to the balance of sale consideration under ABS transaction due from the Special Purpose Vehicle ("SPV"), whereby the amount will be recovered upon maturity of the underlying bonds. Under the ABS, portfolios of receivables are sold to a SPV which are funded through the issuance of bonds secured by the receivables.

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

The difference between the sale consideration and the receivables sold is recognised in the income statement.

(ii) Foreclosed Properties

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

(o) Investment in Subsidiaries

A subsidiary is a company in which the Group has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from their activities. Potential voting rights that are exercisable or convertible are considered when assessing control.

(p) Investment in 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.

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

The Group's share of its associate's post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves from the date that significant influence commences and until the date that significant influence ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Investment in Associates (Contd.)

The results of the associate is taken from the latest audited accounts or unaudited management accounts of the associate, prepared at a date not more than three months prior to the end of the financial year of the Group.

Investment in associates are stated at cost less accumulated impairment losses, if any, in the Bank's balance sheet.

On disposal of such investments, the differences between the net disposal proceeds and their carrying amounts are recognised in the income statements.

(q) Property and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or 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 Bank and the cost of the item can be measured reliably. The carrying amount of the replaced parts are derecognised. All other repairs and maintenance are charged to the income statement when they are incurred.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Freehold land and capital work in progress are 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 and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
Leasehold improvements	10% - 20%
Office equipment	10% - 20%
Furniture and fittings	10% - 25%
Computer hardware	20% - 33 1/3%
Motor vehicles	20% - 25%

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 disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Intangible Assets

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 an expense when incurred. Costs that are directly associated with 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 to seven years.

(s) 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 and the Bank are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms, less accumulated depreciation and impairment losses.

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

Leasehold land held for own use is classified as operating lease. The up-front payments made on acquiring leasehold land is accounted for as prepaid land lease payments. For lease of land and buildings, the up-front payments made are allocated between the land and building elements in proportion to the relative fair values for the leasehold interests in the land element and building element of the lease at the inception of the lease. The prepaid land lease payments are amortised on a straight line basis over the remaining lease term.

(t) 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 values over their estimated useful lives.

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.)

(u) Repurchase Agreements

Securities purchased under resale agreements are securities which the Group and the Bank had purchased with a commitment to resell at future dates. The commitments to resell the securities are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank had sold from its portfolio, with commitment 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 Bank while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as a liability on the balance sheet.

(v) Bills and Acceptances Payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(w) Trade and Other Payables

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

(x) Provision for Commitments and Contingencies

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

(y) Interest-Bearing Instruments

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.

(z) 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 instrument and the Group is contractually obliged to settle the financial instrument in cash or through another financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(aa) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as an appropriation of unappropriated profits in the year in which they are approved.

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

(ab) 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 Bank's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the Bank, the Bank's Labuan offshore branch, 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. 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 the Bank's Labuan offshore branch, subsidiaries and associates expressed in foreign currencies are translated into RM at the rates of exchange ruling at the balance sheet date while income statement is translated into RM at the average exchange rate for the year. Gains or losses arising on translation into RM are classified as equity and transferred to exchange fluctuation reserve.

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

	31.03.2010	31.03.2009
United States Dollar (USD)	3.26	3.64
Hong Kong Dollar (HKD)	0.42	0.47

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(ac) 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 Bank 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 Bank applies either fair value or cash flow accounting.

At the time a financial instrument is designated as a hedge, the Bank 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 Bank 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 hedge 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 fluctuations on the net assets of its foreign operations. The hedge is accounted for similar 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.)

(ad) 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.

(ae) Contingent Assets and Contingent Liabilities

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 and the Bank 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 and the Bank 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 recognized because it cannot be measured reliably.

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

(af) Cash Flow Statements

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

(ag) 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 outstanding overdrafts (if any).

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) Fair value estimation

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

b) Classification between investment properties and property and equipment

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portion could be sold separately, the Group would account for the portion separately. If the portion could not be sold separately, the property is an investment property only if insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

c) Impairment of Intangible Assets

The Group's and the Bank'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) Deferred tax assets

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

e) Allowance for Bad and Doubtful Debts 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 and the Bank has adopted certain criteria in the identification of doubtful loans/financing, which include classifying loans/financing as non-performing when repayments are in arrears for more than three (3) months. Specific allowances for doubtful loans/financing 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 and the Bank 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 and financing. 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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and balances with banks and other financial institutions	511,790	482,786	498,269	471,372
Money at call and deposit placements maturing within one month	11,120,643	16,385,301	6,949,247	12,924,387
	<u>11,632,433</u>	<u>16,868,087</u>	<u>7,447,516</u>	<u>13,395,759</u>

Included in the above are interbank lending by the Group and the Bank of RM11,120,643,000 (2009: RM16,385,301,000) and RM6,949,247,000 (2009: RM12,924,387,000) respectively.

As at 31 March 2010, the net interbank lending of the Group and of the Bank are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interbank lending				
Cash and short term funds	11,120,643	16,385,301	6,949,247	12,924,387
Deposits with banks and other financial institutions (Note 6)	2,118,135	421,050	1,899,632	421,050
	<u>13,238,778</u>	<u>16,806,351</u>	<u>8,848,879</u>	<u>13,345,437</u>
Interbank borrowing (Note 21)	(665,461)	(793,759)	(799,914)	(1,191,302)
Net interbank lending	<u>12,573,317</u>	<u>16,012,592</u>	<u>8,048,965</u>	<u>12,154,135</u>

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Licensed banks	228,502	-	12,736	6,093
Licensed investment bank	389,633	421,050	389,632	421,050
Bank Negara Malaysia	1,500,000	-	1,500,000	-
	<u>2,118,135</u>	<u>421,050</u>	<u>1,902,368</u>	<u>427,143</u>

Included in the above are interbank lending by the Group and the Bank of RM2,118,135,000 (2009: RM421,050,000) and RM1,899,632,000 (2009: RM421,050,000) respectively.

7. SECURITIES HELD-FOR-TRADING

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At fair value				
Money Market Securities:				
Treasury Bills	19,551	-	19,551	-
Malaysian Government Securities	154,746	999,652	154,746	999,652
Malaysian Government Investment Certificate	452,188	4,065	262,278	4,065
Khazanah Bonds	-	991	-	-
Sukuk Bank Negara Malaysia	14,990	-	-	-
Islamic Treasury Bills	39,141	-	-	-
Bank Negara Monetary Notes	306,008	-	257,292	-
	<u>986,624</u>	<u>1,004,708</u>	<u>693,867</u>	<u>1,003,717</u>
Quoted Securities:				
<i>In Malaysia</i>				
Unit trusts	2,655	20,294	2,655	20,294
Shares	55,770	-	55,770	-
Warrants	1,935	-	1,935	-
<i>Outside Malaysia</i>				
Shares	4,186	-	4,186	-
	<u>64,546</u>	<u>20,294</u>	<u>64,546</u>	<u>20,294</u>
Unquoted Securities:				
<i>In Malaysia</i>				
Private debt securities	613,857	347,004	555,681	144,133
<i>Outside Malaysia</i>				
Private debt securities	14,631	15,405	14,631	15,405
	<u>628,488</u>	<u>362,409</u>	<u>570,312</u>	<u>159,538</u>
Total securities held-for-trading	<u>1,679,658</u>	<u>1,387,411</u>	<u>1,328,725</u>	<u>1,183,549</u>

8. SECURITIES AVAILABLE-FOR-SALE

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At fair value:				
Money Market Securities:				
Islamic Khazanah Bonds	37,890	36,945	37,890	36,945
Negotiable instruments				
of deposit	2,511,332	70,990	2,733,280	96,427
Malaysian Government Securities	348,635	-	348,635	-
Islamic negotiable instruments				
of deposit	577,330	29,190	-	-
Malaysian Government Investment Certificate	76,005	36,025	-	-
	<u>3,551,192</u>	<u>173,150</u>	<u>3,119,805</u>	<u>133,372</u>
Quoted Securities:				
<i>In Malaysia</i>				
Shares	42,379	91,039	42,259	91,001
Unit Trusts (managed by a related company)	800,000	-	800,000	-
Bonds with collateral	332	332	332	332
Loan stocks	2,326	3,096	2,326	3,096
	<u>845,037</u>	<u>94,467</u>	<u>844,917</u>	<u>94,429</u>
<i>Outside Malaysia:</i>				
Shares	104	12,090	39	12,090
	<u>104</u>	<u>12,090</u>	<u>39</u>	<u>12,090</u>
Unquoted Securities In Malaysia:				
Private debt securities	3,140,047	4,877,451	3,159,510	4,373,371
Guaranteed private debt securities	288,546	309,446	288,546	309,446
	<u>3,428,593</u>	<u>5,186,897</u>	<u>3,448,056</u>	<u>4,682,817</u>
Unquoted Securities Outside Malaysia:				
Shares	917	1,025	-	-
Private debt securities	37,713	130,855	37,713	130,855
	<u>38,630</u>	<u>131,880</u>	<u>37,713</u>	<u>130,855</u>
Total	7,863,556	5,598,484	7,450,530	5,053,563
Less:				
Accumulated Impairment losses	(49,064)	-	(44,846)	-
Total securities available-for-sale	<u>7,814,492</u>	<u>5,598,484</u>	<u>7,405,684</u>	<u>5,053,563</u>

The Bank and its wholly-owned subsidiary, AmIslamic Bank Berhad was appointed as 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 and the Bank 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 Certificate ("GIC") holdings instead of cash. As at 31 March 2010, the nominal values of MGS and GIC holdings maintained for SRR purposes amount to RM425,260,000 and RM350,000,000 for the Group and the Bank respectively.

9. SECURITIES HELD-TO-MATURITY

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At amortised cost				
Quoted Securities In Malaysia:				
Shares	40	40	40	40
Debt securities with options and/or collateral	75,087	160,847	75,087	159,876
Debt securities	-	1,825	-	1,825
	<u>75,127</u>	<u>162,712</u>	<u>75,127</u>	<u>161,741</u>
Unquoted Securities:				
<i>In Malaysia</i>				
Shares	93,105	92,445	91,329	90,470
Debt securities	256,524	379,849	245,172	324,337
Debt securities with options and/or collateral	463,479	493,119	462,507	493,119
	<u>813,108</u>	<u>965,413</u>	<u>799,008</u>	<u>907,926</u>
<i>Outside Malaysia</i>				
Private debt securities	-	7,291	-	-
Shares	86	17	86	17
	<u>86</u>	<u>7,308</u>	<u>86</u>	<u>17</u>
Total	<u>888,321</u>	<u>1,135,433</u>	<u>874,221</u>	<u>1,069,684</u>
Less: Accumulated impairment losses	<u>(355,636)</u>	<u>(382,074)</u>	<u>(341,536)</u>	<u>(358,886)</u>
Total securities held-to-maturity	<u>532,685</u>	<u>753,359</u>	<u>532,685</u>	<u>710,798</u>

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Market value				
Quoted Securities:				
Shares	22	16	22	16
Debt securities with options and/or collateral	99,777	87,151	99,777	86,180
Debt securities	9,890	21,346	9,890	21,346
	<u>109,689</u>	<u>108,513</u>	<u>109,689</u>	<u>107,542</u>

10. 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 Bank and its customers to transfer, modify or reduce their foreign exchange and interest rate risks via hedge relationships. The Bank 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 and Bank's derivative financial instruments 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 date are analysed below:

The Group	Contract/ Notional Amount RM'000	2010		2009		
		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 Derivatives						
Foreign exchange contracts						
- Currency forward	3,227,699	36,599	47,941	824,899	29,552	11,861
- Currency option	514,758	2,752	-	-	-	-
Equity and commodity related contracts						
- Purchased options	296,415	12,809	-	194,154	3,695	-
- Sold/Written options	296,415	-	7,586	194,154	-	3,756
- Warrant	52,011	-	31,813	-	-	-
Interest rate related contracts						
- Interest rate swaps	21,440,650	174,433	188,058	19,988,341	341,673	329,538
- Interest rate futures	160,000	2,587	-	60,000	1,507	-
Cross currency swaps	531,127	7,757	39,370	610,213	607	49,650
Hedging Derivatives						
Interest rate related contracts						
- Interest rate swaps	9,732,400	106,706	77,742	4,624,100	100,098	170,678
Total	36,251,475	343,643	392,510	26,495,861	477,132	565,483

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

The Bank	Contract/ Notional Amount RM'000	2010		2009		
		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 Derivatives						
Foreign exchange contracts						
- Currency forward	3,227,699	36,599	47,941	824,899	29,552	11,861
- Currency option	514,758	2,752	-	-	-	-
Equity and commodity related contracts						
- Purchased options	220,915	9,348	-	149,660	1,810	-
- Sold/Written options	220,915	-	4,128	149,660	-	1,873
- Warrant	52,011	-	31,813	-	-	-
Interest rate related contracts						
- Interest rate swaps	21,440,650	174,433	188,058	19,988,341	341,673	329,538
- Interest rate futures	160,000	2,587	-	60,000	1,507	-
Cross currency swaps	531,127	7,757	39,370	610,213	607	49,650
Hedging Derivatives						
Interest rate related contracts						
- Interest rate swaps	9,732,400	106,706	77,742	4,624,100	100,098	170,678
Total	36,100,475	340,182	389,052	26,406,873	475,247	563,600

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.

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

Fair value hedges

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

Cash flow hedges

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

All underlying hedged cash flows are expected to be recognised in the income statement in the period in which they occur which is anticipated to take place over the next 0–12 years (2009: 0–9 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in the income statement. Ineffectiveness recognised in the income statement in respect of cash flow hedges amounted to a RM6,415,000 loss (2009: RM860,000 loss) for the Group and the Bank.

11. LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Overdrafts	1,934,446	1,735,296	1,681,940	1,609,448
Term loans facilities:				
Housing loans/financing	11,405,564	11,485,193	10,632,740	10,754,364
Hire-purchase receivables	30,875,449	30,409,126	22,927,857	22,800,520
Other loans/financing*	18,861,467	14,234,909	13,758,591	9,860,933
Card receivables	1,782,020	1,867,505	1,489,177	1,556,912
Bills receivables	115,140	47,442	115,140	45,338
Trust receipts	387,310	373,871	317,070	341,486
Claims on customers under acceptance credits	2,788,013	2,368,892	1,870,194	1,605,237
Revolving credits	5,010,638	3,623,254	4,279,548	3,351,767
Staff loans	153,816	159,631	153,317	159,058
Block discount receivables	57,928	60,556	57,928	60,556
Factoring receivables	57,143	51,906	57,143	51,906
Total	<u>73,428,934</u>	<u>66,417,581</u>	<u>57,340,645</u>	<u>52,197,525</u>
Unearned interest and unearned income	<u>(7,161,205)</u>	<u>(6,961,346)</u>	<u>(3,738,869)</u>	<u>(3,753,006)</u>
	66,267,729	59,456,235	53,601,776	48,444,519
Less: Islamic financing sold to Cagamas Berhad	<u>(345,738)</u>	<u>(905,803)</u>	-	-
Gross loans, advances and financing	65,921,991	58,550,432	53,601,776	48,444,519
Allowance for bad and doubtful debts and financing:				
- General (Note 11(vii))	(997,741)	(895,655)	(808,165)	(728,700)
- Specific (Note 11(vii))	<u>(847,893)</u>	<u>(914,985)</u>	<u>(783,103)</u>	<u>(815,933)</u>
Net loans, advances and financing	<u>64,076,357</u>	<u>56,739,792</u>	<u>52,010,508</u>	<u>46,899,886</u>

* Included in other term loans/financing of the Group as at 31 March 2010 is financing amounting to RM210,619,000 (31 March 2009: RM Nil) which is exempted from general allowance by Bank Negara Malaysia.

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

Maturing within one year	11,436,948	9,757,626	9,494,938	8,529,810
One year to three years	6,873,234	5,435,231	6,061,422	4,985,791
Three years to five years	11,202,770	8,336,169	9,128,099	6,785,756
Over five years	36,409,039	35,021,406	28,917,317	28,143,162
Gross loans, advances and financing	<u>65,921,991</u>	<u>58,550,432</u>	<u>53,601,776</u>	<u>48,444,519</u>

11. LOANS, ADVANCES AND FINANCING (CONTD.)

(ii) Loans, advances and financing analysed by type of customer are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Domestic non-bank financial institutions	313,228	292,678	255,216	288,572
Domestic business enterprises				
- Small medium enterprises	7,219,082	6,693,845	6,068,885	5,746,864
- Others	17,511,501	12,430,959	15,441,147	11,096,555
Government and statutory bodies	253,528	69,506	42,909	69,506
Individuals	40,082,356	38,515,929	31,280,843	30,713,995
Other domestic entities	3,021	20,037	943	20,037
Foreign entities	539,275	527,478	511,833	508,990
Gross loans, advances and financing	<u>65,921,991</u>	<u>58,550,432</u>	<u>53,601,776</u>	<u>48,444,519</u>

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fixed rate				
- Housing loans/financing	2,008,656	2,243,363	1,682,433	1,861,510
- Hire purchase receivables	25,475,809	24,486,192	19,204,007	19,055,198
- Other fixed rate loan/financing	10,138,465	8,217,674	4,592,199	4,116,630
Variable rate				
- Base lending rate plus	17,513,147	15,183,038	17,430,068	15,181,025
- Cost plus	9,525,269	7,372,821	9,376,443	7,197,668
- Other variable rates	1,260,645	1,047,344	1,316,626	1,032,488
Gross loans, advances and financing	<u>65,921,991</u>	<u>58,550,432</u>	<u>53,601,776</u>	<u>48,444,519</u>

11. LOANS, ADVANCES AND FINANCING (CONTD.)

(iv) Loans, advances and financing analysed by purpose are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Purchase of securities	2,204,486	1,662,075	2,201,254	1,655,756
Purchase of transport vehicles	25,568,755	24,347,678	19,032,621	18,092,123
Purchase of landed property				
- Residential	11,233,351	11,306,561	10,850,485	10,923,013
- Non-Residential	3,793,077	2,878,021	3,610,061	2,664,837
Purchase of fixed assets other than land and building	1,347,210	1,815,104	1,190,100	1,653,719
Personal use	2,442,500	2,369,408	392,184	333,975
Credit card	1,724,492	1,844,448	1,445,137	1,535,069
Purchase of consumer durables	2,959	933	1,646	809
Construction	1,562,623	1,127,832	1,333,692	1,018,159
Merger and acquisition	1,350,421	346,203	1,350,421	346,203
Working capital	11,255,778	9,406,313	9,219,358	8,160,342
Other purpose	3,782,077	2,351,659	2,974,817	2,060,514
	<u>66,267,729</u>	<u>59,456,235</u>	<u>53,601,776</u>	<u>48,444,519</u>
Less:				
Islamic financing sold to Cagamas Berhad	(345,738)	(905,803)	-	-
Gross loans, advances and financing	<u>65,921,991</u>	<u>58,550,432</u>	<u>53,601,776</u>	<u>48,444,519</u>

(v) Non-performing loans/financing analysed by purpose are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Purchase of securities	45,717	60,085	45,636	59,459
Purchase of transport vehicles	437,477	453,501	325,949	332,680
Purchase of landed property				
- Residential	635,059	924,484	597,187	866,476
- Non-Residential	154,644	220,630	149,350	206,353
Purchase of fixed assets other than land and building	12,641	27,393	12,641	25,081
Personal use	46,545	19,163	43,938	18,667
Credit card	56,343	70,209	46,833	59,114
Purchase of consumer durables	396	550	189	550
Construction	132,835	148,962	132,835	148,956
Working capital	303,063	450,016	289,367	419,269
Other purpose	35,042	44,733	33,017	43,484
	<u>1,859,762</u>	<u>2,419,726</u>	<u>1,676,942</u>	<u>2,180,089</u>

11. LOANS, ADVANCES AND FINANCING (CONTD.)

(vi) Movements in the non-performing loans, advances and financing ("NPL") (including interest and income receivable) are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gross				
Balance at beginning of year	2,419,726	3,292,684	2,180,089	2,987,363
Non-performing during the year	1,030,266	1,165,774	874,543	979,558
Reclassification to performing loans, advances and financing	(452,389)	(577,415)	(397,579)	(514,983)
Amount recovered	(197,803)	(383,387)	(176,652)	(355,769)
Debt equity conversion	-	(933)	-	(933)
Amount written off	(940,038)	(1,293,281)	(803,459)	(1,131,431)
Factored loan from related company	-	196,730	-	196,730
Repurchase of loan	-	19,554	-	19,554
Balance at end of year	1,859,762	2,419,726	1,676,942	2,180,089
Less:				
Specific allowance	(847,893)	(914,985)	(783,103)	(815,933)
Non-performing loans, advances and financing - net	1,011,869	1,504,741	893,839	1,364,156
Gross loans, advances and financing	65,921,991	58,550,432	53,601,776	48,444,519
Add:				
Islamic financing sold to Cagamas Berhad	345,738	905,803	-	-
Balance at end of year	66,267,729	59,456,235	53,601,776	48,444,519
Less:				
Specific allowance	(847,893)	(914,985)	(783,103)	(815,933)
Net loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	65,419,836	58,541,250	52,818,673	47,628,586
Ratio of non-performing loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) - net	1.55%	2.57%	1.69%	2.86%

11. LOANS, ADVANCES AND FINANCING (CONTD.)

(vii) Movements in the allowance for bad and doubtful debts and financing are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
General Allowance				
Balance at beginning of year	895,655	840,030	728,700	684,587
Allowance made during the year (Note 35)	103,054	51,102	80,376	39,651
Allowance vested from related company not charged to Income Statement	-	4,462	-	4,462
Exchange fluctuation adjustments	(968)	61	(911)	-
Balance at end of year	<u>997,741</u>	<u>895,655</u>	<u>808,165</u>	<u>728,700</u>
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less financing exempted from general allowance by BNM and specific allowance	<u>1.53%</u>	<u>1.53%</u>	<u>1.53%</u>	<u>1.53%</u>
Specific Allowance				
Balance at beginning of year	<u>914,985</u>	<u>1,348,859</u>	<u>815,933</u>	<u>1,195,407</u>
Allowance made during the year (Note 35)	1,205,018	1,042,014	1,055,246	885,471
Amount written back in respect of recoveries (Note 35)	<u>(336,172)</u>	<u>(377,380)</u>	<u>(291,273)</u>	<u>(329,236)</u>
Net charge to income statements	868,846	664,634	763,973	556,235
Debt equity conversion	-	(933)	-	(933)
Amount written off	(936,525)	(1,232,783)	(796,867)	(1,071,108)
Adjustment to Asset Deficiency Account	587	(956)	64	31
Factored loan from related company	-	118,730	-	118,730
Repurchase of loan	-	17,508	-	17,508
Reclassification (to)/from trade receivables	-	(74)	-	63
Balance at end of year	<u>847,893</u>	<u>914,985</u>	<u>783,103</u>	<u>815,933</u>

12. OTHER ASSETS

	Note	The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deferred assets	(a)	34,744	34,744	34,744	34,744
Interest/profit receivable (net)	(b)	271,679	108,536	262,196	102,272
Other receivables, deposits and prepayments (net)	(c)	323,692	431,036	308,287	385,356
Deferred charges		239,529	213,545	186,015	161,418
Amount due from Originators	(d)	22,793	25,789	22,793	25,789
Foreclosed properties net of impairment loss of RM115,556,000 (2009: RM97,950,000)		150,532	178,748	150,532	178,748
		<u>1,042,969</u>	<u>992,398</u>	<u>964,567</u>	<u>888,327</u>

The Group and The Bank
2010 **2009**
RM'000 **RM'000**

(a) Deferred Assets

Arising from takeover of Kewangan Usahasama Makmur Berhad

34,744	34,744
--------	--------

In 1988, the Bank took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co-operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434 million; subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from 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 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.

(b) Interest/profit receivable are net of allowance for doubtful debt/collectibility of the Group and Bank which amounted to RM2,435,000 (2009: RMNil).

(c) Included under the gross amount of other receivables, deposits and prepayments of the Group and Bank are outstanding balances totalling RM25,436,000 (2009: RM10,869,000) and RM30,174,000 (2009: RM15,382,000) respectively owing by other related companies.

Other receivables, deposits and prepayments are net of allowance for doubtful debts of the Group and Bank which amounted to RM26,455,000 (2009: RM22,607,000) and RM13,974,000 (2009: RM8,284,000) respectively.

(d) Amount due from Originators represents loans, hire purchase and leasing receivables acquired from Originators for onward sale to Cagamas Berhad as mentioned in Note 24.

13. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is 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 a set percentage of total eligible liabilities. As at 31 March 2010, the nominal values of MGS and GIC holdings classified as Securities available-for-sale, maintained for SRR purposes amount to RM425,260,000 and RM350,000,000 for the Group and the Bank respectively, as mentioned in Note 8.

14. DEFERRED TAX ASSETS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Balance at beginning of year	344,230	645,067	241,639	483,873
Recognised in Equity	(53,212)	34,495	(55,466)	37,465
Reversed upon conversion of of instrument as share capital	-	(32,182)	-	(32,182)
Transfer from/(to) income statement	(31,711)	(303,150)	26,916	(247,517)
Balance at end of year	<u>259,307</u>	<u>344,230</u>	<u>213,089</u>	<u>241,639</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets relate to the same tax authority. The components of deferred tax assets/(liabilities) recognised and presented as net deferred tax assets after appropriate offsetting are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Arising from:				
Unabsorbed tax losses	-	88,443	-	28,873
Difference between depreciation and tax allowances on property and equipment	(38,561)	(31,289)	(38,414)	(31,102)
Impairment loss on foreclosed properties	28,889	24,487	28,889	24,487
General allowance for bad and doubtful debts and financing	249,561	223,802	202,042	182,175
Deferred charges	(43,244)	(47,404)	(43,244)	(38,568)
Temporary difference recognised in Equity	(18,717)	34,495	(18,001)	37,465
Other temporary differences	81,379	51,696	81,817	38,309
	<u>259,307</u>	<u>344,230</u>	<u>213,089</u>	<u>241,639</u>

14. DEFERRED TAX ASSETS (CONTD.)

Deferred Tax Assets/(Liabilities) recognised directly in Equity:

	Irredeemable Convertible Unsecured Loan Stocks RM'000	Reserve for Available for sale securities RM'000	Cash Flow hedge reserve RM'000	Total RM'000
The Group				
Balance at 1 April 2008	33,501	-	-	33,501
Recognised in Equity	-	4,000	30,495	34,495
Transferred to Income Statement	(1,319)	-	-	(1,319)
Reversed upon conversion to share capital (Note 27)	(32,182)	-	-	(32,182)
Balance at 31 March 2009	<u>-</u>	<u>4,000</u>	<u>30,495</u>	<u>34,495</u>
Balance at 1 April 2009	-	4,000	30,495	34,495
Recognised in Equity	-	(21,417)	(31,795)	(53,212)
Balance at 31 March 2010	<u>-</u>	<u>(17,417)</u>	<u>(1,300)</u>	<u>(18,717)</u>
The Bank				
Balance at 1 April 2008	33,501	-	-	33,501
Recognised in Equity	-	6,970	30,495	37,465
Transferred to Income Statement	(1,319)	-	-	(1,319)
Reversed upon conversion to share capital (Note 27)	(32,182)	-	-	(32,182)
Balance at 31 March 2009	<u>-</u>	<u>6,970</u>	<u>30,495</u>	<u>37,465</u>
Balance at 1 April 2009	-	6,970	30,495	37,465
Recognised in Equity	-	(23,670)	(31,796)	(55,466)
Balance at 31 March 2010	<u>-</u>	<u>(16,700)</u>	<u>(1,301)</u>	<u>(18,001)</u>

15. INVESTMENT IN SUBSIDIARIES

	The Bank	
	2010 RM'000	2009 RM'000
Unquoted shares at cost	949,290	975,026
Accumulated Impairment losses	(99,420)	(125,156)
Net	<u>849,870</u>	<u>849,870</u>

During the current financial year, certain subsidiaries of the Bank were struck off from the register of the Companies Commission of Malaysia pursuant to Section 308 of the Companies Act, 1965. These subsidiaries are dormant and the dissolution of these subsidiaries has no material financial impact to the Group's results.

15. INVESTMENT IN SUBSIDIARIES (CONTD.)

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2010 %	2009 %
AmIslamic Bank Berhad	Malaysia	Islamic Banking	100.0	100.0
AmTrade Services Limited *	Hong Kong	Trade finance services	100.0	100.0
AmInternational (L) Ltd	Labuan, Malaysia	Offshore banking	100.0	100.0
AMBB Capital (L) Ltd	Labuan, Malaysia	Issue of Hybrid Capital securities	100.0	100.0
AmCapital (L) Inc	Labuan, Malaysia	Dormant	100.0	100.0
AmPremier Capital Berhad	Malaysia	Issue of subordinated securities	100.0	100.0
AmMortgage One Berhad	Malaysia	Securitisation of Mortgage Loans	100.0	100.0
AmProperty Holdings Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
Bougainvillaea Development Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
MBf Information Services Sdn. Bhd.	Malaysia	Rental of computer equipment and provision of related support services	100.0	100.0
MBf Trustees Berhad	Malaysia	Trustee services	60.0	60.0
MBf Nominees (Tempatan) Sdn. Bhd.	Malaysia	Nominee services	100.0	100.0
MBf Equity Partners Sdn. Bhd.®	Malaysia	Dormant	-	100.0
Natprop Sdn. Bhd. ^	Malaysia	Dormant	100.0	100.0
Teras Oak Pembangunan Sendirian Berhad	Malaysia	Dormant	100.0	100.0
Komuda Credit & Leasing Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
AmCredit & Leasing Sdn Bhd	Malaysia	Dormant	100.0	100.0
Li & Ho Sdn. Berhad®	Malaysia	Dormant	-	100.0
Anling Sdn. Bhd.®	Malaysia	Dormant	-	100.0
MBf Nominees (Asing) Sdn. Bhd.®	Malaysia	Dormant	-	100.0
Malco Properties Sdn. Bhd.	Malaysia	Dormant	81.5	81.5
Lekir Development Sdn. Bhd.®	Malaysia	Dormant	-	100.0
Crystal Land Sdn. Bhd.®	Malaysia	Dormant	-	97.9
Economical Enterprises Sendirian Berhad	Malaysia	Dormant	100.0	100.0

* Audited by an affiliate of Ernst & Young

® Subsidiary (non-operating) struck off from the 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 the CCM for striking off its name from the 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 ASSOCIATES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares, at cost	100	100	150	150
Less: Impairment loss	-	-	(39)	(13)
	<u>100</u>	<u>100</u>	<u>111</u>	<u>137</u>
Share of post-acquisition results, net of tax	886	705	-	-
	<u>986</u>	<u>805</u>	<u>111</u>	<u>137</u>

The associates, which are both incorporated in Malaysia are as follows:

	Principal Activity
AmTrustee Berhad	Trustee Services
MBf Trustees Berhad	Trustee Services

The effective equity interests are as follows:

	The Group		The Bank	
	Effective Equity Interest 2010	Effective Equity Interest 2009	Effective Equity Interest 2010	Effective Equity Interest 2009
AmTrustee Berhad	20%	20%	20%	20%
MBf Trustees Berhad	60%	60%	20%	20%

The investment in MBf Trustees Berhad is classified as investment in subsidiary at Group level through additional equity interests held by two subsidiaries.

The summarised financial information of the associate are as follows:

	The Group	
	2010 RM'000	2009 RM'000
Gross assets and liabilities		
Current assets	8,921	7,891
Non-current assets	697	610
Total assets	<u>9,618</u>	<u>8,501</u>
Total liabilities	<u>2,982</u>	<u>2,648</u>
Gross results		
Revenue	4,725	4,190
Profit for the year	<u>904</u>	<u>327</u>

17. PREPAID LAND LEASE PAYMENTS

	←-----The Group----->			←-----The Bank----->		
	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
COST						
At 1 April 2009	5,068	534	5,602	3,806	303	4,109
Reclassified to other assets	(162)	-	(162)	-	-	-
At 31 March 2010	<u>4,906</u>	<u>534</u>	<u>5,440</u>	<u>3,806</u>	<u>303</u>	<u>4,109</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS						
At 1 April 2009	1,312	239	1,551	1,085	164	1,249
Reclassified to other assets	(25)	-	(25)	-	-	-
Amortisation charge for the year	82	17	99	73	6	79
At 31 March 2010	<u>1,369</u>	<u>256</u>	<u>1,625</u>	<u>1,158</u>	<u>170</u>	<u>1,328</u>
Analysed as:						
Accumulated amortisation	1,115	256	1,371	904	170	1,074
Accumulated Impairment loss	254	-	254	254	-	254
	<u>1,369</u>	<u>256</u>	<u>1,625</u>	<u>1,158</u>	<u>170</u>	<u>1,328</u>
NET BOOK VALUE						
At 31 March 2010	<u>3,537</u>	<u>278</u>	<u>3,815</u>	<u>2,648</u>	<u>133</u>	<u>2,781</u>

17. PREPAID LAND LEASE PAYMENTS (CONTD.)

	←-----The Group----->			←-----The Bank----->		
	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
COST						
At beginning and end of year	5,068	534	5,602	3,806	303	4,109
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS						
At 1 April 2008	970	228	1,198	758	158	916
Impairment loss	254	-	254	254	-	254
Amortisation charge for the year	88	11	99	73	6	79
As at 31 March 2009	1,312	239	1,551	1,085	164	1,249
Analysed as:						
Accumulated amortisation	1,058	239	1,297	831	164	995
Accumulated Impairment loss	254	-	254	254	-	254
	1,312	239	1,551	1,085	164	1,249
NET BOOK VALUE						
At 31 March 2009	3,756	295	4,051	2,721	139	2,860

18. PROPERTY AND EQUIPMENT

The Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST								
At 1 April 2009	12,726	22,853	17,016	186,856	136,422	437,685	8,224	821,782
Additions	-	-	-	5,688	6,082	50,079	780	62,629
Transfer from related company	-	-	-	12,022	11,460	32,129	674	56,285
Reclassified to intangible assets (Note 19)	-	-	-	-	-	(10,504)	-	(10,504)
Disposals	-	-	-	(5)	(2,354)	(2,781)	(561)	(5,701)
Reclassification	-	-	(327)	126	-	(126)	-	(327)
Exchange differences	-	(49)	-	-	(161)	(39)	(32)	(281)
Written-off	-	-	-	(112,729)	(25,427)	(88,133)	(962)	(227,251)
At 31 March 2010	12,726	22,804	16,689	91,958	126,022	418,310	8,123	696,632
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
At 1 April 2009	1,350	7,462	4,828	156,218	119,359	355,300	6,069	650,586
Depreciation for the year	-	455	310	12,996	9,211	22,341	598	45,911
Transfer from related company	-	-	-	10,433	9,574	28,770	596	49,373
Disposals	-	-	-	(5)	(2,336)	(2,777)	(561)	(5,679)
Reclassification	-	-	(49)	(1)	(61)	62	-	(49)
Exchange differences	-	(13)	-	-	(154)	(35)	(27)	(229)
Written-off	-	-	-	(112,713)	(25,401)	(88,128)	(962)	(227,204)
At 31 March 2010	1,350	7,904	5,089	66,928	110,192	315,533	5,713	512,709
Analysed as:								
Accumulated depreciation	-	7,904	4,203	66,928	110,192	315,533	5,713	510,473
Accumulated impairment loss	1,350	-	886	-	-	-	-	2,236
	1,350	7,904	5,089	66,928	110,192	315,533	5,713	512,709
NET BOOK VALUE								
At 31 March 2010	11,376	14,900	11,600	25,030	15,830	102,777	2,410	183,923

18. PROPERTY AND EQUIPMENT (CONTD.)**The Group**

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST								
At 1 April 2008	12,892	23,127	17,016	179,879	131,868	408,904	8,441	782,127
Additions	-	-	-	7,147	4,517	55,659	1,236	68,559
Reclassified to Intangible assets (Note 19)	-	-	-	-	-	(24,443)	-	(24,443)
Disposals	(166)	(332)	-	-	(611)	(1,364)	(1,491)	(3,964)
Reclassification	-	-	-	(106)	466	(360)	-	-
Exchange differences	-	58	-	-	190	45	38	331
Written-off	-	-	-	(64)	(8)	(756)	-	(828)
At 31 March 2009	12,726	22,853	17,016	186,856	136,422	437,685	8,224	821,782
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
At 1 April 2008	-	7,059	3,628	143,704	110,620	340,897	6,945	612,853
Depreciation for the year	-	455	314	12,514	9,179	15,756	488	38,706
Disposals	-	(103)	-	-	(608)	(1,364)	(1,388)	(3,463)
Impairment loss	1,350	-	886	-	-	-	-	2,236
Exchange differences	-	13	-	-	173	44	24	254
Reclassification	-	38	-	-	(5)	(33)	-	-
At 31 March 2009	1,350	7,462	4,828	156,218	119,359	355,300	6,069	650,586
Analysed as:								
Accumulated depreciation	-	7,462	3,942	156,218	119,359	355,300	6,069	648,350
Accumulated impairment loss	1,350	-	886	-	-	-	-	2,236
	1,350	7,462	4,828	156,218	119,359	355,300	6,069	650,586
NET BOOK VALUE								
At 31 March 2009	11,376	15,391	12,188	30,638	17,063	82,385	2,155	171,196

18. PROPERTY AND EQUIPMENT (CONTD.)**The Bank**

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST								
At 1 April 2009	3,582	3,055	13,778	186,607	134,796	436,951	7,918	786,687
Additions	-	-	-	5,642	6,044	50,057	780	62,523
Transfer from related company	-	-	-	12,022	11,460	32,129	674	56,285
Reclassified to Intangible Assets (Note 19)	-	-	-	-	-	(10,504)	-	(10,504)
Disposals	-	-	-	(5)	(2,354)	(2,781)	(561)	(5,701)
Reclassification	-	-	-	126	-	(126)	-	-
Written-off	-	-	-	(112,729)	(25,423)	(88,129)	(962)	(227,243)
At 31 March 2010	3,582	3,055	13,778	91,663	124,523	417,597	7,849	662,047
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
At 1 April 2009	1,350	607	4,048	156,082	117,795	354,886	5,831	640,599
Depreciation for the year	-	47	273	12,952	9,167	22,261	568	45,268
Transfer from related company	-	-	-	10,433	9,574	28,770	596	49,373
Disposals	-	-	-	(5)	(2,336)	(2,777)	(561)	(5,679)
Written-off	-	-	-	(112,713)	(25,398)	(88,124)	(962)	(227,197)
At 31 March 2010	1,350	654	4,321	66,749	108,802	315,016	5,472	502,364
Analysed as:								
Accumulated depreciation	-	654	3,435	66,749	108,802	315,016	5,472	500,128
Accumulated impairment loss	1,350	-	886	-	-	-	-	2,236
	1,350	654	4,321	66,749	108,802	315,016	5,472	502,364
NET BOOK VALUE								
At 31 March 2010	2,232	2,401	9,457	24,914	15,721	102,581	2,377	159,683

18. PROPERTY AND EQUIPMENT (CONTD.)**The Bank**

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST								
At 1 April 2008	3,582	3,055	13,778	179,638	130,302	408,414	8,173	746,942
Additions	-	-	-	7,139	4,513	55,587	1,236	68,475
Reclassified to Intangible Assets (Note 19)	-	-	-	-	-	(24,443)	-	(24,443)
Disposals	-	-	-	-	(611)	(1,364)	(1,491)	(3,466)
Reclassification	-	-	-	(106)	593	(487)	-	-
Written-off	-	-	-	(64)	(1)	(756)	-	(821)
At 31 March 2009	3,582	3,055	13,778	186,607	134,796	436,951	7,918	786,687
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
At 1 April 2008	-	561	2,888	143,611	109,261	340,564	6,765	603,650
Depreciation for the year	-	46	274	12,471	9,142	15,686	454	38,073
Disposals	-	-	-	-	(608)	(1,364)	(1,388)	(3,360)
Impairment loss	1,350	-	886	-	-	-	-	2,236
At 31 March 2009	1,350	607	4,048	156,082	117,795	354,886	5,831	640,599
Analysed as:								
Accumulated depreciation	-	607	3,162	156,082	117,795	354,886	5,831	638,363
Accumulated impairment loss	1,350	-	886	-	-	-	-	2,236
	1,350	607	4,048	156,082	117,795	354,886	5,831	640,599
NET BOOK VALUE								
At 31 March 2009	2,232	2,448	9,730	30,525	17,001	82,065	2,087	146,088

18. PROPERTY AND EQUIPMENT (CONTD.)

- (a) Included in the net book value of computer equipment and leasehold improvements are capital work-in-progress of the Group and of the Bank of RM28,794,000 (2009: RM30,345,800).
- (b) Details of fully depreciated property and equipment of the Group and the Bank, which are still in use are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Freehold building	75	75	75	75
Leasehold building	102	102	102	102
Leasehold improvements	34,359	120,335	33,803	119,597
Office equipment, furniture and fittings	87,447	93,956	86,956	92,960
Computer equipment	274,852	315,470	274,547	315,470
Motor vehicles	4,398	5,017	4,296	4,871
	<u>401,233</u>	<u>534,955</u>	<u>399,779</u>	<u>533,075</u>

19. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Computer Software				
Cost				
At 1 April	196,874	167,792	196,039	167,057
Additions	32,609	4,639	32,556	4,539
Transfer from related company	30,777	-	30,777	-
Reclassified from computer equipment (Note 18)	10,504	24,443	10,504	24,443
Written-off	(20,455)	-	(20,455)	-
Exchange differences	(3)	-	-	-
At 31 March	<u>250,306</u>	<u>196,874</u>	<u>249,421</u>	<u>196,039</u>
Accumulated Amortisation				
At 1 April	130,467	106,306	130,193	106,181
Amortisation for the year	28,875	24,161	28,711	24,012
Transfer from related company	25,013	-	25,013	-
Written-off	(20,453)	-	(20,453)	-
Exchange differences	(3)	-	-	-
At 31 March	<u>163,899</u>	<u>130,467</u>	<u>163,464</u>	<u>130,193</u>
Net Book Value at 31 March	<u>86,407</u>	<u>66,407</u>	<u>85,957</u>	<u>65,846</u>

20. DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Demand deposits	4,386,833	3,173,901	3,476,074	2,528,036
Savings deposits	3,985,055	3,581,219	2,830,642	2,635,269
Fixed/Investment/Term deposits	60,394,724	56,238,183	48,600,941	47,349,693
Negotiable certificates of deposits	433,840	825,714	278,058	558,729
Other deposits	171,350	128,118	161,805	128,118
	<u>69,371,802</u>	<u>63,947,135</u>	<u>55,347,520</u>	<u>53,199,845</u>

(i) The maturity structure of deposits from customers is as follows:

Due within six months	58,432,441	50,802,092	45,115,112	41,029,704
Six months to one year	7,116,698	10,294,562	6,705,044	9,769,307
One year to three years	2,204,106	2,208,072	1,966,318	1,828,809
Three years to five years	1,618,557	642,409	1,561,046	572,025
	<u>69,371,802</u>	<u>63,947,135</u>	<u>55,347,520</u>	<u>53,199,845</u>

(ii) The deposits are sourced from the following types of customers:

Individuals	26,828,735	25,510,224	24,655,440	23,551,245
Business enterprises	30,086,207	26,226,827	23,297,798	20,870,811
Government and other statutory bodies	11,240,282	10,815,814	6,494,652	7,900,901
Others	1,216,578	1,394,270	899,630	876,888
	<u>69,371,802</u>	<u>63,947,135</u>	<u>55,347,520</u>	<u>53,199,845</u>

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Licensed banks	416,941	1,677,935	327,385	1,537,832
Licensed investment banks	1,250,381	1,433,340	1,127,005	1,231,309
Other financial Institutions	2,683,230	3,621,465	2,030,724	2,970,947
Bank Negara Malaysia ("BNM")	902,577	908,666	899,754	905,237
	<u>5,253,129</u>	<u>7,641,406</u>	<u>4,384,868</u>	<u>6,645,325</u>

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Negotiable instruments of deposits	908,591	2,744,051	519,922	1,948,755
Interbank borrowing (Note 5)	665,461	793,759	799,914	1,191,302
	<u>1,574,052</u>	<u>3,537,810</u>	<u>1,319,836</u>	<u>3,140,057</u>

Included under deposits from BNM are deposits and interest-free loans placed with the Group and the Bank in connection with the transfer of certain assets and liabilities of Kewangan Usahasama Makmur Berhad ("KUMB") to the Bank as mentioned in Note 12.

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Soft deposit	135,000	135,000	135,000	135,000
Soft loans	493,000	493,000	493,000	493,000
	<u>628,000</u>	<u>628,000</u>	<u>628,000</u>	<u>628,000</u>

The soft deposit of RM135,000,000 bears an interest of 1% (2009: 1%) per annum and the soft loans are interest free.

The soft loans and soft deposit are repayable when the deferred assets relating to KUMB referred to in Note 12 are fully utilised.

22. TERM FUNDING

	Note	The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Short term loans/ revolving credit	(a)	260,960	145,820	260,960	145,820
Senior Notes	(b)	1,420,000	-	1,420,000	-
		<u>1,680,960</u>	<u>145,820</u>	<u>1,680,960</u>	<u>145,820</u>

(a) The salient terms of the short term loans/revolving credit drawdown by the Bank's Labuan offshore branch are as follows:

- (i) In the financial year 2009, a USD20 million unsecured term loan was drawdown for working capital purposes. This term loan bears interest at 0.7% per annum above the lender's LIBOR. This term loan is for a tenor of one year from the drawdown date and repayable in full on maturity date. On its maturity date, a new loan of USD 20 million was drawdown to refinance the above loan. The new loan bears interest at 0.7% per annum above the lender's LIBOR and is for a tenor of one year from drawdown date and repayable in full on maturity date.
 - (ii) Another USD20 million unsecured term loan was drawdown for working capital purposes in the financial year 2009. This term loan bears interest at 0.75% per annum above the lender's cost of funds. This term loan is for a tenor of one year from the drawdown date and repayable in full on maturity date. On 18 February 2010, the lender agreed to increase the term loan limit to USD30 million and to extend the repayment date of the facility for another year to 26 March 2011. As at 31 March 2010, the Bank's Labuan offshore branch had outstanding term loan of USD30 million.
 - (iii) In the current financial year, on 1 September 2009, a new unsecured revolving credit of USD 30 million was drawdown for working capital purposes. This revolving credit bears interest at 1.0% per annum above the lender's cost of funds. This revolving credit is for a tenor of one year from the drawdown date and repayable in full on maturity date.
- (b) On 25 March 2010, upon approval by BNM and the Securities Commission, the Bank 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") has a tenor of up to thirty (30) years from the date of first issuance under the programme. Under the SNP, the Bank may issue Senior Notes with a tenor of more than one (1) year and up to ten (10) years provided that the Senior Notes mature prior to the expiry of the SNP. Unless previously redeemed or purchased and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of the Bank. RAM Ratings has assigned a long-term rating of AA3 to the SNP. The Senior Notes has a fixed interest rate ranging from 3.2% to 4.95% per annum and is payable semi annually.

23. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

24. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from the Bank's loans sold directly and indirectly or those acquired from the Originators (as disclosed in Note 12) (excluding Islamic financing) to Cagamas Berhad with recourse. Under this arrangement for loans sold by the Bank, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria with recourse to the Bank. Under the back to back arrangement with the Originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the Originators.

25. OTHER LIABILITIES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest/profit payable	538,745	442,153	489,546	382,436
Other creditors and accruals	1,138,320	816,498	1,063,014	748,891
Profit equalisation reserve	49,298	62,162	-	-
Lease deposits and advance rentals	64,720	62,259	54,365	55,392
Provision for commitments and contingencies	16,915	-	16,578	-
Provision for zakat	1,226	1,130	-	-
Provision for taxation	66,673	40	54,773	20
	<u>1,875,897</u>	<u>1,384,242</u>	<u>1,678,276</u>	<u>1,186,739</u>

Included under other creditors and accruals of the Group and of the Bank are outstanding balances totalling RM9,499,000 (2009: RM10,163,000) and RM9,021,000 (2009 RM9,961,000) respectively owing to other related companies.

The movements in profit equalisation reserve during the financial year is as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<u>Profit equalisation reserve</u>				
Balance at 1 April	62,162	37,607	-	-
Transfer (from)/to income statement	(12,858)	24,518	-	-
Exchange fluctuation adjustments	(6)	37	-	-
Balance at 31 March	<u>49,298</u>	<u>62,162</u>	<u>-</u>	<u>-</u>

26. DEBT CAPITAL

	Note	The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Subordinated term loan	(a)	-	-	717,979	825,853
Non-cumulative Non-Voting Guaranteed Preference Shares	(b)	717,979	825,853	-	-
Medium Term Notes	(c)	1,557,800	1,460,000	1,557,800	1,460,000
Subordinated Sukuk Musyarakah	(d)	400,000	400,000	-	-
Exchangeable Bonds	(e)	575,000	575,000	575,000	575,000
Non-Innovative Tier I capital securities	(f)	500,000	500,000	500,000	500,000
Innovative Tier I capital securities	(g)	485,000	-	485,000	-
Irredeemable Non-Cumulative Convertible Preference Shares	(h)	150,000	150,000	150,000	150,000
		<u>4,385,779</u>	<u>3,910,853</u>	<u>3,985,779</u>	<u>3,510,853</u>

(a) Subordinated term loan

The subordinated term loan (USD200 million, net of capitalised issuance expense of RMNil (2009: RM5,401,000)) which was on-lent from a wholly-owned subsidiary of the Bank, AMBB Capital (L) Ltd, from the proceeds of the issue of the Hybrid Securities as explained in Note 26(b) is for a period of 50 years to mature on 27 January 2056 with an option to make a first call on 27 January 2016.

The interest rate of the subordinated term loan has been fixed at 6.77% per annum from the date of issue to the date of the first call on 27 January 2016. For interest thereafter to 27 January 2056, a floating rate per annum of 3 month US Dollar LIBOR plus 2.9% will be charged.

(b) Non-cumulative Non-Voting Guaranteed Preference Shares

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

26. DEBT CAPITAL (CONTD.)

(b) Non-cumulative Non-Voting Guaranteed Preference Shares (contd.)

The salient features of the Hybrid Securities are as follows:

- (i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, at a floating rate equal to three (3) months US dollar LIBOR plus 2.90% if not redeemed on 27 January 2016. The non-cumulative dividends are payable on semi-annual basis.
- (ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) under certain circumstances.

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

(c) Medium Term Notes

The Bank had implemented a RM2.0 billion nominal value MTN Programme whereby the proceeds raised from the MTN Programme had been and will be utilised for the refinancing of existing subordinated debts and for general working capital requirements.

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

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

The salient features of the MTNs issued are as follows:

- (i) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23% per annum.
- (ii) Tranche 2 and 3 totalling RM240 million was issued on 14 March 2008 as follows:
 - Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
 - Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

26. DEBT CAPITAL (CONTD.)

(c) Medium Term Notes (contd.)

(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.

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

- at the beginning of the 5th year for Tranche 1
- at the beginning of the 6th year for Tranche 2
- at the beginning of the 8th year for Tranche 3
- at the beginning of the 6th year for Tranche 4
- at the beginning of the 8th year for Tranche 5
- at the beginning of the 11th year for Tranche 6
- at the beginning of the 6th year for Tranche 7

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

26. DEBT CAPITAL (CONTD.)

(d) Subordinated Sukuk Musyarakah

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

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

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

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

(e) Exchangeable Bonds

In the financial year 2008, the Bank 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 the Bank under BNM's capital adequacy framework.

On 3 August 2009, pursuant to ANZ Fund's notice to exchange its entire holding 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.

(f) Non-Innovative Tier I capital securities

In financial year 2009, upon approval by BNM and the Securities Commission, the Bank issued up to RM500 million Non-Innovative Tier I Capital ("NIT1") under its programme of up to RM500 million in nominal value comprising :

- (i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and
- (ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities")

26. DEBT CAPITAL (CONTD.)

(f) Non-Innovative Tier I capital securities (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 the Bank.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of the Bank 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 tenor of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of Assignment Events as stipulated under the terms of the Stapled Capital Securities.

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

(g) Innovative Tier I capital securities

On 18 August 2009, the Bank 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 the issuance of the Bank's ordinary shares. Upon BNM's approval, the Bank 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.

(h) Irredeemable Non-Cumulative Convertible Preference Shares

In the financial year 2008, the Bank issued RM150 million Irredeemable Non-Cumulative Convertible Preference Shares ("INCPS") to the holding company, AMFB Holdings Berhad. The INCPS are perpetual securities and do not have a fixed maturity date. The dividend rate will be 6% per annum. The INCPS are convertible into new ordinary shares of the Bank on the basis of one (1) new ordinary share for every one (1) INCPS held. BNM has approved the INCPS as Tier I capital of the Bank under the capital adequacy framework.

27. SHARE CAPITAL

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Authorised				
Balance at 1 April/ 31 March				
Ordinary shares of RM1.00 each	1,386,250	1,386,250	1,386,250	1,386,250
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each	2,500,000	2,500,000	2,500,000	2,500,000
	<u>3,886,250</u>	<u>3,886,250</u>	<u>3,886,250</u>	<u>3,886,250</u>
Issued and fully paid				
Ordinary shares of RM1.00 each				
At 1 April	670,364	610,364	670,364	610,364
Issued arising from conversion of ICULS *	-	60,000	-	60,000
At 31 March	<u>670,364</u>	<u>670,364</u>	<u>670,364</u>	<u>670,364</u>
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each				
Balance at 1 April/31 March (Note 26 (h))	150,000	150,000	150,000	150,000
	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

* In the financial year 2008, the Bank issued RM300.0 million Irredeemable Convertible Unsecured Loan Stock ("ICULS") to the holding company, AMFB Holdings Berhad. The ICULS is for a period of ten years to mature in 2017. Interest shall be payable on the loan stock at the rate of 6% per annum. The ICULS shall be convertible to new shares in the Bank and credited as fully paid on the basis of one new share for every Ringgit Malaysia Five (RM5.00) nominal amount of ICULS tendered. BNM has approved the ICULS as Tier II capital of the Bank under the capital adequacy framework. In the financial year 2009, AMFB Holdings Berhad exercised its conversion right to convert the entire RM300 million ICULS into 60,000,000 fully paid ordinary shares of RM1.00 each. The ICULS was converted to new shares in the Bank and credited as fully paid on the basis of one new share for every Ringgit Malaysia Five (RM5.00) nominal amount of ICULS tendered.

28. RESERVES

	Note	The Group		The Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable Reserves:					
Share premium	(a)	942,844	942,844	942,844	942,844
Statutory reserve	(b)	945,628	849,232	680,459	680,459
Merger reserve	(c)	397,566	397,566	-	-
Capital reserve	(c)	377,492	377,492	-	-
Securities available-for-sale reserve	(d)	51,401	(44,099)	49,198	(52,975)
Exchange fluctuation	(e)	61	11,904	355	(188)
Cash flow hedge reserve	(f)	3,901	(91,485)	3,901	(91,485)
Total non-distributable reserves		2,718,893	2,443,454	1,676,757	1,478,655
Distributable Reserves:					
Unappropriated profits	(g)	2,057,820	1,357,909	2,425,419	1,708,293
		<u>4,776,713</u>	<u>3,801,363</u>	<u>4,102,176</u>	<u>3,186,948</u>

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 by the Bank.
- (b) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.
- (c) The capital reserve and merger reserve of the Group represents reserve arising from the acquisition of Amlslamic Bank Berhad and AmlInternational (L) Ltd. which is accounted for using the merger accounting method.
- (d) The securities available-for-sale reserve is in respect of unrealised fair value gains and losses on securities available-for sale.
- (e) The exchange fluctuation reserve arises on translation of the Bank's Labuan offshore branch and subsidiary incorporated in the Federal Territory of Labuan.
- (f) The cash flow hedge reserve is in respect of unrealised fair value gains and losses on cash flow hedging instruments.
- (g) Unappropriated profits are those reserves available for distribution by way of dividends. Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank has elected for the irrevocable option to disregard the Section 108 balance as at 31 March 2010. Hence, the Bank will be able distribute dividends out of its entire unappropriated profits under the single tier system.

29. 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 owned, directly or indirectly other than by the Bank or its subsidiaries.

The movements in minority interests in subsidiaries are as follows:

	The Group	
	2010 RM'000	2009 RM'000
At 1 April	28	41
Share in net results of subsidiaries	(11)	(13)
At 31 March	17	28

30. INTEREST INCOME

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and advances:				
- Interest income other than recoveries from NPLs	2,966,810	2,956,466	2,947,770	2,954,882
- recoveries from NPLs	175,072	213,606	175,069	213,606
Money at call, deposits and placements with financial institutions	213,710	307,627	213,457	303,418
Securities held-for-trading	32,644	47,520	32,644	49,026
Securities available-for-sale	244,044	246,853	255,665	246,853
Securities held-to-maturity	20,800	33,034	20,800	31,539
Others	240	279	232	160
	3,653,320	3,805,385	3,645,637	3,799,484
Net interest suspended	(90,458)	(94,670)	(90,442)	(94,670)
Accretion of discount less amortisation of premium	5,757	13,450	5,757	13,450
	3,568,619	3,724,165	3,560,952	3,718,264

31. INTEREST EXPENSE

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Deposit from customers	1,259,859	1,537,564	1,259,159	1,534,164
Deposits and placements of banks and other financial institutions	123,401	253,715	127,771	255,414
Recourse obligation on loans sold to Cagamas Berhad	4,379	5,333	4,379	5,333
Term funding	5,766	4,506	5,766	4,506
Debt capital:				
Subordinated term loan	-	15,770	52,320	61,901
Hybrid Securities	52,257	46,495	-	-
Medium term notes	84,396	81,848	84,396	81,848
Exchangeable bonds	30,015	30,015	30,015	30,015
Non-Innovative Tier I capital securities	45,000	3,551	45,000	3,551
Innovative Tier I capital securities	28,082	-	28,082	-
Irredeemable Non-Cumulative Convertible Preference Shares	9,000	9,000	9,000	9,000
Irredeemable Convertible Unsecured Loan Stocks	-	995	-	995
Others	130,143	36,871	129,864	37,449
	<u>1,772,298</u>	<u>2,025,663</u>	<u>1,775,752</u>	<u>2,024,176</u>

32. NET INCOME FROM ISLAMIC BANKING BUSINESS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	885,412	809,215	-	-
Income derived from investment of shareholder's funds	148,294	155,855	-	-
Transfer from/(to) profit equalisation reserve	12,858	(24,518)	-	-
Income attributable to the depositors	(328,403)	(383,038)	-	-
Finance cost	(20,100)	(19,200)	-	-
	<u>698,061</u>	<u>538,314</u>	<u>-</u>	<u>-</u>

33. OTHER OPERATING INCOME

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(a) Fee Income:				
Commissions	63,067	54,028	63,067	54,028
Guarantee fees	35,102	27,873	33,994	26,057
Other fee income	151,984	142,028	152,667	141,707
	<u>250,153</u>	<u>223,929</u>	<u>249,728</u>	<u>221,792</u>
(b) Investment income:				
Net gain/(loss) on sale/redemption of:				
Securities				
held-for-trading	45,311	(54,976)	45,311	(54,976)
Securities				
available-for-sale	40,830	15,593	40,830	15,593
Securities				
held-to-maturity	29,458	46,085	29,458	46,085
Net gain/(loss) on revaluation of :				
- Securities held-for-trading	4,564	(20,626)	4,564	(20,626)
- Derivatives	17,094	(37,598)	17,094	(37,598)
- Foreign exchange*	41,835	(10,824)	41,835	(10,824)
Gross dividend income from:				
Securities				
held-for-trading	2,098	1,214	2,098	1,214
Securities				
available-for-sale	4,564	7,572	4,564	7,572
Securities				
held-to-maturity	6,151	5,296	6,151	5,268
Subsidiary	-	-	250,020	-
Others	5	4	5	4
	<u>191,910</u>	<u>(48,260)</u>	<u>441,930</u>	<u>(48,288)</u>
(c) Other Income:				
Gain on disposal of foreclosed properties	2,047	343	2,047	343
Rental income	3,415	3,549	2,688	2,691
Gain on disposal of property and equipment	204	532	204	477
Non trading foreign exchange	2,520	(2,413)	2,455	(1,998)
Service transfer pricing income	17,770	5,650	256,128	205,502
Other operating income	3,943	(859)	3,247	(907)
	<u>29,899</u>	<u>6,802</u>	<u>266,769</u>	<u>206,108</u>
	<u>471,962</u>	<u>182,471</u>	<u>958,427</u>	<u>379,612</u>

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

34. OTHER OPERATING EXPENSES

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Personnel costs				
Salaries, allowances and bonuses	522,518	411,247	516,322	404,096
Share and options granted under Executive Share Scheme	8,143	-	7,916	-
Others	145,770	114,065	144,435	112,432
Establishment costs				
Depreciation (Note 18)	45,911	38,706	45,268	38,073
Rental	60,836	51,320	61,868	52,166
Cleaning, maintenance and security	19,716	16,956	19,074	16,294
Computerisation cost	84,698	56,337	84,638	56,280
Amortisation of prepaid land lease payments (Note 17)	99	99	79	79
Amortisation of intangible assets (Note 19)	28,875	24,161	28,711	24,012
Others	26,307	20,249	25,407	19,263
Marketing and communication expenses				
Commission	11,174	11,939	10,767	11,493
Advertising and marketing expenses	50,991	36,173	43,076	31,695
Communication	40,202	40,191	39,940	38,736
Others	6,983	6,828	6,895	6,678
Administration and general expenses				
Professional services	75,437	63,950	72,154	61,435
Others	25,982	24,701	25,230	23,562
Service transfer pricing expense	32,247	70,725	31,945	69,656
	<u>1,185,889</u>	<u>987,647</u>	<u>1,163,725</u>	<u>965,950</u>

The above expenditure includes the following statutory disclosure:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Directors' remuneration (Note 42)	4,203	4,100	3,169	3,198
Rental of premises				
- subsidiaries	-	-	1,895	1,261
- others	60,836	51,320	59,973	50,905
Hire of equipment	8,283	8,333	8,283	8,248
Auditors' remuneration:				
Audit	1,231	1,263	990	1,056
Assurance related	3,161	450	3,067	450
Others	1,901	-	1,901	-
Property and equipment written off	47	828	46	821
Intangible assets written off	2	-	2	-
	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>

34. OTHER OPERATING EXPENSES (CONTD.)

Personnel costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund, a substantial shareholder of the ultimate holding company, of the Group and the Bank amounted to RM80,250,000 (2009: RM65,801,000) and RM79,261,000 (2009: RM64,633,000), respectively.

35. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
- made in the financial year (Note 11(vii))	1,205,018	1,042,014	1,055,246	885,471
- written back (Note 11(vii))	(336,172)	(377,380)	(291,273)	(329,236)
General allowance (Note 11(vii))	103,054	51,102	80,376	39,651
Bad debts and financing recovered-net	(386,672)	(366,526)	(346,942)	(425,234)
Amount recovered from Danaharta	(4,430)	-	(4,430)	-
	<u>580,798</u>	<u>349,210</u>	<u>492,977</u>	<u>170,652</u>

36. IMPAIRMENT LOSS

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Impairment loss/(written back):				
Securities	90,697	75,176	90,145	75,176
Subsidiaries	-	-	-	115,156
Associates	-	-	26	-
Foreclosed properties	21,383	1,942	21,383	1,942
Property and equipment	-	2,236	-	2,236
Prepaid land lease payments	-	254	-	254
Amount recoverable under asset-backed securitisation transaction	-	(17,000)	-	(17,000)
Sundry receivables	6,175	(3,746)	6,110	144
	<u>118,255</u>	<u>58,862</u>	<u>117,664</u>	<u>177,908</u>

37. TAXATION

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current income tax:				
Estimated tax payable	248,460	435	262,493	20
Overprovision in prior years	(20)	-	(20)	-
Tax paid on shortfall of tax credit under Section 108 of the Income Tax Act, 1967		5,872		5,872
Deferred tax				
- relating to origination and reversal of temporary differences	46,959	278,825	(9,052)	222,821
- (Under)/over provision of deferred tax asset in prior years	(15,248)	24,325	(17,864)	24,696
Taxation	<u>280,151</u>	<u>309,457</u>	<u>235,557</u>	<u>253,409</u>

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 Bank is as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit before taxation	<u>1,077,717</u>	<u>1,011,659</u>	<u>952,683</u>	<u>759,194</u>
Taxation at Malaysian statutory tax rate of 25% (2009: 25%)	269,429	252,915	238,171	189,799
Effect of different tax rates in Labuan	(4,927)	(3,259)	(1,139)	1,710
Income not subject to tax	(2,558)	(2,643)	(15,043)	(1,629)
Expenses not deductible for tax purposes	33,475	11,767	31,452	37,514
Intercompany income subject to tax	-	25,033	-	-
Transfer from Equity	-	1,319	-	1,319
Deferred tax assets (under)/ over recognised in prior years	(15,248)	24,325	(17,864)	24,696
Overprovision of income tax expense in prior years	(20)	-	(20)	-
	<u>280,151</u>	<u>309,457</u>	<u>235,557</u>	<u>253,409</u>

38. EARNINGS PER SHARE**(a) Basic**

Basic earnings per share is calculated by dividing the net profit for the financial year attributable to shareholder of the Group and of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net profit attributable to shareholder of the Bank	796,307	701,183	717,126	505,785
Effect of savings on interest on ICULS (net of tax)	-	746	-	746
	<u>796,307</u>	<u>701,929</u>	<u>717,126</u>	<u>506,531</u>
	'000	'000	'000	'000
Number of ordinary shares at beginning of year	670,364	610,364	670,364	610,364
Effect of the conversion of ICULS	-	60,000	-	60,000
Weighted average number of ordinary shares in issue	<u>670,364</u>	<u>670,364</u>	<u>670,364</u>	<u>670,364</u>
Basic earnings per share (sen)	<u>118.79</u>	<u>104.71</u>	<u>106.98</u>	<u>75.56</u>

38. EARNINGS PER SHARE(CONTD.)**(b) Fully Diluted**

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

The Bank has one category of dilutive potential ordinary shares:

- i) Irredeemable Non-Cumulative Convertible Preference shares ("INCPS")

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net profit attributable to shareholder of the Bank (as in (a) above)	796,307	701,929	717,126	506,531
Effect of savings on dividend on INCPS	9,000	9,000	9,000	9,000
	<u>805,307</u>	<u>710,929</u>	<u>726,126</u>	<u>515,531</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue (as in (a) above)	670,364	670,364	670,364	670,364
Adjusted for the effect of the INCPS	150,000	150,000	150,000	150,000
Adjusted weighted average number of ordinary shares in issue	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>	<u>820,364</u>
Fully diluted earnings per share (sen)	<u>98.16</u>	<u>86.66</u>	<u>88.51</u>	<u>62.84</u>

39. 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 is calculated as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Total assets	89,942,433	84,341,980	73,379,270	70,772,211
Less:				
Total liabilities	(84,495,339)	(79,870,225)	(68,606,730)	(66,914,899)
Minority interests	(17)	(28)	-	-
	<u>(84,495,356)</u>	<u>(79,870,253)</u>	<u>(68,606,730)</u>	<u>(66,914,899)</u>
Net assets	<u>5,447,077</u>	<u>4,471,727</u>	<u>4,772,540</u>	<u>3,857,312</u>
Issued and fully paid up ordinary shares of RM1.00 each ('000)	<u>670,364</u>	<u>670,364</u>	<u>670,364</u>	<u>670,364</u>
Net assets per share (RM)	<u>8.13</u>	<u>6.67</u>	<u>7.12</u>	<u>5.75</u>

40. BUSINESS SEGMENT ANALYSIS

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.

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.

Business Banking

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

Corporate and Institutional Banking

The corporate and institutional banking focus 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.

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.

Group Functions and Others

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

Measurement 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 revenue for the current and prior financial year.

40. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group 2010	Retail Banking	Business Banking	Corporate and Institutional Banking	Treasury and Markets	Group Functions and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total operating revenue	3,033,432	385,850	244,517	307,405	1,103,083	5,074,287
Income	2,127,250	348,347	187,968	235,981	66,979	2,966,525
Other operating expenses	(825,409)	(99,005)	(22,335)	(48,226)	(190,914)	(1,185,889)
Profit before provisions	1,301,841	249,342	165,633	187,755	(123,935)	1,780,636
Provisions	(302,365)	(75,892)	(48,098)	(25,622)	(250,942)	(702,919)
Profit before zakat and taxation	999,476	173,450	117,535	162,133	(374,877)	1,077,717
Zakat and taxation	(226,641)	(41,359)	(24,124)	(40,985)	51,688	(281,421)
Profit after zakat and taxation	<u>772,835</u>	<u>132,091</u>	<u>93,411</u>	<u>121,148</u>	<u>(323,189)</u>	<u>796,296</u>

Other information

Cost to income ratio	38.8%	28.4%	11.9%	20.4%	285.0%	40.0%
Gross loans/financing	43,629,781	11,854,111	9,101,013	-	1,337,086	65,921,991
Net loans/financing	42,652,558	11,634,558	8,956,700	-	832,541	64,076,357
Gross non-performing loans/financing	1,288,604	77,645	-	-	493,513	1,859,762
Net non-performing loans/financing*	974,105	38,866	-	-	(1,102)	1,011,869
Deposits	38,455,791	3,623,070	3,527,906	2,437,574	26,580,590	74,624,931

40. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group 2009	Retail Banking	Business Banking	Corporate and Institutional Banking	Treasury and Markets	Group Functions and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total operating revenue	2,842,562	344,769	157,083	357,580	1,169,712	4,871,706
Income	1,754,782	313,400	119,353	248,422	(16,605)	2,419,352
Other operating expenses	(654,702)	(85,654)	(20,893)	(31,813)	(194,585)	(987,647)
Profit before provisions	1,100,080	227,746	98,460	216,609	(211,190)	1,431,705
Provisions	(262,199)	(78,562)	1,772	(11,974)	(69,083)	(420,046)
Profit before zakat and taxation	837,881	149,184	100,232	204,635	(280,273)	1,011,659
Zakat and taxation	(209,470)	(37,296)	(19,633)	(2,400)	(41,690)	(310,489)
Profit after zakat and taxation	628,411	111,888	80,599	202,235	(321,963)	701,170

Other information

Cost to income ratio	37.3%	27.3%	17.5%	12.8%	-1171.8%	40.8%
Gross loans/financing	42,667,495	9,983,106	5,043,130	-	856,701	58,550,432
Net loans/financing	41,626,342	9,773,395	4,957,152	-	382,903	56,739,792
Gross non-performing loans/financing	1,683,698	106,928	-	-	629,100	2,419,726
Net non-performing loans/financing*	1,289,323	49,075	-	-	166,343	1,504,741
Deposits	37,811,342	1,956,836	2,355,583	2,145,508	27,319,272	71,588,541

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

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The holding and ultimate holding companies are AMFB Holdings Berhad and AMMB Holdings Berhad respectively, both of which are incorporated in Malaysia.

Key management personnel are the person who have authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. Key management personnel of the Group and the Bank are the directors (Executive and Non-Executive) and certain members of senior management of the Bank and major subsidiaries including close members of their families.

Related party transactions also includes transactions with entities that are controlled, jointly controlled or significantly influenced directly or indirectly by any key management personnel or their close family members.

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

	The Group		The Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Income earned				
<u>Related companies</u>				
Interest on deposits and placement	14,657	40,906	14,649	40,845
Interest on loans, advances and financing	523	2,265	142	2,265
Other income	-	23	-	23
Service transfer pricing income	17,755	5,650	17,755	5,650
<u>Subsidiaries</u>				
Interest on deposits and placement	-	-	259	49
Interest on Securities available-for-sale	-	-	11,621	10
Interest on loans, advances and financing	-	-	1,128	-
Servicer fees	-	-	1,049	-
Service transfer pricing income	-	-	238,373	199,852
<u>Key management personnel</u>				
Interest on loans, advances and financing	20	42	-	31
Expenditure incurred				
<u>Ultimate holding company</u>				
Interest on deposits and placements	7,877	9,939	7,877	9,939
Interest on Exchangeable Bonds	19,818	-	19,818	-

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Expenditure incurred (contd.)				
<u>Immediate holding company</u>				
Interest/dividend expense	9,000	9,995	9,000	9,995
<u>Related companies</u>				
Interest on deposits and placements	24,235	48,763	22,043	47,844
Issuance expenses on debt capital	5,055	-	5,055	-
Property and equipment under control transfer expensed off	31	-	31	-
Service transfer pricing expense	32,247	70,725	31,945	69,656
Professional fees	3,132	4,215	3,132	4,215
<u>Subsidiaries</u>				
Interest on subordinated loans	-	-	46,919	49,682
Interest on deposits and placements	-	-	5,147	521
Other expenses	-	-	1,895	1,261
<u>Associates</u>				
Interest on deposits and placements	79	89	81	74
<u>Substantial shareholder of ultimate holding company</u>				
Interest on Exchangeable Bonds	10,197	30,015	10,197	30,015
<u>Key management personnel</u>				
Interest on deposits and placements	416	311	379	293
Information service provider	667	542	624	511
Training	719	442	715	431
Interbank GIRO expenses	473	1,218	473	1,218
Other expenses	2	-	2	-
Short term employee benefits:				
Salary and other remuneration including meeting allowances	4,660	4,174	4,242	3,547
Estimated money value of benefits	274	167	192	138
Gratuity	58	682	-	682
Amount due from				
<u>Related companies</u>				
Loans, advances and financing	7	18,285	7	18,285
Cash and short - term funds	219,497	-	219,497	-
Deposits and placements	389,633	637,787	389,633	637,537
Interest receivable	1,718	2,662	1,718	2,662

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Amount due from (Contd.)				
<u>Subsidiaries</u>				
Loans, advances and financing	-	-	63,091	-
Cash and short - term funds	-	-	128,139	-
Deposits and placements	-	-	2,736	6,093
Securities available-for-sale	-	-	500,224	25,437
Interest receivable	-	-	7	99
<u>Key management personnel</u>				
Loans, advances and financing	669	940	180	709
Amount due to				
<u>Ultimate holding company</u>				
Deposits and placements	404,681	299,773	404,681	299,773
Interest payable	560	129	560	129
<u>Related companies</u>				
Deposits and placements	1,039,838	900,143	881,836	874,704
Interest payable	898	911	779	906
<u>Subsidiaries</u>				
Deposits and placements	-	-	366,211	492,630
Subordinated term loan	-	-	717,979	825,853
Interest payable	-	-	11,421	12,791
<u>Associates</u>				
Deposits and placements	3,486	4,568	3,586	4,054
Interest payable	7	12	9	15
<u>Key Management Personnel</u>				
Deposits and placements	18,197	16,928	13,507	15,421

Included in deposits from customers is an amount of RM800,000,000 placed by a unit trust fund managed by a related company.

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

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

(a) Directors related transactions

The significant transactions of the Group and the Bank with companies in which certain directors and/or their close family members are deemed to have a substantial interest, are as follows:

Supplier	Types of transactions	2010 RM'000	2009 RM'000
MCM Systems Sdn Bhd	Computer maintenance and consultancy services	4,263	6,052
MCM Horizon Sdn Bhd	Computer maintenance and consultancy services	490	342
MCM Consulting Sdn Bhd	Computer maintenance and consultancy services	-	849
Dion Realities Sdn Bhd	Rental of premises and car park	4,978	4,940
Troost Sdn Bhd	Rental of premises	310	310
Modular Corp. (M) Sdn Bhd	EMV card personalization and fulfillment services	2,251	1,964
Melawangi Sdn Bhd	Rental-Amcorp Mall ATM, Roadshow Booth Rental and monthly license fee	440	427
Unigaya Protection Systems Sdn Bhd	Provision of security services	161	149
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	954	178
MCM Consulting Sdn Bhd	Purchase of computer hardware and related consultancy services	1,351	892
MCM Horizon Sdn Bhd	Purchase of computer hardware, software and related consultancy services	-	303
Cuscapi Malaysia Sdn Bhd	Purchase of computer hardware, software and related consultancy services	267	11

The above transactions are the same for both the Group and the Bank except for the following:

Supplier (Types of transactions)	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Harpers Travel (M) Sdn Bhd (Provision of airline ticketing services)	895	954	868	916

41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Supplier (Types of transactions)				
Islamic Banking and Finance Institute Malaysia Sdn Bhd (Seminar attendance fee)	22	16	13	1
AmFirst Real Estate Investment Trust (Rental of premises, management fee and charges)	28,984	19,365	28,344	18,741
Gubahan Impian (Flower arrangement and hampers)	70	24	69	24
Bursa Malaysia Bhd (Training attendance fee)	71	22	69	22
Restoran Seri Melayu (Food & beverage)	15	-	13	-
Financial Park (L) Sdn Bhd (Office rental and maintenance)	211	-	-	-

(b) Transactions with substantial shareholder of AMMB Holdings Berhad:

Australia and New Zealand Banking Group Limited (Provision of technical services and technology capabilities)	3,516	1,184	3,481	1,169
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The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are not materially different from those arranged with independent parties.

42. DIRECTORS' REMUNERATION

Details of remuneration in aggregate for directors charged to the income statements for the financial year are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive director				
Salaries, bonus and other remuneration	2,700	2,714	2,340	2,352
Non-executive directors				
Fees	652	534	300	297
Other remuneration	851	852	529	549
Total (including benefits-in-kind)	<u>4,203</u>	<u>4,100</u>	<u>3,169</u>	<u>3,198</u>

Directors' fees for directors who are executives of companies of the Group are paid to their respective companies. The remuneration for the Chief Executive Officer who is a director of the Bank is paid by a related company and the portion reimbursed by the Bank is taken up under service transfer pricing expense.

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

	Number of Directors	
	2010	2009
Executive director		
RM2,000,001- RM2,500,000	1	1
Non-executive director		
Below RM50,000	-	2
RM50,001 - RM100,000	3	2
RM100,001 - RM150,000	2	2
RM350,001 - RM400,000	1	1

43. CAPITAL COMMITMENTS

As at the balance sheet date, the Group and the Bank have the following commitments:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Authorised and contracted for:				
Purchase of computer equipment and software	53,926	30,158	53,926	30,153
Leasehold improvements	4,830	2,140	4,830	2,140
	<u>58,756</u>	<u>32,298</u>	<u>58,756</u>	<u>32,293</u>
Authorised but not contracted for:				
Purchase of computer equipment and software	63,271	54,885	63,271	54,788
	<u>122,027</u>	<u>87,183</u>	<u>122,027</u>	<u>87,081</u>

44. LEASE COMMITMENTS

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

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within one year	72,889	38,387	71,485	37,294
Between one and five years	169,306	95,320	166,351	92,856
More than five years	60,580	73,613	59,824	72,860
	<u>302,775</u>	<u>207,320</u>	<u>297,660</u>	<u>203,010</u>

The lease commitments represent minimum rentals not adjusted for operating expenses which the Group and the Bank 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 rental expenses for the financial year.

45. CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios of the Group and the Bank as at 31 March are as follows:

	The Group		The Bank	
	2010	2009	2010	2009
Before deducting proposed dividends				
Core capital ratio	9.88%	9.25%	10.98%	10.39%
Risk-weighted capital ratio	15.33%	14.62%	15.34%	14.20%
After deducting proposed dividends				
Core capital ratio	9.39%	9.25%	10.38%	10.39%
Risk-weighted capital ratio	14.91%	14.62%	14.83%	14.20%

The capital adequacy ratios on a consolidated basis of the banking institutions within the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF - Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios of the Bank refers to the combined capital base as a ratio of the combined risk-weighted assets of the Bank and its wholly-owned offshore banking subsidiary company, AmInternational (L) Ltd ("AMIL"). The minimum regulatory capital adequacy requirement is 8% (2009: 8%) for the risk-weighted capital ratio.

The detailed disclosures on the risk-weighted assets, as set out in Notes 45 (d) to (f) are presented in accordance with paragraph 4.3 of Bank Negara Malaysia's Concept Paper Risk-weighted Capital Adequacy Framework (Basel II) and Capital Adequacy Framework of Islamic Banks ("CAFIB") Disclosure Requirements (Pillar 3), whereby such disclosures were effective for financial periods beginning on or after 1 January 2008.

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

	AmIslamic (Note 1)		AMIL (Note 2)	
	2010	2009	2010	2009
Core capital ratio	10.53%	11.22%	38.32%	33.09%
Risk-weighted capital ratio	15.29%	16.65%	38.50%	33.22%

Note 1 The capital adequacy ratios of AmIslamic Bank Berhad ("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 Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% (2009: 8%) for the risk-weighted capital ratio.

Note 2 The capital adequacy ratios of AMIL for capital compliance on a standalone basis are computed in accordance with the guidelines on Risk-weighted Capital Adequacy issued by Labuan Financial Services Authority ("LFSA"), which is based on the Basel I capital accord.

45. CAPITAL ADEQUACY RATIO (CONTD.)

(c) The components of Tier I and Tier II capital of the Group and the Bank are as follows:

	The Group		The Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<u>Tier I capital</u>				
Paid-up share capital	670,364	670,364	670,364	670,364
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	150,000	150,000	150,000
Innovative Tier I capital	1,011,446	750,100	921,431	750,100
Non-innovative Tier I capital	500,000	500,000	500,000	500,000
Share premium	942,844	942,844	942,844	942,844
Statutory reserve	945,628	849,232	680,459	680,459
Capital reserve	377,492	377,492	-	-
Merger reserve	397,566	397,566	-	-
Exchange fluctuation reserve	60	11,904	9,470	21,367
Unappropriated profits	2,019,923	1,322,399	2,498,526	1,766,189
	<u>7,015,323</u>	<u>5,971,901</u>	<u>6,373,094</u>	<u>5,481,323</u>
Less: Deferred tax assets	(273,306)	(306,334)	(231,088)	(204,174)
Total Tier I capital	<u>6,742,017</u>	<u>5,665,567</u>	<u>6,142,006</u>	<u>5,277,149</u>
<u>Tier II capital</u>				
Innovative Tier I capital	223,654	-	313,669	-
Medium term notes	1,557,800	1,460,000	1,557,800	1,460,000
Subordinated bonds	400,000	400,000	-	-
Exchangeable bonds	575,000	575,000	575,000	575,000
General allowance for bad and doubtful debts and financing	997,741	895,655	808,631	729,148
Total Tier II capital	<u>3,754,195</u>	<u>3,330,655</u>	<u>3,255,100</u>	<u>2,764,148</u>
Maximum allowable Tier II Capital	<u>3,754,195</u>	<u>3,330,655</u>	<u>3,255,100</u>	<u>2,764,148</u>
	10,496,212	8,996,222	9,397,106	8,041,297
Less:				
Investment in subsidiaries	(32,779)	(32,780)	(816,850)	(816,850)
Other deduction	(50)	(10,219)	(50)	(10,219)
Capital base	<u>10,463,383</u>	<u>8,953,223</u>	<u>8,580,206</u>	<u>7,214,228</u>

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Group is as follows:

2010	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	11,956,071		11,956,071	-	-
Public Sector Entities	79,464		79,464	15,893	1,272
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")	5,339,184		5,339,184	1,132,161	90,573
Insurance Companies, Securities Firms and Fund Managers	800,523		800,523	800,523	64,042
Corporates	22,905,262		21,736,229	19,486,537	1,558,923
Regulatory Retail	33,481,043		33,353,322	24,942,498	1,995,400
Residential Mortgages	6,873,319		6,863,926	2,906,731	232,539
Higher Risk Assets	208,404		208,404	312,606	25,008
Other Assets	1,483,663		1,483,663	1,159,247	92,740
Equity Exposures	66,546		66,546	66,546	5,324
Securitisation Exposures	326,731		326,730	95,256	7,620
Defaulted Exposures	5,068,153		4,150,969	5,923,806	473,904
Total for On- Balance Sheet Exposures	88,588,363		86,365,031	56,841,804	4,547,345
<i>Off-Balance Sheet Exposures</i>					
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	4,616,009		4,286,550	3,974,760	317,981
Total for Off- Balance Sheet Exposures	5,792,152		5,462,693	4,498,386	359,871
Total On and Off- Balance Sheet Exposures	94,380,515		91,827,724	61,340,190	4,907,216
Large Exposures Risk Requirement				5,203	416
<u>Market Risk</u>					
	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	29,457,307	27,207,877		1,037,271	82,982
- Specific interest rate risk	3,230,626	1,011,669		230,851	18,468
Foreign Currency Risk	690,817	276		690,817	55,265
Equity Risk					
- General rate risk	33,859	-		33,859	2,709
- Specific risk	33,859	-		43,701	3,496
Option Risk	283,459	220,852		4,702	376
	33,729,927	28,440,674		2,041,201	163,296
Operational Risk				4,877,266	390,181
Total RWA and Capital Requirements				68,263,860	5,461,109

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Group is as follows (Contd.):

2009	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	16,196,762		16,196,762	-	-
Public Sector Entities	70,928		70,928	14,186	1,135
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")					
Insurance Companies, Securities Firms and Fund Managers	2,079,133		2,079,133	718,803	57,504
Corporates	21,025,393		19,842,717	16,470,451	1,317,636
Regulatory Retail	32,169,564		32,032,159	23,993,437	1,919,475
Residential Mortgages	6,393,220		6,386,080	2,718,618	217,490
Higher Risk Assets	165,052		165,052	247,578	19,806
Other Assets	1,809,424		1,809,424	1,212,349	96,988
Equity Exposures	288,475		288,475	288,475	23,078
Securitisation Exposures	215,864		215,864	73,955	5,916
Defaulted Exposures	3,135,609		3,063,098	4,183,544	334,684
Total for On- Balance Sheet Exposures	83,549,424		82,149,692	49,921,396	3,993,712
<i>Off-Balance Sheet Exposures</i>					
Over The Counter ("OTC") Derivatives	1,304,464		1,304,464	578,233	46,258
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,154,508		4,938,052	4,333,603	346,688
Total for Off- Balance Sheet Exposures	6,458,972		6,242,516	4,911,836	392,946
Total On and Off- Balance Sheet Exposures	90,008,396		88,392,208	54,833,232	4,386,658
Large Exposures Risk Requirement				12,986	1,039
<u>Market Risk</u>					
	Long Position	Short Position			
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	193,284	351,644		352,938	28,235
Equity Risk					
- General rate risk	20,293	-		20,293	1,623
- Specific risk	20,293	-		20,293	1,623
Option Risk	592,000	-		79,000	6,320
	33,179,966	28,665,455		1,892,502	151,399
Operational Risk				4,487,810	359,025
Total RWA and Capital Requirements				61,226,530	4,898,121

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Bank is as follows:

2010	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	7,987,961		7,987,961	-	-
Public Sector Entities	49,633		49,633	9,927	794
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")	4,848,770		4,848,770	1,104,972	88,398
Insurance Companies, Securities Firms and Fund Managers	800,523		800,523	800,523	64,042
Corporates	19,549,382		18,432,051	16,354,368	1,308,349
Regulatory Retail	24,806,323		24,683,975	18,441,195	1,475,296
Residential Mortgages	6,675,206		6,665,868	2,826,995	226,160
Higher Risk Assets	208,404		208,404	312,606	25,008
Other Assets	1,393,602		1,393,602	1,070,551	85,644
Equity Exposures	66,546		66,546	66,546	5,324
Securitisation Exposures	605,279		605,277	150,965	12,077
Defaulted Exposures	4,792,655		3,890,574	5,557,455	444,596
Total for On- Balance Sheet Exposures	71,784,284		69,633,184	46,696,103	3,735,688
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	1,166,642		1,166,642	521,726	41,738
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,880,777		3,551,319	3,346,722	267,738
Total for Off- Balance Sheet Exposures	5,047,419		4,717,961	3,868,448	309,476
Total On and Off- Balance Sheet Exposures	76,831,703		74,351,145	50,564,551	4,045,164
Large Exposures Risk Requirement				5,203	416
<u>Market Risk</u>					
	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	28,409,568	27,101,614		735,629	58,851
- Specific interest rate risk	2,182,887	905,407		76,163	6,093
Foreign Currency Risk	690,817	276		690,817	55,265
Equity Risk					
- General rate risk	33,859	-		33,859	2,709
- Specific risk	33,859	-		43,701	3,496
Option Risk	283,459	220,852		4,702	376
	31,634,449	28,228,149		1,584,871	126,790
Operational Risk				3,783,839	302,707
Total RWA and Capital Requirements				55,938,464	4,475,077

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Bank is as follows (Contd.):

2009	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	13,109,588		13,109,588	-	-
Public Sector Entities	45,367		45,367	9,073	726
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")					
Insurance Companies, Securities Firms and Fund Managers	1,805,314		1,805,314	654,731	52,378
Corporates	18,527,925		17,377,667	14,378,394	1,150,271
Regulatory Retail	24,489,900		24,357,444	18,244,298	1,459,544
Residential Mortgages	6,238,301		6,231,208	2,654,859	212,389
Higher Risk Assets	165,052		165,052	247,578	19,806
Other Assets	1,770,330		1,770,330	1,184,253	94,740
Equity Exposures	288,475		288,475	288,475	23,078
Securitisation Exposures	215,864		215,864	73,954	5,916
Defaulted Exposures	2,958,748		2,886,418	3,955,700	316,456
Total for On- Balance Sheet Exposures	69,614,864		68,252,727	41,691,315	3,335,304
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	1,304,464		1,304,464	578,233	46,259
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,893,221		3,685,884	3,298,824	263,906
Total for Off- Balance Sheet Exposures	5,197,685		4,990,348	3,877,057	310,165
Total On and Off- Balance Sheet Exposures	74,812,549		73,243,075	45,568,372	3,645,469
Large Exposures Risk Requirement				12,986	1,039
<u>Market Risk</u>					
	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	29,866,594	28,254,149		1,219,706	97,576
- Specific interest rate risk	1,412,894	6,099		18,656	1,493
Foreign Currency Risk	191,990	351,644		351,644	28,132
Equity Risk					
- General rate risk	20,293	-		20,293	1,623
- Specific risk	20,293	-		20,293	1,623
Option Risk	193,000	-		24,125	1,930
	31,705,064	28,611,892		1,654,717	132,377
Operational Risk				3,560,356	284,828
Total RWA and Capital Requirements				50,796,431	4,063,713

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

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Group is as follows:

2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	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%	12,093,403	-	-	-	-	-	-	-	323,174	50	-	12,416,627	-
20%	-	83,064	5,201,432	-	2,355,901	16,710	-	-	1,551	292,072	-	7,950,730	1,590,146
35%	-	-	-	-	-	-	3,503,056	-	-	-	-	3,503,056	1,226,070
50%	-	-	1,143,386	-	685,864	232,118	3,361,200	-	-	15,073	-	5,437,641	2,718,821
75%	-	-	-	-	-	34,606,416	444	-	-	-	-	34,606,860	25,955,145
100%	-	-	3,254	800,826	21,754,714	53,043	201,092	-	1,158,938	-	66,546	24,038,413	24,038,413
150%	-	-	-	-	2,882,091	760,040	-	212,730	-	19,536	-	3,874,397	5,811,595
Average Risk Weight													
Total	12,093,403	83,064	6,348,072	800,826	27,678,570	35,668,327	7,065,792	212,730	1,483,663	326,731	66,546	91,827,724	61,340,190
Deduction from Capital Base										50		50	

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Group is as follows (Contd.):

2009

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	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%	16,198,923	-	-	-	-	-	-	-	292,247	-	-	16,491,170	-
20%	-	70,959	1,751,913	-	3,771,700	10,378	-	-	367,054	168,088	-	6,140,092	1,228,019
35%	-	-	-	-	-	-	3,163,493	-	-	-	-	3,163,493	1,107,222
50%	-	-	1,350,835	-	990,114	157,586	3,243,458	-	-	14,876	-	5,756,869	2,878,435
75%	-	-	-	-	-	33,910,666	493	-	-	-	-	33,911,159	25,433,368
100%	-	-	258,039	4,486	18,322,225	118,975	218,302	-	1,172,495	32,900	288,475	20,415,897	20,415,897
150%	-	-	-	-	1,484,994	880,040	-	170,866	(22,372)	-	-	2,513,528	3,770,291
Average Risk Weight													
Total	16,198,923	70,959	3,360,787	4,486	24,569,033	35,077,645	6,625,746	170,866	1,809,424	215,864	288,475	88,392,208	54,833,232
Deduction from Capital Base										40		40	

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Bank is as follows:

2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	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%	8,125,293	-	-	-	-	-	-	-	319,626	50	-	8,444,969	-
20%	-	53,233	4,465,205	-	2,146,764	16,710	-	-	4,281	570,619	-	7,256,812	1,451,363
35%	-	-	-	-	-	-	3,374,434	-	-	-	-	3,374,434	1,181,052
50%	-	-	1,379,100	-	641,614	221,310	3,291,743	-	-	15,073	-	5,548,840	2,774,420
75%	-	-	-	-	63,091	25,501,399	444	-	-	1,427	-	25,566,361	19,174,771
100%	-	-	3,254	800,523	18,345,473	40,177	187,629	-	1,069,695	-	66,546	20,513,297	20,513,297
150%	-	-	-	-	2,744,670	672,406	-	209,820	-	19,536	-	3,646,432	5,469,648
Average Risk Weight													
Total	8,125,293	53,233	5,847,559	800,523	23,941,612	26,452,002	6,854,250	209,820	1,393,602	606,705	66,546	74,351,145	50,564,551
Deduction from Capital Base										50		50	

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Bank is as follows (contd.):

2009

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	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%	13,111,749	-	-	-	-	-	-	-	287,544	-	-	13,399,293	-
20%	-	45,367	1,509,122	-	3,362,014	10,378	-	-	363,948	168,088	-	5,458,917	1,091,784
35%	-	-	-	-	-	-	3,072,451	-	-	-	-	3,072,451	1,075,358
50%	-	-	1,319,808	-	936,831	141,685	3,177,942	-	-	14,876	-	5,591,142	2,795,571
75%	-	-	-	-	-	25,260,378	493	-	-	-	-	25,260,871	18,945,653
100%	-	-	258,039	4,357	16,036,738	102,485	204,607	-	1,133,589	32,900	288,475	18,061,190	18,061,190
150%	-	-	-	-	1,461,214	785,859	-	166,889	(14,751)	-	-	2,399,211	3,598,816
Average Risk Weight													
Total	13,111,749	45,367	3,086,969	4,357	21,796,797	26,300,785	6,455,493	166,889	1,770,330	215,864	288,475	73,243,075	45,568,372
Deduction from Capital Base										40		40	

45. CAPITAL ADEQUACY RATIOS (CONTD.)

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

Group	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
2010	RM'000	RM'000	RM'000	RM'000
Credit-Related Exposures				
Guarantees given on behalf of customers	2,018,273		1,959,143	1,757,459
Certain transaction-related contingent items	1,812,955		936,042	879,324
Short term self liquidating trade-related contingencies	473,429		94,686	95,417
Islamic financing sold to Cagamas Berhad	335,852		335,852	253,809
Irrevocable commitments to extend credit maturing:				
- within one year	13,242,262		-	-
- more than one year	1,950,158		422,590	346,632
Unutilised credit card lines	4,192,748		838,550	627,089
Obligations under underwriting agreements	689,500		-	-
Others	39,798		150	150
	<u>24,754,975</u>		<u>4,587,013</u>	<u>3,959,880</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts/currency options 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 year to five years	481,496	6,726	48,830	31,328
Interest rate related contracts				
Interest rate futures				
- One year or less	60,000	1,325	-	-
- Over one year 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 year 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:				
- One year or less	30,521	-	-	-
- Over one year to five years	258,652	9,348	21,897	14,133
Commodity related contracts:				
- Over one year to five years	75,500	3,461	9,501	1,900
	<u>35,971,307</u>	<u>343,643</u>	<u>1,176,143</u>	<u>523,626</u>
Other Treasury-related Exposures				
Forward purchase commitments	912,336	-	28,996	14,880
Total	<u>61,638,618</u>	<u>343,643</u>	<u>5,792,152</u>	<u>4,498,386</u>

45. CAPITAL ADEQUACY RATIOS (CONTD.)

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

Group	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
2009	RM'000	RM'000	RM'000	RM'000
Credit-Related Exposures				
Guarantees given on behalf of customers	2,260,512		2,260,512	1,928,815
Certain transaction-related contingent items	1,496,866		748,433	740,965
Short term self liquidating trade-related contingencies	493,284		98,657	98,716
Islamic financing sold to Cagamas Berhad	879,088		879,088	663,997
Irrevocable commitments to extend credit maturing:				
- within one year	10,390,145		-	-
- more than one year	1,904,045		280,552	241,386
Unutilised credit card lines	4,383,472		876,694	655,346
Obligations under underwriting agreements	592,000		-	-
Others	149,120		150	150
	<u>22,548,532</u>		<u>5,144,086</u>	<u>4,329,375</u>
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 year to five years	311,282	-	26,721	13,360
Interest rate related contracts				
Interest rate futures				
- Over one year 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 year 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:				
- One year or less	30,000	390	-	-
- Over one year to five years	119,660	1,420	-	-
Commodity related contracts:				
- Over one year to five years	44,494	1,885	-	-
	<u>26,301,707</u>	<u>477,132</u>	<u>1,304,464</u>	<u>578,233</u>
Other Treasury-related Exposures				
Forward purchase commitments	361,704	-	10,422	4,228
Total	<u>49,211,943</u>	<u>477,132</u>	<u>6,458,972</u>	<u>4,911,836</u>

45. CAPITAL ADEQUACY RATIOS (CONTD.)

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

Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
2010	RM'000	RM'000	RM'000	RM'000
Credit-Related Exposures				
Guarantees given on behalf of customers	1,833,479		1,774,349	1,572,664
Certain transaction-related contingent items	1,682,727		870,928	813,552
Short term self liquidating trade-related contingencies	383,072		76,614	77,045
Irrevocable commitments to extend credit maturing:				
- within one year	11,262,296		-	-
- more than one year	1,789,651		386,602	313,879
Unutilised credit card lines	3,745,109		749,022	560,136
Obligations under underwriting agreements	298,500		-	-
Others	31,373		150	150
	<u>21,026,207</u>		<u>3,857,665</u>	<u>3,337,426</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts/currency options 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 year to five years	481,496	6,726	48,830	31,328
Interest rate related contracts				
Interest rate futures				
- One year or less	60,000	1,325	-	-
- Over one year 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 year 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 year to five years	258,652	9,348	21,897	14,133
	<u>35,895,807</u>	<u>340,182</u>	<u>1,166,642</u>	<u>521,726</u>
Other Treasury-related Exposures				
Forward purchase commitments	620,798	-	23,112	9,295
Total	<u><u>57,542,812</u></u>	<u><u>340,182</u></u>	<u><u>5,047,419</u></u>	<u><u>3,868,447</u></u>

The breakdown of the total principal amount for Off Balance Sheet exposures is as follows:

Relating to AmBank (M) Berhad	57,477,383
Relating to AMIL	65,429
	<u><u>57,542,812</u></u>

45. CAPITAL ADEQUACY RATIOS (CONTD.)

(f) The Off-Balance Sheet exposures and their related counterparty credit risk of the Bank are as follows (Contd.):

Bank	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
2009	RM'000	RM'000	RM'000	RM'000
Credit-Related Exposures				
Guarantees given on behalf of customers	2,092,419		2,092,419	1,760,725
Certain transaction-related contingent items	1,314,548		657,274	649,306
Short term self liquidating trade-related contingencies	437,551		87,510	87,569
Irrevocable commitments to extend credit maturing:				
- within one year	8,881,854		-	-
- more than one year	1,644,241		270,119	217,303
Unutilised credit card lines	3,877,627		775,525	579,743
Obligations under underwriting agreements	193,000		-	-
Others	121,464		150	150
	<u>18,562,704</u>		<u>3,882,997</u>	<u>3,294,796</u>
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 year to five years	311,282	-	26,721	13,360
Interest rate related contracts				
Interest rate futures				
- Over one year 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 year 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:				
- One year or less	30,000	390	-	-
- Over one year to five years	119,660	1,420	-	-
	<u>26,257,213</u>	<u>475,247</u>	<u>1,304,464</u>	<u>578,233</u>
Other Treasury-related Exposures				
Forward purchase commitments	211,145	-	10,224	4,028
Total	<u>45,031,062</u>	<u>475,247</u>	<u>5,197,685</u>	<u>3,877,057</u>

The total principal amount for Off balance sheet exposures relates to AmBank (M) Berhad.

As at 31 March 2010, the Bank has given a continuing guarantee to LFSA to meet all the liabilities and financial obligations of its subsidiary, AmInternational (L) Ltd.

46. SIGNIFICANT EVENTS

- (1) On 18 August 2009, the Bank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The proceeds from the ITICS is for the Bank'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.
- (2) On 10 December 2009, the Bank issued Tranche 7 of Medium Term Notes amounting to RM97.8 million. The proceeds raised was utilised for general working capital requirements.
- (3) On 25 March 2010, upon approval by BNM and the Securities Commission, the Bank 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 is 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. The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of the Bank. RAM Ratings has assigned a long-term rating of AA3 to the SNP.

47. SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the financial statements.

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 carry with it potential for gains as well as potential to erode the shareholder's 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, 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 institutes 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 threshold. Risk thresholds are approved by the Board of Directors. The risk thresholds structure aligns specific risk-taking activities with the overall risk appetite of the Group.

48. The following tables show 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.

2010 The Group	----- Non Trading Book ----->						Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
ASSETS										
Cash and short-term funds	11,120,644	-	-	-	-	-	511,789	-	11,632,433	1.90
Deposits and placements with banks and other financial institutions	-	2,018,503	99,632	-	-	-	-	-	2,118,135	1.99
Securities held-for-trading	-	-	-	-	-	-	-	1,679,658	1,679,658	4.06
Securities available-for-sale	1,716,405	2,003,769	201,663	187,284	1,533,751	2,125,562	46,058	-	7,814,492	3.63
Securities held-to-maturity	10,422	-	31,099	26,659	281,464	31,885	151,156	-	532,685	2.30
Derivative financial assets	-	-	-	-	-	-	343,643	-	343,643	
Loans, advances and financing										
- Performing	28,300,062	2,101,118	1,268,638	51,809	11,038,382	21,302,182	38	-	64,062,229	6.45
- Non-performing *	-	-	-	-	-	-	14,128	-	14,128	
Amount due from originators	-	-	-	1,965	20,828	-	-	-	22,793	5.74
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,722,237	-	1,722,237	-
TOTAL ASSETS	41,147,533	6,123,390	1,601,032	267,717	12,874,425	23,459,629	2,789,049	1,679,658	89,942,433	
LIABILITIES AND EQUITY										
Deposits from customers	32,628,951	13,671,997	7,573,561	7,116,697	3,822,413	-	4,558,183	-	69,371,802	2.28
Deposits and placements of banks and other financial institutions	2,662,207	457,799	204,777	827,017	892,786	154,098	54,445	-	5,253,129	2.26
Term funding	260,960	-	-	101,250	1,318,750	-	-	-	1,680,960	4.18
Derivative financial liabilities	-	-	-	-	-	-	392,510	-	392,510	
Bills and acceptances payable	564,155	784,902	50,516	-	-	-	-	-	1,399,573	2.56
Recourse obligation of loans sold to Cagamas Berhad	-	112,896	-	1,965	20,828	-	-	-	135,689	3.98
Debt capital	-	-	-	-	1,932,800	2,302,979	150,000	-	4,385,779	6.03
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,875,897	-	1,875,897	-
Total Liabilities	36,116,273	15,027,594	7,828,854	8,046,929	7,987,577	2,457,077	7,031,035	-	84,495,339	
Minority interests	-	-	-	-	-	-	17	-	17	
Shareholder's Equity	-	-	-	-	-	-	5,447,077	-	5,447,077	
TOTAL LIABILITIES AND EQUITY	36,116,273	15,027,594	7,828,854	8,046,929	7,987,577	2,457,077	12,478,129	-	89,942,433	
On-balance sheet interest/profit sensitivity gap	5,031,260	(8,904,204)	(6,227,822)	(7,779,212)	4,886,848	21,002,552	(9,689,080)	1,679,658	-	
Off-balance sheet interest/profit sensitivity gap **	873,526	9,273,000	(662,400)	(195,000)	(9,341,526)	112,400	-	-	60,000	
Total interest sensitivity gap	5,904,786	368,796	(6,890,222)	(7,974,212)	(4,454,678)	21,114,952	(9,689,080)	1,679,658	60,000	

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

** This comprises interest rate swap and interest rate futures.

48. The following tables show 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.

2009 The Group	----- Non Trading Book ----->						Non- interest/profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest/ profit rate %
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000				
	ASSETS									
Cash and short-term funds	16,385,301	-	-	-	-	-	482,786	-	16,868,087	1.98
Deposits and placements with banks and other financial institutions	-	220,000	150,000	-	51,050	-	-	-	421,050	2.10
Securities held-for-trading	-	-	-	-	-	-	-	1,387,411	1,387,411	3.16
Securities available-for-sale	11,807	147,751	82,386	161,577	1,992,644	3,098,461	103,858	-	5,598,484	4.93
Securities held-to-maturity	7,704	60,838	1,748	35,475	372,821	122,638	152,135	-	753,359	2.93
Derivative financial assets	-	-	-	-	-	-	477,132	-	477,132	-
Loans, advances and financing										
- Performing	21,999,508	2,626,835	532,507	534,854	8,394,076	22,042,897	29	-	56,130,706	6.45
- Non-performing *	-	-	-	-	-	-	609,086	-	609,086	-
Amount due from originators	-	-	-	-	25,789	-	-	-	25,789	5.74
Other non-interest/profit sensitive balances	-	-	-	-	-	-	2,070,876	-	2,070,876	-
TOTAL ASSETS	38,404,320	3,055,424	766,641	731,906	10,836,380	25,263,996	3,895,902	1,387,411	84,341,980	
LIABILITIES AND EQUITY										
Deposits from customers	27,946,583	12,102,009	7,432,938	10,312,788	2,850,481	-	3,302,336	-	63,947,135	2.74
Deposits and placements of banks and other financial institutions	3,158,101	845,637	1,042,486	818,109	955,057	781,369	40,647	-	7,641,406	2.62
Term funding	145,820	-	-	-	-	-	-	-	145,820	1.80
Derivative financial liabilities	-	-	-	-	-	-	565,483	-	565,483	-
Bills and acceptances payable	703,907	1,053,556	355,597	7,189	-	-	-	-	2,120,249	2.07
Recourse obligation of loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	-	155,037	3.98
Debt capital	-	-	-	-	1,110,000	2,650,853	150,000	-	3,910,853	5.93
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,384,242	-	1,384,242	-
Total Liabilities	31,954,411	14,001,202	8,831,021	11,138,086	5,070,575	3,432,222	5,442,708	-	79,870,225	
Minority interests	-	-	-	-	-	-	28	-	28	
Shareholder's Equity	-	-	-	-	-	-	4,471,727	-	4,471,727	
TOTAL LIABILITIES AND EQUITY	31,954,411	14,001,202	8,831,021	11,138,086	5,070,575	3,432,222	9,914,463	-	84,341,980	
On-balance sheet interest/profit sensitivity gap	6,449,909	(10,945,778)	(8,064,380)	(10,406,180)	5,765,805	21,831,774	(6,018,561)	1,387,411	-	
Off-balance sheet interest/profit sensitivity gap **	798,353	3,115,000	(1,757,088)	30,000	(2,881,853)	755,588	-	-	60,000	
Total interest sensitivity gap	7,248,262	(7,830,778)	(9,821,468)	(10,376,180)	2,883,952	22,587,362	(6,018,561)	1,387,411	60,000	

* This is arrived at after deducting the general allowance, specific allowance and interest/income-in-suspense from gross non-performing loans outstanding.

** This comprises interest rate swap and interest rate futures.

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

2010 The Bank	----- Non Trading Book ----->							Trading Book	Total	Effective interest rate %
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
ASSETS										
Cash and short-term funds	6,949,247	-	-	-	-	-	498,269	-	7,447,516	1.91
Deposits and placements with banks and other financial institutions	-	1,800,000	102,368	-	-	-	-	-	1,902,368	2.04
Securities held-for-trading	-	-	-	-	-	-	-	1,328,725	1,328,725	4.34
Securities available-for-sale	1,716,405	1,570,433	49,790	181,051	1,572,967	2,270,082	44,956	-	7,405,684	3.66
Securities held-to-maturity	10,422	-	31,099	26,659	281,464	31,885	151,156	-	532,685	2.30
Derivative financial assets	-	-	-	-	-	-	340,182	-	340,182	-
Loans, advances and financing										
- Performing	27,206,171	1,609,588	913,619	248,816	7,894,661	14,051,979	-	-	51,924,834	6.18
- Non-performing *	-	-	-	-	-	-	85,674	-	85,674	-
Amount due from originators	-	-	-	1,965	20,828	-	-	-	22,793	5.74
Other non-interest sensitive balances	-	-	-	-	-	-	2,388,809	-	2,388,809	-
TOTAL ASSETS	35,882,245	4,980,021	1,096,876	458,491	9,769,920	16,353,946	3,509,046	1,328,725	73,379,270	
LIABILITIES AND EQUITY										
Deposits from customers	25,471,173	9,465,173	6,540,885	6,705,044	3,527,365	-	3,637,880	-	55,347,520	2.34
Deposits and placements of banks and other financial institutions	2,085,788	337,460	104,928	824,473	823,969	154,098	54,152	-	4,384,868	2.11
Term funding	260,960	-	-	101,250	1,318,750	-	-	-	1,680,960	4.18
Derivative financial liabilities	-	-	-	-	-	-	389,052	-	389,052	-
Bills and acceptances payable	378,885	608,470	17,231	-	-	-	-	-	1,004,586	2.56
Recourse obligation of loans sold to Cagamas Berhad	-	112,896	-	1,965	20,828	-	-	-	135,689	4.72
Debt capital	-	-	-	-	1,532,800	2,302,979	150,000	-	3,985,779	6.16
Other non-interest sensitive balances	-	-	-	-	-	-	1,678,276	-	1,678,276	-
Total Liabilities	28,196,806	10,523,999	6,663,044	7,632,732	7,223,712	2,457,077	5,909,360	-	68,606,730	
Shareholder's Equity	-	-	-	-	-	-	4,772,540	-	4,772,540	
TOTAL LIABILITIES AND EQUITY	28,196,806	10,523,999	6,663,044	7,632,732	7,223,712	2,457,077	10,681,900	-	73,379,270	
On-balance sheet interest sensitivity gap	7,685,439	(5,543,978)	(5,566,168)	(7,174,241)	2,546,208	13,896,869	(7,172,854)	1,328,725	-	
Off-balance sheet interest sensitivity gap **	873,526	9,273,000	(662,400)	(195,000)	(9,341,526)	112,400	-	-	60,000	
Total interest sensitivity gap	8,558,965	3,729,022	(6,228,568)	(7,369,241)	(6,795,318)	14,009,269	(7,172,854)	1,328,725	60,000	

* This is arrived at after deducting the general allowance, specific allowance and interest / income-in-suspense from gross non-performing loans outstanding.

** This comprises interest rate swap and interest rate futures.

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

2009 The Bank	----- Non Trading Book ----->							Non- interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000					
ASSETS											
Cash and short-term funds	12,924,387	-	-	-	-	-	471,372	-	13,395,759	2.04	
Deposits and placements with banks and other financial institutions	-	220,000	155,471	622	51,050	-	-	-	427,143	2.10	
Securities held-for-trading	-	-	-	-	-	-	-	1,183,549	1,183,549	3.16	
Securities available-for-sale	11,807	140,367	73,100	129,817	1,681,146	2,914,531	102,795	-	5,053,563	4.93	
Securities held-to-maturity	7,704	60,838	1,748	35,475	366,970	122,638	115,425	-	710,798	2.88	
Derivative financial assets	-	-	-	-	-	-	475,247	-	475,247	-	
Loans, advances and financing											
- Performing	21,218,114	2,186,412	767,650	448,261	6,374,143	15,269,850	-	-	46,264,430	6.45	
- Non-performing *	-	-	-	-	-	-	635,456	-	635,456	-	
Amount due from originators	-	-	-	-	25,789	-	-	-	25,789	5.74	
Other non-interest sensitive balances	-	-	-	-	-	-	2,600,477	-	2,600,477	-	
TOTAL ASSETS	34,162,012	2,607,617	997,969	614,175	8,499,098	18,307,019	4,400,772	1,183,549	70,772,211		
LIABILITIES AND EQUITY											
Deposits from customers	22,379,889	9,784,922	6,190,513	9,787,533	2,400,834	-	2,656,154	-	53,199,845	2.77	
Deposits and placements of banks and other financial institutions	3,086,673	549,473	775,583	652,203	787,719	781,369	12,305	-	6,645,325	2.63	
Term funding	145,820	-	-	-	-	-	-	-	145,820	1.80	
Derivative financial liabilities	-	-	-	-	-	-	563,600	-	563,600	-	
Bills and acceptances payable	483,002	771,732	245,757	7,189	-	-	-	-	1,507,680	2.07	
Recourse obligation of loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	-	155,037	3.98	
Debt capital	-	-	-	-	710,000	2,650,853	150,000	-	3,510,853	6.05	
Other non-interest sensitive balances	-	-	-	-	-	-	1,186,739	-	1,186,739	-	
Total Liabilities	26,095,384	11,106,127	7,211,853	10,446,925	4,053,590	3,432,222	4,568,798	-	66,914,899		
Shareholder's Equity	-	-	-	-	-	-	3,857,312	-	3,857,312		
TOTAL LIABILITIES AND EQUITY	26,095,384	11,106,127	7,211,853	10,446,925	4,053,590	3,432,222	8,426,110	-	70,772,211		
On-balance sheet interest sensitivity gap	8,066,628	(8,498,510)	(6,213,884)	(9,832,750)	4,445,508	14,874,797	(4,025,338)	1,183,549	-		
Off-balance sheet interest sensitivity gap **	798,353	3,115,000	(1,757,088)	30,000	(2,881,853)	755,588	-	-	60,000		
Total interest sensitivity gap	8,864,981	(5,383,510)	(7,970,972)	(9,802,750)	1,563,655	15,630,385	(4,025,338)	1,183,549	60,000		

* This is arrived at after deducting the general allowance, specific allowance and interest / income-in-suspense from gross non-performing loans outstanding.

** This comprises interest rate swap and interest rate futures.

48. RISK MANAGEMENT POLICY (CONTD.)

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 when they fall due.

The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

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

- Management of cashflow; 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. The following tables show the maturity analysis of the Group's and the Bank's assets and liabilities based on contractual terms:

2010

The Group	Up to 1	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Total
	month	months	months	months	years	5 years	specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	11,119,034	-	-	-	-	-	513,399	11,632,433
Deposits and placements with banks and other financial institutions	-	2,018,502	99,633	-	-	-	-	2,118,135
Securities held-for-trading	37,950	9,945	24,582	399,259	553,250	594,717	59,955	1,679,658
Securities available-for-sale	1,716,405	2,003,769	201,663	187,283	1,533,752	2,125,562	46,058	7,814,492
Securities held-to-maturity	10,422	-	31,099	26,659	281,464	31,885	151,156	532,685
Derivative financial assets	-	-	-	-	-	-	343,643	343,643
Loans, advances and financing	6,246,970	1,617,065	2,015,210	1,178,125	17,648,811	35,370,176	-	64,076,357
Other assets	509	54	42	50	16	-	1,019,505	1,020,176
Amount due from originators	-	-	-	1,965	20,828	-	-	22,793
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	167,623	167,623
Deferred tax asset	-	-	-	-	-	-	259,307	259,307
Investment in associated companies	-	-	-	-	-	-	986	986
Prepaid land lease payments	-	-	-	-	-	-	3,815	3,815
Property and equipment	-	-	-	-	-	-	183,923	183,923
Intangible assets	-	-	-	-	-	-	86,407	86,407
TOTAL ASSETS	19,131,290	5,649,335	2,372,229	1,793,341	20,038,121	38,122,340	2,835,777	89,942,433
LIABILITIES AND EQUITY								
Deposits from customers	32,645,722	13,655,222	7,573,561	7,116,697	3,822,415	-	4,558,185	69,371,802
Deposits and placements of banks and other financial institutions	2,662,319	458,290	204,216	826,977	892,784	154,098	54,445	5,253,129
Term funding	-	-	97,860	264,350	1,318,750	-	-	1,680,960
Derivative financial liabilities	-	-	-	-	-	-	392,510	392,510
Bills and acceptances payable	564,155	784,902	50,516	-	-	-	-	1,399,573
Recourse obligation of loans sold to Cagamas Berhad	-	112,896	-	1,965	20,828	-	-	135,689
Other liabilities	1,205	358	1	-	-	-	1,874,333	1,875,897
Debt capital	-	-	-	-	-	4,235,779	150,000	4,385,779
								-
Total Liabilities	35,873,401	15,011,668	7,926,154	8,209,989	6,054,777	4,389,877	7,029,473	84,495,339
Minority interests	-	-	-	-	-	-	17	17
Shareholder's Equity	-	-	-	-	-	-	5,447,077	5,447,077
TOTAL LIABILITIES AND EQUITY	35,873,401	15,011,668	7,926,154	8,209,989	6,054,777	4,389,877	12,476,567	89,942,433
Net maturity mismatch	(16,742,111)	(9,362,333)	(5,553,925)	(6,416,648)	13,983,344	33,732,463	(9,640,790)	-

48. The following tables show the maturity analysis of the Group's and the Bank's assets and liabilities based on contractual terms:

2009

The Group	Up to 1	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Total
	month	months	months	months	years	5 years	specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	16,867,566	-	-	-	-	-	521	16,868,087
Deposits and placements with banks and other financial institutions	-	220,000	150,000	-	51,050	-	-	421,050
Securities held-for-trading	56,948	118,357	119,486	48,111	276,080	768,429	-	1,387,411
Securities available-for-sale	-	82,725	82,386	175,839	2,055,214	3,098,462	103,858	5,598,484
Securities held-to-maturity	7,704	60,838	1,747	71,930	373,076	122,638	115,426	753,359
Derivative financial assets	-	-	-	-	-	-	477,132	477,132
Loans, advances and financing	5,918,607	1,795,439	784,566	870,696	13,740,680	33,629,804	-	56,739,792
Other assets	597	277	31	33	-	-	965,671	966,609
Amount due from originators	-	-	-	-	25,789	-	-	25,789
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	517,578	517,578
Deferred tax asset	-	-	-	-	-	-	344,230	344,230
Investment in associated companies	-	-	-	-	-	-	805	805
Prepaid land lease payments	-	-	-	-	-	-	4,051	4,051
Property and equipment	-	-	-	-	-	-	171,196	171,196
Intangible assets	-	-	-	-	-	-	66,407	66,407
TOTAL ASSETS	22,851,422	2,277,636	1,138,216	1,166,609	16,521,889	37,619,333	2,766,875	84,341,980
LIABILITIES AND EQUITY								
Deposits from customers	31,228,443	12,102,487	7,452,938	10,312,788	2,850,479	-	-	63,947,135
Deposits and placements of banks and other financial institutions	3,824,431	826,617	1,063,821	818,109	955,060	153,368	-	7,641,406
Term funding	-	-	-	145,820	-	-	-	145,820
Derivative financial liabilities	-	-	-	-	-	-	565,483	565,483
Bills and acceptances payable	703,905	1,053,556	355,597	7,191	-	-	-	2,120,249
Recourse obligation of loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	155,037
Other liabilities	3,278	44	5	-	-	-	1,380,915	1,384,242
Debt capital	-	-	-	-	-	3,760,853	150,000	3,910,853
Total Liabilities	35,760,057	13,982,704	8,872,361	11,283,908	3,960,576	3,914,221	2,096,398	79,870,225
Minority interests	-	-	-	-	-	-	28	28
Shareholder's Equity	-	-	-	-	-	-	4,471,727	4,471,727
TOTAL LIABILITIES AND EQUITY	35,760,057	13,982,704	8,872,361	11,283,908	3,960,576	3,914,221	6,568,153	84,341,980
Net maturity mismatch	(12,908,635)	(11,705,068)	(7,734,145)	(10,117,299)	12,561,313	33,705,112	(3,801,278)	-

48. The following tables show the maturity analysis of the Group's and the Bank's assets and liabilities based on contractual terms:

2010 The Bank	Up to 1	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Total
	month	months	months	months	years	5 years	specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	6,949,247	-	-	-	-	-	498,269	7,447,516
Deposits and placements with banks and other financial institutions	-	1,800,000	102,368	-	-	-	-	1,902,368
Securities held-for-trading	37,950	9,945	14,845	296,412	476,015	433,602	59,956	1,328,725
Securities available-for-sale	1,716,405	1,570,433	49,790	181,051	1,572,967	2,270,082	44,956	7,405,684
Securities held-to-maturity	10,422	-	31,099	26,659	281,464	31,885	151,156	532,685
Derivative financial assets	-	-	-	-	-	-	340,182	340,182
Loans, advances and financing	4,994,992	1,217,662	1,844,652	1,042,746	14,829,247	28,081,209	-	52,010,508
Other assets	-	-	-	-	-	-	941,774	941,774
Amount due from originators	-	-	-	1,965	20,828	-	-	22,793
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	135,544	135,544
Deferred tax asset	-	-	-	-	-	-	213,089	213,089
Investment in subsidiaries companies	-	-	-	-	-	-	849,870	849,870
Investment in associated companies	-	-	-	-	-	-	111	111
Prepaid land lease payments	-	-	-	-	-	-	2,781	2,781
Property and equipment	-	-	-	-	-	-	159,683	159,683
Intangible assets	-	-	-	-	-	-	85,957	85,957
TOTAL ASSETS	13,709,016	4,598,040	2,042,754	1,548,833	17,180,521	30,816,778	3,483,328	73,379,270
LIABILITIES AND EQUITY								
Deposits from customers	25,487,946	9,448,400	6,540,885	6,705,044	3,527,365	-	3,637,880	55,347,520
Deposits and placements of banks and other financial institutions	2,085,899	337,950	104,367	824,433	823,969	154,098	54,152	4,384,868
Term funding	-	-	97,860	264,350	1,318,750	-	-	1,680,960
Derivative financial liabilities	-	-	-	-	-	-	389,052	389,052
Bills and acceptances payable	378,885	608,470	17,231	-	-	-	-	1,004,586
Recourse obligation of loans sold to Cagamas Berhad	-	112,896	-	1,965	20,828	-	-	135,689
Other liabilities	-	-	-	-	-	-	1,678,276	1,678,276
Debt capital	-	-	-	-	-	3,835,779	150,000	3,985,779
Total Liabilities	27,952,730	10,507,716	6,760,343	7,795,792	5,690,912	3,989,877	5,909,360	68,606,730
Shareholder's Equity	-	-	-	-	-	-	4,772,540	4,772,540
TOTAL LIABILITIES AND EQUITY	27,952,730	10,507,716	6,760,343	7,795,792	5,690,912	3,989,877	10,681,900	73,379,270
Net maturity mismatch	(14,243,714)	(5,909,676)	(4,717,589)	(6,246,959)	11,489,609	26,826,901	(7,198,572)	-

48. The following tables show the maturity analysis of the Group's and the Bank's assets and liabilities based on contractual terms:

2009 The Bank	Up to 1	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Total
	month	months	months	months	years	5 years	specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	13,395,759	-	-	-	-	-	-	13,395,759
Deposits and placements with banks and other financial institutions	-	220,000	155,471	622	51,050	-	-	427,143
Securities held-for-trading	29,954	60,558	28,492	20,034	276,080	768,431	-	1,183,549
Securities available-for-sale	-	75,341	73,100	144,079	1,743,717	2,914,532	102,794	5,053,563
Securities held-to-maturity	7,704	60,838	1,747	35,475	366,970	122,638	115,426	710,798
Derivative financial assets	-	-	-	-	-	-	475,247	475,247
Loans, advances and financing	4,995,908	1,723,292	702,178	708,327	11,500,360	27,269,821	-	46,899,886
Other assets	-	-	-	-	-	-	862,538	862,538
Amount due from originators	-	-	-	-	25,789	-	-	25,789
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	431,499	431,499
Deferred tax asset	-	-	-	-	-	-	241,639	241,639
Investment in subsidiary companies	-	-	-	-	-	-	849,870	849,870
Investment in associated companies	-	-	-	-	-	-	137	137
Prepaid land lease payments	-	-	-	-	-	-	2,860	2,860
Property and equipment	-	-	-	-	-	-	146,088	146,088
Intangible assets	-	-	-	-	-	-	65,846	65,846
TOTAL ASSETS	18,429,325	2,140,029	960,988	908,537	13,963,966	31,075,422	3,293,944	70,772,211
LIABILITIES AND EQUITY								
Deposits from customers	25,015,567	9,785,399	6,210,513	9,787,533	2,400,833	-	-	53,199,845
Deposits and placements of banks and other financial institutions	3,747,454	528,996	775,583	652,203	787,721	153,368	-	6,645,325
Term funding	-	-	-	145,820	-	-	-	145,820
Derivative financial liabilities	-	-	-	-	-	-	563,600	563,600
Bills and acceptances payable	483,002	771,732	245,757	7,189	-	-	-	1,507,680
Recourse obligation of loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	155,037
Other liabilities	-	-	-	-	-	-	1,186,739	1,186,739
Debt capital	-	-	-	-	-	3,360,853	150,000	3,510,853
Total Liabilities	29,246,023	11,086,127	7,231,853	10,592,745	3,343,591	3,514,221	1,900,339	66,914,899
Shareholder's Equity	-	-	-	-	-	-	3,857,312	3,857,312
TOTAL LIABILITIES AND EQUITY	29,246,023	11,086,127	7,231,853	10,592,745	3,343,591	3,514,221	5,757,651	70,772,211
Net maturity mismatch	(10,816,698)	(8,946,098)	(6,270,865)	(9,684,208)	10,620,375	27,561,201	(2,463,707)	-

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 the credit risk management framework is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

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 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 management 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 then 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 credit 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 minimise these risks, staff training and assessments, provision of advice and dissemination 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 swaps, interest rate futures and forward rate agreements. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts. 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. 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.

The principal equity contracts used are equity option. 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).

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.

48. RISK MANAGEMENT POLICY (CONTD.)

Risk associated with financial derivatives

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

Market risk of derivatives used for trading purposes

Market risk arising from the above interest rate-related and foreign exchange-related derivative contracts measures the potential losses to the value of these contracts due to changes in market rate/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 type 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 conditions.

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 counterparty 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 risk 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 give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

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

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

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

The Group	2010		2009	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	11,632,433	11,632,433	16,868,087	16,868,087
Deposits and placements with banks and other financial institutions	2,118,135	2,118,135	421,050	422,814
Securities held-for -trading	1,679,658	1,679,658	1,387,411	1,387,411
Securities available-for-sale	7,814,492	7,814,492	5,598,484	5,598,484
Securities held-to-maturity	532,685	722,945	753,359	857,928
Loans, advances and financing *	65,074,098	65,887,394	57,635,447	58,416,852
Derivative financial assets	343,643	343,643	340,182	340,182
Other financial assets	462,095	462,095	651,903	651,903
	<u>89,657,239</u>	<u>90,660,795</u>	<u>83,655,923</u>	<u>84,543,661</u>
Non-financial assets	285,194		686,057	
TOTAL ASSETS	<u>89,942,433</u>		<u>84,341,980</u>	

49. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

	2010		2009	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Liabilities				
Deposits from customers	69,371,802	69,277,004	63,947,135	63,574,602
Deposits and placements of banks and other financial institutions	5,253,129	5,183,585	7,641,406	7,675,465
Term funding	1,680,960	1,681,061	145,820	145,820
Derivative financial liabilities	392,510	392,510	565,483	565,483
Bills and acceptances payable	1,399,573	1,399,573	2,120,249	2,120,249
Recourse obligation of loans sold to Cagamas Berhad	135,689	135,689	155,037	129,106
Other financial liabilities	538,745	538,745	442,153	442,153
Debt capital	4,385,779	5,402,082	3,910,853	4,180,653
	<u>83,158,187</u>	<u>84,010,249</u>	<u>78,928,136</u>	<u>78,833,531</u>
Non-Financial Liabilities				
Other non-financial liabilities	1,337,152		942,089	
Minority interests	17		28	
Share capital	670,364		670,364	
Reserves	4,776,713		3,801,363	
	<u>6,784,246</u>		<u>5,413,844</u>	
TOTAL LIABILITIES AND EQUITY	<u>89,942,433</u>		<u>84,341,980</u>	

* The general allowance for the Group amounting to RM997,741,000 (2009: RM895,655,000) has been included under non-financial assets.

The Bank	2010		2009	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	7,447,516	7,447,516	13,395,759	13,395,759
Deposits and placements with banks and other financial institutions	1,902,368	1,902,368	427,143	428,907
Securities held-for -trading	1,328,725	1,328,725	1,183,549	1,183,549
Securities available-for-sale	7,405,684	7,405,684	5,053,563	5,053,563
Securities held-to-maturity	532,685	722,945	710,798	810,794
Loans, advances and financing *	52,818,673	53,400,430	47,628,586	48,196,125
Derivative financial assets	340,182	340,182	475,247	475,247
Other financial assets	420,533	420,533	559,560	559,560
	<u>72,196,366</u>	<u>72,968,383</u>	<u>69,434,205</u>	<u>70,103,504</u>
Non-financial assets	1,182,904		1,338,006	
TOTAL ASSETS	<u>73,379,270</u>		<u>70,772,211</u>	

49. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

	2010		2009	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Liabilities				
Deposits from customers	55,347,520	55,265,097	53,199,845	52,801,658
Deposits and placements of banks and other financial institutions	4,384,868	4,316,216	6,645,325	6,702,748
Term funding	1,680,960	1,681,061	145,820	145,820
Derivative financial liabilities	389,052	389,052	563,600	563,600
Bills and acceptances payable	1,004,586	1,004,586	1,507,680	1,507,680
Recourse obligation of loans sold to Cagamas Berhad	135,689	135,689	155,037	129,106
Debt capital	3,985,779	4,959,538	3,510,853	3,724,511
Other financial liabilities	489,546	489,546	382,436	382,436
	<u>67,418,000</u>	<u>68,240,785</u>	<u>66,110,596</u>	<u>65,957,559</u>
Non-Financial Liabilities				
Other non-financial liabilities	1,188,730		804,303	
Share capital	670,364		670,364	
Shareholder's Equity	4,102,176		3,186,948	
	<u>5,961,270</u>		<u>4,661,615</u>	
TOTAL LIABILITIES AND EQUITY	<u>73,379,270</u>		<u>70,772,211</u>	

* The general allowance for the Bank amounting to RM808,165,000 (2009: RM728,700,000) 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 crystallise. The Group assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no allowances 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 31 March 2009:

(a) Cash And Short-Term Funds

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

49. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(b) Deposits and Placements with Banks and Other Financial Institutions

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

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

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using 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 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 ("Loans And Financing")

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

(e) Deposits From Customers and Deposits of Banks and Other Financial Institutions

The fair value of deposit liabilities payable on demand ("demand and savings deposits") or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair value of term deposits and negotiable instrument of deposits with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates and interest rate swap rates.

(f) Recourse Obligation on Loans Sold To Cagamas Berhad

The fair values for amount due to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at balance sheet date.

(g) Bills and Acceptances Payable

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

(h) Term Funding and Debt Capital

The fair value of Term Funding and Debt Capital with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair value of Term Funding and Debt Capital with remaining maturities of more than six months are estimated based on discounted cash flows using market indicative rates of instruments with similar risk profiles or quoted prices at balance sheet date.

49. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(i) Derivative Financial Instruments

The fair values of 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.

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

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

50. RECLASSIFICATION OF SECURITIES

During the 2nd quarter of financial year 2009, the Bank 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 this 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.

There was no further reclassification of securities after the second quarter of financial year 2009. The balances as at 31 March 2010 relating to securities reclassified in the second quarter of financial year 2009 are:

	Carrying value RM'000	Fair value RM'000	Mark-to-market gain taken up in Available for sale reserve RM'000
The Group and the Bank as at 31 March 2010			
Securities reclassified	298,291	324,747	26,456

The carrying value and fair value as at 30 September 2008 for securities reclassified were RM581,453,000 and RM500,787,000 respectively.

51. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	The Group		The Bank	
	2010	2009	2010	2009
Outstanding credit exposures with connected parties (RM'000)	870,721	762,113	1,118,456	745,195
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	1.21	1.14	1.91	1.37
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.01	0.26	0.01	0.25

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, Under the guidelines, a connected party refers to:

- (a) directors of the Bank and their close relatives;
- (b) controlling shareholder and his close relatives;
- (c) executive officer and his close relatives; executive officer refers to member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank;
- (d) officer and his close relatives; officer refers to those responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually;
- (e) firms, partnerships, companies or any legal entities which control, or are controlled by, any person (including close relatives in the case of individuals) listed in (a) to (d) above, or in which they have interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (f) any person for whom the persons listed in (a) to (d) above is a guarantor;
- (g) subsidiary of, or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties disclosed includes the extension of credit facility and/or off-balance sheet transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and private debt securities.

Credit transactions entered into with connected parties are on arm's length basis whereby:

- (i) the creditworthiness of the connected party is not less than what is normally required of other persons;
- (ii) the terms and conditions of credit transactions with connected parties are not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness;
- (iii) the credit transactions are in the interest of the Bank and approved by the Board of Directors with not less than three quarters of all board members present.

52. RESTATEMENT OF COMPARATIVES

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

- (a) recoveries of expenses charged to subsidiaries and other related companies which were previously taken up under Other Operating expenses were reclassified to Other operating income under service transfer pricing income.
- (b) certain balances which represent margin deposit received from counterparties included in Cash and short term funds have been reclassified to Other Assets.

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

The comparative amounts which have been restated due to the above are as follows:

	As previously stated RM'000	Effect of reclassifications RM'000	As restated RM'000
Balance Sheet as at 31 March 2009			
The Group			
ASSETS			
Cash and short-term funds	17,106,447	(238,360)	16,868,087
Other assets	754,038	238,360	992,398
The Bank			
ASSETS			
Cash and short-term funds	13,634,119	(238,360)	13,395,759
Other assets	649,967	238,360	888,327
Income Statement for the financial period ended 31 March 2009			
The Group			
Other operating income	177,252	5,219	182,471
Other operating expenses	(982,428)	(5,219)	(987,647)
The Bank			
Other operating income	174,110	205,502	379,612
Other operating expenses	(760,448)	(205,502)	(965,950)