AmInvestment Bank Berhad (23742-V)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 March 2010

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 MARCH 2010

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AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of **AmInvestment Bank Berhad** for the financial year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The Bank and its subsidiaries, as listed in Note 14, provide a wide range of investment banking and related financial services which also include the Islamic banking business, investment advisory, stock and share-broking, futures broking, publishing and selling research materials and provision of research related services.

There have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year except for the disposal of the asset and unit trust management businesses of AmInvestment Management Sdn Bhd and AmInvestment Services Berhad and the acquisition of research services and futures broking businesses of AmResearch Sdn Bhd and AmFutures Sdn Bhd disclosed as significant event below.

SIGNIFICANT EVENT

On 19 December 2007, AMMB Holdings Berhad ("AHB"), the ultimate holding company, received Bank Negara Malaysia's approval for the internal shareholding restructuring of certain operating subsidiaries to constitute the Capital Markets Group and Asset Management Group (the "Proposed Internal Transfer"). The Proposed Internal Transfer will involve the intra-group transfer of the following subsidiaries, which was completed on 1 April 2009:-

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

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

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

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

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

SUBSEQUENT EVENT

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before share in results of associates	55,603	100,648
Share in results of associates	181	-
Profit before taxation	55,784	100,648
Taxation	(19,892)	(18,165)
Net profit attributable to the shareholder of the Bank	35,892	82,483
Unappropriated profit at beginning of year	80,241	31,391
Unappropriated profit at end of year	116,133	113,874

BUSINESS PLAN AND STRATEGY

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

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

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

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

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

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%. AmInvestment Bank Group will keep abreast with the progress of economic developments to refine our business priorities for opportunistic strategies in light of the economic upturn.

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

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

Given this, AmInvestment Bank Group is well positioned to exceed FY 2010 results and deliver higher profits for the year ending 31 March 2011.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Bank for 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 succeeding twelve months.

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year.

The Directors now recommend the payment of a final dividend of 33.3%, less 25.0% taxation amounting to RM50,000,000 for the ordinary shares. The financial statements for the current financial year do not reflect the proposed final ordinary dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of unappropriated profit in the next financial year.

RESERVES, PROVISIONS AND ALLOWANCES

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

		Notes to the Financial Statements	Group RM'000	Bank RM'000
(a)	Available-for-sale reserve			
	Arising from net unrealised gain on revaluation of securities available-for-sale		8,757	8,757
(b)	Exchange fluctuation reserve			
	Arising from translation of Labuan offshore branch, subsidiary and associates expressed in foreign currencies		(726)	(6,840)
(c)	Allowances/(reversal of allowances):			
	Loan and financing loss allowances:			
	General allowance	30	2,120	2,120
	Specific allowance - net	30	(808)	(808)
	Impairment loss on:			
	Securities		10,218	10,218
	Provision for commitments		5,001	5,001

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 allowance had been made for doubtful debts and financing.

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

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 current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Bank, have been written down to their estimated realisable values.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability in respect of the Group and of the 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.

ISSUE OF SHARES AND DEBENTURES

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

SHARE OPTIONS

There are no options granted by the Bank 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.

DIRECTORS

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

Tan Sri Azman Hashim
Tun Mohammed Hanif Omar
Tan Sri Datuk Dr Aris Osman @ Othman
Tan Sri Datuk Clifford Francis Herbert
Dato' Izham Mahmud
Cheah Tek Kuang
Ashok Ramamurthy
Kok Tuck Cheong
Pushparani A Moothathamby

In accordance with Article 87 of the Bank's Articles of Association, Tan Sri Datuk Dr Aris Osman @ Othman and Dato' Izham Mahmud retire and, being eligible, offer themselves for re-election.

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

DIRECTORS' INTERESTS

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

The interests in shares and options 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")

	No. of Ordinary Shares of RM1.00 each ("shares")			
Shares	**Balance at 1.4.2009**	**Bought**	**Sold**	**Balance at 31.3.2010**
Dato' Izham Mahmud	24,000	-	-	24,000
Cheah Tek Kuang	78,800	-	-	78,800
Ashok Ramamurthy	100,000	-	-	100,000
Pushparani A Moothathamby	489,752	-	-	489,752

	No. of shares pursuant to AHB Executives' Share Scheme			
Scheme Shares	**Balance at 1.4.2009**	**Granted**#	**Vested**	**Balance at 31.3.2010**
Cheah Tek Kuang	-	110,000	-	110,000
Ashok Ramamurthy	-	44,300	-	44,300
Kok Tuck Cheong	-	47,000	-	47,000
Pushparani A Moothathamby	-	44,600	-	44,600

	No. of shares pursuant to AHB Executives' Share Scheme			
Shares under Options	**Balance at 1.4.2009**	**Granted**#	**Vested**	**Balance at 31.3.2010**
Cheah Tek Kuang	-	672,400	-	672,400
Ashok Ramamurthy	-	264,800	-	264,800
Kok Tuck Cheong	-	288,500	-	288,500
Pushparani A Moothathamby	-	273,000	-	273,000

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

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

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 that 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 interests in shares in the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

At the end of the financial year, or at any time during that year, none of the directors of the Bank have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by the Bank or a related corporation with a director or with a firm in which a director is a member, or with a company in which a director has a substantial financial interest, except for the related party transactions as shown in Note 31 to the financial statements.

Neither during nor at the end of the financial year was the Bank 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 shareholders' value. The Board meets 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, organisation 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 nine (9) 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 members of 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, 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 ("FY") 2010					
Directors	Board of Directors	Audit and Examination Committee	Risk Management Committee	Group Nomination Committee	Group Remuneration Committee
Tan Sri Azman Hashim	8 (Chairman)	N/A	N/A	2	3
Tun Mohammed Hanif Omar	8	N/A	5	2 (Chairman)	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	7	7 (Chairman)	7	2	3
Tan Sri Datuk Clifford Francis Herbert	8	7	7 (Chairman)	2	N/A
Dato' Izham Mahmud	8	7	N/A	N/A	3 (Chairman)
Cheah Tek Kuang	7	N/A	N/A	N/A	N/A
Ashok Ramamurthy	8	N/A	N/A	N/A	N/A
Kok Tuck Cheong	8	N/A	N/A	N/A	N/A
Pushparani A Moothathamby	8	N/A	N/A	N/A	N/A
Number of meetings held in FY2010	8	7	7	2	3

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

AUDIT AND EXAMINATION COMMITTEE

The Audit and Examination Committee ("AEC") comprises three (3) members, all of whom are Independent Non-Executive Directors. The Board has appointed the AEC to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Bank's assets and shareholders' investments.

The AEC met 7 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.

GROUP NOMINATION COMMITTEE

Established at 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-Executives and Executive Directors should bring to the Board.

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

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 Boards of AHB, AmBank and the Bank the framework/methodology for the remuneration of the Directors, the 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.

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 meeting. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Group Chief Internal Auditor and the external auditors also attend the AEC meetings by invitation and the AEC holds separate meetings with the Chief Internal Auditor and external auditors whenever necessary.

CORPORATE GOVERNANCE (CONTD.)

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

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all significant areas of audit identified in the 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.

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.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard AmInvestment Group Berhad and AMMB Holdings Berhad, both of which are incorporated in Malaysia, as the immediate holding company and the ultimate holding company respectively.

RATING BY EXTERNAL AGENCY

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

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 **KOK TUCK CHEONG**

Kuala Lumpur, Malaysia
Date: 12 May 2010

AmINVESTMENT BANK 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 **KOK TUCK CHEONG,** being two of the directors of **AmINVESTMENT BANK BERHAD,** do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 166 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 year then ended.

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

TAN SRI AZMAN HASHIM | **KOK TUCK CHEONG**

Kuala Lumpur, Malaysia
Date: 12 May 2010

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

I, **ARUNASALAM MUTHUSAMY**, being the officer primarily responsible for the financial management of **AmINVESTMENT BANK BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 166 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **ARUNASALAM MUTHUSAMY** at Kuala Lumpur in the Wilayah Persekutuan on 12 May 2010.

ARUNASALAM MUTHUSAMY

Before me,

PESURUHJAYA SUMPAH
W 092
ROBERT LIM HOCK KEE
MALAYSIA

COMMISSIONER FOR OATHS

Lot 2.10, Ting. 2, Bangunan Angkasa Raya
Jalan Ampang, 50450 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AmInvestment Bank 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 15 to 166.

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara 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.

ERNST & YOUNG

Company No.:23742-V

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF AmINVESTMENT BANK BERHAD (CONT'D)
(Incorporated in Malaysia)

Report on other legal and regulatory requirements

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

(c) We are satisfied that the accounts 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.

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

Other matters

This report is made solely to the members of the 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
Date: 12 May 2010

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

BALANCE SHEETS
AS AT 31 MARCH 2010

		2010		2009	
		Group	Bank	Group	Bank
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	5	832,988	744,175	907,107	777,190
Securities purchased under resale agreements	6	16,992	-	16,807	-
Deposits and placements with banks and other financial institutions	7	735	-	1,270	-
Securities held-for-trading	8	32,933	32,880	10,984	10,752
Securities available-for-sale	9	45,424	43,224	48,771	46,571
Securities held-to-maturity	10	15,052	15,050	113,419	113,417
Loans, advances and financing	11	392,944	392,911	253,708	253,708
Derivative financial assets	12	-	-	5,800	5,800
Other assets	13	743,598	432,573	461,398	329,648
Investments in subsidiaries	14	-	88,231	-	88,231
Investments in associates	15	2,471	100	2,291	100
Prepaid land lease payments	16	2,535	2,535	2,595	2,595
Property and equipment	17	29,229	26,605	38,612	35,163
Deferred tax assets	35	2,021	1,707	1,485	-
Intangible assets	18	13,544	2,281	54,241	6,537
		2,130,466	1,782,272	1,918,488	1,669,712
Assets of disposal group/Asset classified as held for sale	48	-	-	103,082	48,807
TOTAL ASSETS		2,130,466	1,782,272	2,021,570	1,718,519

AmINVESTMENT BANK BERHAD
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BALANCE SHEETS
AS AT 31 MARCH 2010 (CONTD.)

		2010		2009	
	Note	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
LIABILITIES AND SHAREHOLDER'S EQUITY					
Deposits from customers	19	13,917	13,917	185,616	185,616
Deposits and placements of banks and other financial institutions	20	609,129	609,129	566,479	566,479
Derivative financial liabilities	12	467	467	22,279	22,279
Other liabilities	21	802,831	506,737	562,165	362,156
Term loans	22	15,146	-	-	-
Debt capital	23	135,000	135,000	135,000	135,000
		1,576,490	1,265,250	1,471,539	1,271,530
Liabilities directly associated with assets classified as held for sale	48	-	-	25,611	-
Total liabilities		1,576,490	1,265,250	1,497,150	1,271,530
Share capital	24	200,000	200,000	200,000	200,000
Reserves	25	353,976	317,022	324,420	246,989
Shareholder's equity		553,976	517,022	524,420	446,989
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,130,466	1,782,272	2,021,570	1,718,519
OFF-BALANCE SHEET EXPOSURES	46(e)	643,545	643,545	699,699	699,699
NET ASSETS PER SHARE (RM)	42	2.77	2.59	2.62	2.23

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

AmINVESTMENT BANK BERHAD
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INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

		2010		2009	
	Note	**Group RM'000**	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Operating revenue		335,536	341,063	240,352	280,846
Interest income	26	44,791	39,255	116,302	111,591
Interest expense	27	(26,728)	(23,078)	(71,317)	(70,450)
Net interest income		18,063	16,177	44,985	41,141
Net income from Islamic banking business	51 (xviii)	90,306	90,306	9,787	9,787
Other operating income	28	200,439	211,502	114,263	159,468
Net income		308,808	317,985	169,035	210,396
Other operating expenses	29	(231,987)	(194,996)	(236,037)	(196,820)
Operating profit/(loss)		76,821	122,989	(67,002)	13,576
Allowance for losses on loans and financing	30	(1,293)	(1,293)	(482)	(482)
Impairment loss on securities		(10,218)	(10,218)	(43)	(43)
Provision of allowance for doubtful sundry receivables - net		(4,706)	(5,829)	(959)	(464)
Provision for commitments		(5,001)	(5,001)	-	-
Profit/(loss) before share in results of associates		55,603	100,648	(68,486)	12,587
Share in results of associates		181	-	65	-
Profit/(loss) before taxation		55,784	100,648	(68,421)	12,587
Taxation	34	(19,892)	(18,165)	(9,988)	(11,838)
Profit/(loss) for the year from continuing operations		35,892	82,483	(78,409)	749
Profit for the year from discontinued operations	48	-	-	32,233	-
Profit/(loss) for the year		35,892	82,483	(46,176)	749
Attributable to:					
Equity holder of the Bank		35,892	82,483	(46,176)	749
Earnings per share (sen)	37				
Basic					
Profit/(loss) from continuing operations		17.9	41.2	(39.2)	0.4
Profit from discontinued operations		-	-	16.1	-
Profit/(loss) for the year		17.9	41.2	(23.1)	0.4
Fully diluted					
Profit/(loss) from continuing operations		17.9	41.2	(39.2)	0.4
Profit from discontinued operations		-	-	16.1	-
Profit/(loss) for the year		17.9	41.2	(23.1)	0.4

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

AmINVESTMENT BANK BERHAD
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010

		<---Attributable to equity holder of the Bank--->								
		Non-distributable							Distributable	
Group	**Note**	**Share capital RM'000**	**Capital reserve RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Merger reserve RM'000**	**Available-for-sale reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Unappropriated profits RM'000**	**Total shareholder's equity RM'000**
At 1 April 2008		340,000	2,815	190,284	389,500	19,155	23,516	23,853	1,083,285	2,072,408
Net unrealised loss on revaluation of securities available-for-sale		-	-	-	-	-	(29,073)	-	-	(29,073)
Net expense recognised directly in equity		-	-	-	-	-	(29,073)	-	-	(29,073)
Loss for the year		-	-	-	-	-	-	-	(46,176)	(46,176)
Total recognised expense for the year		-	-	-	-	-	(29,073)	-	(46,176)	(75,249)
Effects arising from pooling of interest method		-	-	-	-	2,868	-	-	(2,868)	-
Capitalised for Bonus Issue		189,500	-	-	(189,500)	-	-	-	-	-
Capital reduction		(329,500)	-	(190,284)	-	-	-	-	-	(519,784)
Ordinary dividends paid		-	-	-	-	-	-	-	(90,000)	(90,000)
Special dividends paid	36	-	-	-	-	-	-	-	(864,000)	(864,000)
Exchange fluctuation adjustments		-	-	-	-	-	-	1,045	-	1,045
At 31 March 2009		200,000	2,815	-	200,000	22,023	(5,557)	24,898	80,241	524,420

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010

		<----Attributable to equity holder of the Bank								---->
		Non-distributable							Distributable	
Group	**Note**	**Share capital RM'000**	**Capital reserve RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Merger reserve RM'000**	**Available-for-sale reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Unappropriated profits RM'000**	**Total shareholder's equity RM'000**
At 1 April 2009		200,000	2,815	-	200,000	22,023	(5,557)	24,898	80,241	524,420
Net unrealised gain on revaluation of securities available-for-sale		-	-	-	-	-	8,757	-	-	8,757
Net income recognised directly in equity		-	-	-	-	-	8,757	-	-	8,757
Profit for the year		-	-	-	-	-	-	-	35,892	35,892
Total recognised income for the year		-	-	-	-	-	8,757	-	35,892	44,649
Effects arising from pooling of interest method		-	-	-	-	(14,367)	-	-	-	(14,367)
Exchange fluctuation adjustments		-	-	-	-	-	-	(726)	-	(726)
At 31 March 2010		200,000	2,815	-	200,000	7,656	3,200	24,172	116,133	553,976

AmINVESTMENT BANK BERHAD
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 MARCH 2010

		<-----Attributable to equity holder of the Bank-----							
		Non-distributable						Distributable	
Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profits RM'000	Total shareholder's equity RM'000
At 1 April 2008		340,000	190,284	389,500	14,367	23,464	8,878	984,642	1,951,135
Net unrealised loss on revaluation of securities available-for-sale		-	-	-	-	(29,073)	-	-	(29,073)
Net expense recognised directly in equity		-	-	-	-	(29,073)	-	-	(29,073)
Profit for the year		-	-	-	-	-	-	749	749
Total recognised (expense)/income for the year		-	-	-	-	(29,073)	-	749	(28,324)
Capitalised for Bonus Issue		189,500	-	(189,500)	-	-	-	-	-
Capital reduction		(329,500)	(190,284)	-	-	-	-	-	(519,784)
Ordinary dividends paid		-	-	-	-	-	-	(90,000)	(90,000)
Special ordinary dividends paid	36	-	-	-	-	-	-	(864,000)	(864,000)
Exchange fluctuation adjustments		-	-	-	-	-	(2,038)	-	(2,038)
At 31 March 2009		200,000	-	200,000	14,367	(5,609)	6,840	31,391	446,989

AmINVESTMENT BANK BERHAD
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 MARCH 2010

		<---Attributable to equity holder of the Bank--->							
		Non-distributable						Distributable	
Bank	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserve RM'000**	**Merger reserve RM'000**	**Available-for-sale reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Unappropriated profits RM'000**	**Total shareholder's equity RM'000**
At 1 April 2009		200,000	-	200,000	14,367	(5,609)	6,840	31,391	446,989
Net unrealised gain on revaluation									-
of securities available-for-sale		-	-	-	-	8,757	-	-	8,757
Net income recognised directly in equity		-	-	-	-	8,757	-	-	8,757
Profit for the year		-	-	-	-	-	-	82,483	82,483
Total recognised income for the year		-	-	-	-	8,757	-	82,483	91,240
Effects arising from pooling of interest method		-	-	-	(14,367)	-	-	-	(14,367)
Exchange fluctuation adjustments		-	-	-	-	-	(6,840)	-	(6,840)
At 31 March 2010		200,000	-	200,000	-	3,148	-	113,874	517,022

The accompanying notes form an integral part of the financial statements

AmINVESTMENT BANK BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

		2010		2009	
		Group	**Bank**	**Group**	**Bank**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation from:					
Continuing operations		55,784	100,648	(68,421)	12,587
Discontinued operations		-	-	36,010	-
Add/(less) adjustments for:					
Allowance for losses on loans and financing, net of recoveries		1,293	1,293	482	482
Impairment loss on securities		10,218	10,218	43	43
Depreciation of property and equipment		5,417	4,211	8,452	6,803
Amortisation of computer software		491	486	1,996	1,854
Amortisation of prepaid land lease payments		60	60	60	60
Sundry bad debts written off - net		40	40	276	276
Property and equipment written off		12	3	40	24
Provision for commitments		5,001	5,001	-	-
Gain on disposal of property and equipment		(213)	(212)	(534)	(526)
(Gain)/loss on revaluation of derivatives		(1,312)	(1,312)	18,193	18,179
Share in results of associates		(181)	-	(65)	-
Unrealised foreign exchange (gain)/loss		(792)	(8,825)	556	672
Provision of allowances for doubtful sundry receivables - net		4,706	5,829	959	464
Amortisation of premiums less accretion of discounts		(4,875)	(4,875)	(7,115)	(7,115)
Net loss from sale of securities available-for-sale		5,401	5,401	7,099	7,099
Gross dividend income from investments		(2,061)	(2,124)	(2,277)	(27,897)
Net gain on redemption of securities held-to-maturity		(20)	(20)	(540)	(540)
(Gain)/loss on revaluation of securities held-for-trading		(180)	(179)	9,278	9,278
Net (gain)/loss from sale of securities held-for-trading		(5,564)	(5,821)	17,004	16,985
Loss on transfer of subsidiaries		45,121	-	48,515	-
Operating profit before working capital changes carried forward		118,346	109,822	70,011	38,728

AmINVESTMENT BANK BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)					
Operating profit before working capital changes brought forward		118,346	109,822	70,011	38,728
Decrease/(increase) in operating assets:					
Deposits and placements with banks and other financial institutions		535	-	227,651	227,960
Securities held-for-trading		(16,205)	(16,128)	544,925	531,515
Securities purchased under resale agreement		(185)	-	29,012	-
Other assets		(254,553)	(78,606)	406,416	233,699
Statutory deposit with Bank Negara Malaysia		-	-	3,600	3,600
Loans, advances and financing		(140,529)	(140,496)	(345,883)	(345,993)
Deposits and monies held in trust with financial institutions		(8,582)	(24,630)	108,313	96,067
Increase/(decrease) in operating liabilities:					
Deposits from customers		(171,699)	(171,699)	(1,730,095)	(1,730,693)
Deposits and placements of banks and other financial institutions		42,650	42,650	2,322,240	2,316,740
Term loans		-	-	(3,570)	(3,570)
Recourse obligation on loans sold to Cagamas Berhad		-	-	(303)	(303)
Other liabilities		243,547	120,412	(452,798)	(293,792)
Cash (used in)/generated from operations		(186,675)	(158,675)	1,179,519	1,073,958
Taxation paid		(42,086)	(30,368)	(20,342)	(19,721)
Net cash (used in)/generated from operating activities		(228,761)	(189,043)	1,159,177	1,054,237

AmINVESTMENT BANK BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

		2010		2009	
	Note	**Group RM'000**	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from disposal/(purchase) of securities – net		99,747	99,747	(127,301)	(125,101)
Disposal of AmInternational (L) Ltd to Ambank and AmIslamic Bank		-	-	(502,373)	-
Vesting of fund based business to Ambank and AmIslamic Bank		-	-	(717,361)	(684,341)
Dividends received from other investments		1,546	1,546	1,707	1,189
Dividends received from subsidiaries		-	47	-	19,734
Proceeds from disposal of property and equipment		230	227	932	915
Transfer of AmInvestment Management and AmInvestment Services to AIGB (Note i)		(31,309)	48,807	-	-
Settlement for the transfer of subsidiaries AmFutures and AmResearch (Note ii)		(14,367)	(14,367)	-	-
Purchase of computer software		(1,969)	(1,963)	(4,473)	(3,565)
Purchase of property and equipment		(3,080)	(2,646)	(8,726)	(7,353)
Net cash generated from/(used in) investing activities		50,798	131,398	(1,357,595)	(798,522)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital redemption exercise		-	-	(519,784)	(519,784)
Dividends paid by the Bank to its shareholder		-	-	(954,000)	(954,000)
Proceeds from term loan		15,146	-	-	-
Repayment of term loan		-	-	(7,000)	-
Redemption of subordinated bonds		-	-	(460,000)	(460,000)
Net cash generated from/(used in) financing activities		15,146	-	(1,940,784)	(1,933,784)

AmINVESTMENT BANK BERHAD
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		2010		2009	
		Group	Bank	Group	Bank
	Note	RM'000	RM'000	RM'000	RM'000
Net decrease in cash and cash equivalents		(162,817)	(57,645)	(2,139,202)	(1,678,069)
Cash and cash equivalents at beginning of year		751,892	632,710	2,891,094	2,310,779
Cash and cash equivalents at end of year	5	589,075	575,065	751,892	632,710

Note (i) Transfer of subsidiaries

The assets and liabilities disposed arising on the transfer of AmInvestment Management & AmInvestment Services to AmInvestment Group Berhad during the financial year ended 31 March 2010 were as follows:

	Unaudited As at 1 April 2009 RM'000
Net assets disposed:	
Cash and short-term funds	80,116
Other assets	21,515
Property and equipment	1,459
Intangible assets	972
Other liabilities	(46,576)
Net assets disposed as at date of disposal	57,486
Loss on transfer of subsidiaries	(45,121)
Goodwill realised	36,442
Net value on disposals for the Bank	48,807
Less: Cash and short-term funds	(80,116)
Cash flow on disposal, net of cash disposed, for the Group	(31,309)

Note (ii) Acquisition of subsidiaries

The assets and liabilities acquired arising on the transfer of AmFutures and AmResearch were as follows:

	Unaudited As at 1 April 2009 RM'000
Net assets transferred:	
Cash and short-term funds	77,866
Securities purchased under resale agreements	16,807
Securities available-for-sale	2,200
Other assets	11,424
Property and equipment	531
Intangible assets	18
Other liabilities	(86,823)
Total net assets transferred	22,023
Consideration paid (based on AMSH's book value)	(14,367)
Merger reserves arising from transfer of assets	7,656

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

AmINVESTMENT BANK BERHAD
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NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

1. PRINCIPAL ACTIVITIES

The Bank and its subsidiaries, as listed in Note 14, provide a wide range of investment banking and related financial services which also include the Islamic banking business, investment advisory, stock and share-broking, futures broking, publishing and selling research materials and provision of research related services.

There have been no significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year except for disposal of the asset and unit trust management businesses of AmInvestment Management Sdn Bhd and AmInvestment Services Sdn Bhd and the acquisition of research services and futures broking businesses of AmResearch Sdn Bhd and AmFutures Sdn Bhd as disclosed in Notes 48 and 49 below.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and the principal place of business of the Bank is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.

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

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

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

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

Effective for financial periods beginning on or after 1 March 2010
- Amendments to FRS 132: 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 FRS138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation I5: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

Effective for financial periods beginning on or after 1 January 2011
- Limited Exemption from Comparative FRS 7 Disclosures for First Time Adopters (Amendments to FRS 1)
- Improving Disclosures about Financial Instruments (Amendments to FRS 7)
- Amendments to FRS 132: Financial Instruments: Presentation

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 Interpretations 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:

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

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

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

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and 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 is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

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 that affect only the financial statements of the Bank and do not have an 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 fulfills a number of specific features and conditions as stipulated in the Standard.

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.)

Basis of Consolidation

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

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 Bank adopts both the purchase method and merger method (or "pooling of interests" method) in preparing the consolidated financial statements. The merger method was adopted in respect of the transfer of subsidiaries pursuant to a scheme of arrangement under AMMB Holdings Berhad ("AHB") (the ultimate holding company) group restructuring exercise completed in 1992. During the financial year, the merger method was adopted in respect of the internal shareholding restructuring of certain operating subsidiaries to constitute the Capital Market Group and Asset Management Group. The purchase method is adopted for all other business combinations.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Subsidiaries

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

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

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

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

Associates

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

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

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

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

Intangible Assets

(i) Goodwill On Consolidation

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

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

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

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

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

(ii) Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software application. Costs associated with maintaining computer software applications are recognised as expense when incurred. Costs that are directly associated with the software application development stage are recognised as intangible assets. Costs directly associated with software application development include employee payroll and payroll related costs.

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

(iii) Other Intangible Assets

Intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, intangible assets are carried at costs less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Repurchase Agreements

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

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

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

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

(ii) Securities Held-to-Maturity

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

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

(iii) Securities Available-for-Sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised costs (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

(i) Fair Value Hedge

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

(ii) Cash Flow Hedge

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

(iii) Net Investment Hedge

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Allowance for Doubtful Debts and Financing

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing. Allowance for bad and doubtful debts and financing are made based on management's evaluation of the portfolio of loans, advances and financing, when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on a percentage of total outstanding loans (including accrued interest), net of specific allowance for bad and doubtful debts, is maintained by the Group against risks which are not specifically identified.

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

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

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

Accordingly, the Group adopted a more stringent basis for specific allowances on non-performing loans as follows:

(i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:

   (a) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and

   (b) no value is assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Trade and Other Receivables

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

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

(i) Specific allowance is made against bad and doubtful receivables at rates of 100% and 50%, respectively, subject to deduction of interest-in-suspense and the value of collateral held. In addition, a general allowance is maintained based on 1.5% of total trade receivables after deducting the amount of interest-in-suspense and the specific allowance.

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

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

	Criteria for classification as non-performing	
Types	**Doubtful**	**Bad**
Contra losses	When the account remains outstanding for 16 to 30 calendar days from the date of contra transactions.	When the account remains outstanding for more than 30 calendar days from the date of contra transactions
Overdue purchase contracts	When the account remains outstanding from T+3 market days to 30 calendar days	When the account remains outstanding for more than 30 calendar days.

Foreclosed Properties

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised.

All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

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

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

Assets Purchased Under Lease

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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.

(iii) Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. Each CGU represents the lowest level at which the goodwill is monitored and is not larger than a segment based on the Group's primary reporting format. CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(iv) Other Non-Financial Assets

The carrying values of the Group's other non-financial assets, other than deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed for impairment when there is an indication that the asset might be impaired. If such an indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use) of the asset is estimated to determine the amount of impairment loss.

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

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

Acceptances Payable

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

Liabilities

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Profit Equalisation Reserve ("PER")

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

Provisions

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

Interest Bearing Borrowings

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

Hybrid Capital

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

Debt Capital

These are long-term debts with remaining maturity of more than one year. The issue proceeds are recognised at cost and used to grant an unsecured term loan to its related licensed commercial bank for its capital refinancing. The interest incurred is recognised on a straight-line accrual basis.

Equity Instruments

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

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

Provisions for Commitments and Contingencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Financial Instruments

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

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

Forward Exchange Contracts

Unmatured forward exchange contracts are valued at forward rates prevailing at balance sheet date, applicable to their respective dates of maturity, and the resultant gains and losses are recognised in the income statements.

Sell and Buy Back Agreements

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

Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group makes provision for a contingent liability when it is probable that an outflow of resources embodying economic benefits is required to settle the obligation.

A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

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

Operating Revenue

Operating revenue of the Group comprises net interest income, income from Islamic banking business and other operating income but after elimination of all related companies transactions.

Operating revenue of the Bank comprises net interest income, income from Islamic banking business and other operating income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Interest and Financing Income and Expense Recognition

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

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

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

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

The policy on recognition of interest income on loans and advances is in conformity with BNM's revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8).

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

Fee and Other Income Recognition

Loan arrangement, management and participation fees, net brokerage income, acceptance and factoring commissions and underwriting commissions, are recognised as income based on contractual arrangements. Guarantee fees are recognised as income over the duration of the guarantee period.

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

Asset, real estate investment trust and unit trusts management fees, margin rollover fees, agency and commitment fees are recognised as income based on time apportionment. Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Employee Benefits

(i) Short-Term Employee Benefits

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

(ii) Defined Contribution Plan

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

(iii) Termination Benefits

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

(iv) Share-based compensation

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Income Taxes

Tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case the income tax is also recognised in equity.

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

Deferred tax is provided, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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, 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 or, if covered by foreign exchange contracts, at contracted rates. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction.

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

(iii) Foreign Operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of 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, which approximates the exchange rates at the dates of the transactions. The resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

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

	31.03.2010	**31.03.2009**
Singapore Dollar (SGD)	2.33	2.39
United States Dollar (USD)	3.26	3.64

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Cash Flow Statements

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

Cash and Cash Equivalents

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Impairment of Goodwill

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

(b) Impairment of Other Intangible Assets

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

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

(c) Fair Value Estimation

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

(d) Deferred Tax and Income Taxes

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

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

(e) Allowances for Bad and Doubtful Loans and Financing

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

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

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

5. CASH AND SHORT-TERM FUNDS

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Cash and bank balances	55,102	27,189	28,880	18,244
Money at call and deposits maturing within one month:				
Licensed banks:				
Related	761,835	702,071	709,040	629,017
Others	6,817	6,281	165,701	126,443
Other financial institutions	9,234	8,634	3,486	3,486
	832,988	744,175	907,107	777,190

Included in the above are interbank lendings of RM777,886,000 (RM878,227,000 in 31 March 2009) and RM716,986,000 (RM758,946,000 in 31 March 2009) for the Group and the Bank, respectively and short term deposits and money held on behalf of remisiers and clients amounting to approximately RM243,913,000 (RM235,331,000 in 31 March 2009) and RM169,110,000 (RM144,480,000 in 31 March 2009) for the Group and the Bank respectively.

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

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Cash and short term funds	832,988	744,175	907,107	777,190
Less: Cash and bank balances and deposits held in trust	(243,913)	(169,110)	(235,331)	(144,480)
	589,075	575,065	671,776	632,710
Cash and short term funds classified as held for sale (Note 48)	-	-	80,116	-
	589,075	575,065	751,892	632,710

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Securities purchased under resale agreements	16,992	-	16,807	-

The above represents money held on behalf of remisiers and clients.

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Licensed banks:				
Related	735	-	1,270	-

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

8. SECURITIES HELD-FOR-TRADING

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
At Fair Value				
Securities Quoted:				
In Malaysia:				
Shares	31,081	31,081	7,871	7,871
Trust units	1,799	1,799	1,450	1,450
Outside Malaysia:				
Shares	53	-	1,663	1,431
Total securities held-for-trading	32,933	32,880	10,984	10,752

9. SECURITIES AVAILABLE-FOR-SALE

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
At Fair Value				
Money Market Securities:				
Negotiable instruments of deposits	15,360	15,360	15,129	15,129
Securities Quoted:				
In Malaysia:				
Shares	4,072	4,072	4,861	4,861
Unquoted Securities Of Companies Incorporated				
In Malaysia:				
Shares	2,200	-	2,200	-
Unquoted Private Debt Securities Of Companies Incorporated:				
Outside Malaysia:				
Islamic corporate bonds	9,562	9,562	-	-
Corporate bonds	24,448	24,448	26,581	26,581
	34,010	34,010	26,581	26,581
Total	55,642	53,442	48,771	46,571
Accumulated impairment losses	(10,218)	(10,218)	-	-
Total securities available-for-sale	45,424	43,224	48,771	46,571

The money market securities mature within one year.

10. SECURITIES HELD-TO-MATURITY

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
At Amortised Cost				
Money Market Securities:				
Negotiable instrument of deposit	-	-	96,614	96,614
Quoted Securities:				
In Malaysia:				
Shares	2	-	2	-
Trust units	-	-	1,000	1,000
	2	-	1,002	1,000
Unquoted Securities				
Of Companies Incorporated:				
In Malaysia:				
Shares	12,788	12,788	12,788	12,788
Corporate bonds	100	100	100	100
Outside Malaysia:				
Shares	2,162	2,162	4,313	4,313
	15,050	15,050	17,201	17,201
Total	15,052	15,050	114,817	114,815
Accumulated impairment losses	-	-	(1,398)	(1,398)
Total securities held-to-maturity	15,052	15,050	113,419	113,417
Market/Indicative value				
Money Market Securities:				
Negotiable instrument of deposit	-	-	98,128	98,128
Quoted Securities:				
In Malaysia:				
Shares	2	-	2	-
Trust units	-	-	1,010	1,010

The money market securities mature within one year.

11. LOANS, ADVANCES AND FINANCING

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Term loans and revolving credits				
Customers	363,982	363,982	220,923	220,923
Related companies	31,210	31,210	31,131	31,131
Staff loans	9,551	9,518	12,141	12,141
Gross loans, advances and financing	404,743	404,710	264,195	264,195
Less:				
Allowance for bad and doubtful debts and financing:				
General	5,982	5,982	3,862	3,862
Specific	5,817	5,817	6,625	6,625
	11,799	11,799	10,487	10,487
Net loans, advances and financing	392,944	392,911	253,708	253,708

11. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Maturing within one year	395,225	395,217	252,354	252,354
One year to three years	414	391	690	690
Three to five years	984	982	1,190	1,190
Over five years	8,120	8,120	9,961	9,961
	404,743	404,710	264,195	264,195

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Purchase of securities	361,228	361,228	220,423	220,423
Working capital	31,209	31,209	31,130	31,130
Purchase of residential landed properties	7,316	7,316	9,870	9,870
Purchase of transport vehicles	2,235	2,202	2,271	2,271
Personal use	250	250	501	501
Other purpose	2,505	2,505	-	-
	404,743	404,710	264,195	264,195

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Individuals	332,472	332,439	200,066	200,066
Domestic:				
Other non-bank financial institutions	31,209	31,209	31,130	31,130
Business enterprises:				
Small medium enterprise	2,404	2,404	-	-
Other domestic business enterprise	36,304	36,304	30,882	30,882
Foreign entities	2,354	2,354	2,117	2,117
	404,743	404,710	264,195	264,195

11. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Variable rate:				
Cost-plus	181,500	181,500	76,813	76,813
Other variables rates	31,209	31,209	31,130	31,130
	212,709	212,709	107,943	107,943
Fixed rate:				
Housing loans	7,316	7,316	9,870	9,870
Hire purchase receivables	2,235	2,202	2,271	2,271
Other fixed rate loans	182,483	182,483	144,111	144,111
	192,034	192,001	156,252	156,252
	404,743	404,710	264,195	264,195

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Gross				
Balance at beginning of year	6,733	6,733	293,172	293,172
Non-performing during the year	70	70	-	-
Recoveries	(808)	(808)	(595)	(595)
Amount vested to Ambank/AmIslamic Bank	-	-	(285,844)	(285,844)
Balance at end of year	5,995	5,995	6,733	6,733
Less: Specific allowance	(5,817)	(5,817)	(6,625)	(6,625)
Non-performing loans and financing - net	178	178	108	108
Ratios of NPLs to total loans, advances and financing - net	0.04%	0.04%	0.04%	0.04%

NPLs analysed by their economic purposes are as follows:

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Purchase of residential landed properties	70	70	-	-
Purchase of securities	5,925	5,925	6,733	6,733
Gross NPLs, advances and financing	5,995	5,995	6,733	6,733

11. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
General allowance				
Balance at beginning of year	3,862	3,862	69,179	68,689
Allowance during the year (Note 30)	2,120	2,120	3,272	3,272
Exchange fluctuation adjustments	-	-	306	796
Amount vested to Ambank/AmIslamic Bank	-	-	(68,895)	(68,895)
Balance at end of year	5,982	5,982	3,862	3,862
% of total loans, advances and financing less specific allowances and interest/income-in-suspense	1.50%	1.50%	1.50%	1.50%
Specific allowance				
Balance at beginning of year	6,625	6,625	160,266	160,250
Allowance during the year	-	-	124	124
Amount written back in respect of recoveries and reversals	(808)	(808)	(616)	(616)
Net charge to income statements (Note 30)	(808)	(808)	(492)	(492)
Reclassification from sundry receivables	-	-	78	78
Exchange fluctuation adjustments	-	-	(16)	-
Amount vested over to Ambank/AmIslamic Bank	-	-	(153,211)	(153,211)
Balance at end of year	5,817	5,817	6,625	6,625

12. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest rate risks via hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the hedge effectiveness criteria. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 44.

The table below shows the Group's and the 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. These values are stand-alone without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group.

	2010			2009		
Group and Bank	**Contract/ Notional Amount RM'000**	**Positive Fair Value RM'000**	**Negative Fair Value RM'000**	**Contract/ Notional Amount RM'000**	**Positive Fair Value RM'000**	**Negative Fair Value RM'000**
Trading derivatives						
Equity related contracts:						
Options	-	-	-	127,290	5,800	22,279
Futures	28,173	-	467	8,262	-	-
	28,173	-	467	135,552	5,800	22,279

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

13. OTHER ASSETS

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Trade receivables, net of allowance for doubtful debts for the Group of RM19,657,000 (RM13,301,000 in 2009) and the Bank of RM15,183,000 (RM11,556,000 in 2009)	599,808	296,342	316,471	171,452
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM7,267,000 (RM5,421,000 in 2009) and the Bank of RM7,267,000 (RM5,421,000 in 2009)	135,942	130,173	144,378	125,778
Interest/Dividends receivable	1,168	1,126	1,343	19,678
Amount due from brokers	1,987	-	13,923	5,739
Amount due from:				
Ultimate holding company	482	482	1,019	1,019
Subsidiaries	-	74	-	1,177
Related companies	3,626	3,791	4,115	4,121
Assets acquired in exchange of debts, net of impairment loss of RM100,000 (RM100,000 in 31 March 2009)	585	585	684	684
	743,598	432,573	481,933	329,648
Assets reclassified as held for sale (Note 48)	-	-	(20,535)	-
	743,598	432,573	461,398	329,648

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

Amounts due from subsidiaries and other related companies are unsecured, interest-free and represent expenses paid on behalf and interest receivable.

14. INVESTMENTS IN SUBSIDIARIES

The subsidiaries which are stated at cost, are unquoted and incorporated in Malaysia except for AmFrasers International Pte. Ltd. and its subsidiaries which are incorporated in Singapore, are as follows:

	Principal Activities	Issued and Paid-up Ordinary Capital 2010 RM'000	Issued and Paid-up Ordinary Capital 2009 RM'000	Effective Equity Interest 2010 %	Effective Equity Interest 2009 %
Subsidiaries					
AmInvestment Services Berhad #	Managing unit trust funds	-	5,539	-	100
AmInvestment Management Sdn Bhd #	Asset management	-	2,000	-	100
AMMB Consultant Sdn Bhd	Dormant	500	500	100	100
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100	100
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100	100
AmProperty Trust Management Berhad	Dormant	500	500	100	100
AMMB Properties Sdn Bhd ##	Dormant	-	-**	-	100
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-**	-**	100	100
AM Nominees (Asing) Sdn Bhd	Nominee services	-**	-**	100	100
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	100	100
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	100	100
AmResearch Sdn Bhd	Publishing and selling research materials and reports	500	-	100	-
AmFutures Sdn Bhd	Futures broking	15,000	-	100	-
		US$'000	**US$'000**		
AMMB Labuan (L) Ltd	Dormant	200	200	100	100

14. INVESTMENTS IN SUBSIDIARIES (CONTD.)

	Principal Activities	Issued and Paid-up Ordinary Capital 2010 S$'000	2009 S$'000	Effective Equity Interest 2010 %	2009 %
Subsidiaries					
AmFraser International Pte. Ltd. ("FIPL")*	Investment holding	18,910	18,910	100	100
AmFraser Securities Pte. Ltd.*	Stock and share brokinç	32,528	32,528	100	100
Fraser Financial Planners Pte. Ltd.*	Dormant	1,000	1,000	100	100
Fraser Financial Services Pte. Ltd.*	Dormant	200	200	100	100
Fraser-AMMB Research Pte. Ltd.*	Dormant	500	500	100	100
AmFraser Nominees Pte.Ltd.*	Nominee services	1	1	100	100

\# Subsidiaries were transferred to AmInvestment Group Berhad on 1 April 2009 and classified as held for sale in the previous financial year.

\## Subsidiary (non-operating) struck off from the Register of Companies Commission of Malaysia and dissolved pursuant to Section 308 of the Companies Act, 1965 during the financial year.

* Subsidiaries audited by a firm affiliated with Ernst & Young with effect from the financial year ended 31 March 2010

** Subsidiaries with an issued and paid up capital of RM2.00

15. INVESTMENTS IN ASSOCIATES

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Unquoted shares, at cost	100	100	100	100
Share in net post acquisition profit	2,371	-	2,191	-
	2,471	100	2,291	100

As at 31 March 2010, the carrying values of the investments in associates are represented by:

	Group	
	2010 RM'000	2009 RM'000
Group's share of aggregate net tangible assets	2,471	2,291

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

	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2010 RM'000	2009 RM'000	2010 %	2009 %
Incorporated in Malaysia					
Malaysian Ventures (Two) Sdn Bhd*	Ceased operations	19	19	34.67	34.67
AmTrustee Berhad	Trustee services	500	500	20.00	20.00

* Associate under members' voluntary liquidation.

16. PREPAID LAND LEASE PAYMENTS

The three pieces of long-term leasehold land, two of which are located in the Federal Territory of Labuan and one located in the Federal Territory of Kuala Lumpur, are for lease periods of 99 years with unexpired lease periods of 48, 80 and 81 years, respectively.

Details of prepaid long term leasehold land payments are as follows:

	Long term leasehold land	
	2010	2009
Group and Bank	**RM'000**	**RM'000**
COST		
Balance at beginning of year	3,000	3,000
Balance at end of year	3,000	3,000
ACCUMULATED AMORTISATION		
Balance at beginning of year	405	345
Additions	60	60
Balance at end of year	465	405
NET BOOK VALUE		
As at 31 March	2,535	2,595

17. PROPERTY AND EQUIPMENT

2010 Group	**Freehold land RM'000**	**Buildings RM'000**	**Motor vehicles RM'000**	**Leasehold improvements RM'000**	**Computer hardware RM'000**	**Office equipment, furniture and fittings RM'000**	**Total RM'000**
COST							
Balance at beginning of year	-	17,133	5,176	23,683	69,439	35,367	150,798
Additions	-	-	641	139	1,809	491	3,080
Disposals	-	-	(543)	-	(208)	(37)	(788)
Written off	-	-	-	-	(123)	(119)	(242)
Control transfer to a related company	-	-	(674)	(12,385)	(32,589)	(12,024)	(57,672)
Exchange adjustments	-	-	(26)	(1)	(175)	(108)	(310)
Balance at end of year	-	17,133	4,574	11,436	38,153	23,570	94,866
ACCUMULATED DEPRECIATION							
Balance at beginning of year	-	2,378	3,258	18,760	60,488	27,302	112,186
Additions	-	343	712	1,187	1,876	1,299	5,417
Disposals	-	-	(543)	-	(203)	(25)	(771)
Written off	-	-	-	-	(121)	(109)	(230)
Control transfer to a related company	-	-	(595)	(10,891)	(29,197)	(10,011)	(50,694)
Exchange adjustments	-	(1)	(26)	-	(153)	(91)	(271)
Balance at end of year	-	2,720	2,806	9,056	32,690	18,365	65,637
NET BOOK VALUE							
As at 31 March 2010	-	14,413	1,768	2,380	5,463	5,205	29,229

17. PROPERTY AND EQUIPMENT (CONTD.)

2009 Group	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
Balance at beginning of year	198	17,625	5,321	22,095	72,720	37,416	155,375
Additions	-	-	935	1,602	3,502	2,687	8,726
Disposal of a subsidiary	-	(410)	(268)	-	(318)	(1,346)	(2,342)
Disposals	(198)	(82)	(660)	(69)	(2,749)	(100)	(3,858)
Written off	-	-	-	(87)	(1,462)	(489)	(2,038)
Reclassification/Transfer	-	-	-	141	(25)	(158)	(42)
Exchange adjustments	-	-	33	1	257	122	413
Reclassified as held for sale (Note 48)	-	-	(185)	-	(2,486)	(2,765)	(5,436)
Balance at end of year	-	17,133	5,176	23,683	69,439	35,367	150,798
ACCUMULATED DEPRECIATION							
Balance at beginning of year	-	2,215	3,093	16,651	63,784	28,993	114,736
Additions	-	343	953	2,189	3,014	1,953	8,452
Disposal of a subsidiary	-	(97)	(179)	-	(304)	(1,252)	(1,832)
Disposals	-	(82)	(474)	(68)	(2,746)	(90)	(3,460)
Written off	-	-	-	(71)	(1,456)	(471)	(1,998)
Reclassification/Transfer		-	1	57	(25)	(71)	(38)
Exchange adjustments	-	(1)	19	2	182	101	303
Reclassified as held for sale (Note 48)	-	-	(155)	-	(1,961)	(1,861)	(3,977)
Balance at end of year	-	2,378	3,258	18,760	60,488	27,302	112,186
NET BOOK VALUE							
As at 31 March 2009	-	14,755	1,918	4,923	8,951	8,065	38,612

17. PROPERTY AND EQUIPMENT (CONTD.)

2010 Bank	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
Balance at beginning of year	-	17,133	4,265	23,476	63,328	31,120	139,322
Additions	-	-	641	139	1,450	416	2,646
Disposals	-	-	(543)	-	(208)	(28)	(779)
Written off	-	-	-	-	-	(104)	(104)
Control transfer to a related company	-	-	(674)	(12,385)	(32,589)	(12,024)	(57,672)
Balance at end of year	-	17,133	3,689	11,230	31,981	19,380	83,413
ACCUMULATED DEPRECIATION							
Balance at beginning of year	-	2,380	2,621	18,693	56,202	24,263	104,159
Additions	-	343	514	1,148	1,244	962	4,211
Disposals	-	-	(543)	-	(203)	(18)	(764)
Written off	-	-	-	-	-	(101)	(101)
Control transfer to a related company	-	-	(595)	(10,891)	(29,197)	(10,011)	(50,694)
Reclassification/adjustments	-	(3)	-	-	-	-	(3)
Balance at end of year	-	2,720	1,997	8,950	28,046	15,095	56,808
NET BOOK VALUE							
As at 31 March 2010	-	14,413	1,692	2,280	3,935	4,285	26,605

17. PROPERTY AND EQUIPMENT (CONTD.)

2009 Bank	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
Balance at beginning of year	198	17,215	3,990	22,065	63,079	29,504	136,051
Additions	-	-	935	1,549	3,035	1,834	7,353
Disposals	(198)	(82)	(660)	(69)	(2,745)	(26)	(3,780)
Written off	-	-	-	(87)	(44)	(230)	(361)
Reclassification/Transfer	-	-	-	18	3	38	59
Balance at end of year	-	17,133	4,265	23,476	63,328	31,120	139,322
ACCUMULATED DEPRECIATION							
Balance at beginning of year	-	2,119	2,410	16,636	56,785	23,077	101,027
Additions	-	343	684	2,178	2,204	1,394	6,803
Disposals	-	(82)	(474)	(68)	(2,745)	(22)	(3,391)
Written off	-	-	-	(71)	(44)	(222)	(337)
Reclassification/Transfer	-	-	1	18	2	36	57
Balance at end of year	-	2,380	2,621	18,693	56,202	24,263	104,159
NET BOOK VALUE							
As at 31 March 2009	-	14,753	1,644	4,783	7,126	6,857	35,163

17. PROPERTY AND EQUIPMENT (CONTD.)

Details of fully depreciated property and equipment which are still in use are:

2010	**Motor vehicles RM'000**	**Leasehold improvements RM'000**	**Computer hardware RM'000**	**Office equipment, furniture and fittings RM'000**	**Total RM'000**
Group					
Cost	121	5,502	29,343	11,583	46,549
Bank					
Cost	121	5,497	25,392	11,284	42,294
2009					
Group					
Cost	751	12,570	57,445	21,918	92,684
Bank					
Cost	751	12,561	51,966	18,213	83,491

18. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Goodwill	11,243	-	47,685	-
Computer software	2,301	2,281	6,556	6,537
	13,544	2,281	54,241	6,537

The movements in intangible assets are as follows:

(a) Goodwill

	Group 2010 RM'000	Group 2009 RM'000
At beginning of year	47,685	47,685
Arising from transfer of AmInvestment Management Sdn Bhd and AmInvestment Services Sdn Bhd to AIGB	(36,442)	-
At end of year	11,243	47,685

Impairment tests for goodwill

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

	Group RM'000
Investment Banking	11,243

The recoverable amount of the CGU, which are the reportable business segments, is based on their value in use, computed by discounting the expected future cash flows of the units. The key assumptions for the computation of value in use include the discount rates and growth rates applied. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. The discount rate applied for the financial year was 9.54%. Cash flow projection is based on the most recent five-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the sixth to tenth year are extrapolated using the growth rate of 3.0% to extrapolate cash flows beyond the projected years. The growth rate does not exceed the long-term average growth rate for the market in which the businesses operate. Impairment is recognised in the income statement when the carrying amount of a CGU exceeds its recoverable amount.

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

18. INTANGIBLE ASSETS (CONTD.)

(b) Computer Software

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
COST				
At beginning of year	39,916	39,621	41,096	37,057
Additions	1,969	1,963	4,473	3,565
Disposal	-	-	(22)	-
Written-Off	-	-	(1,003)	(1,001)
Control transfer to a related company	(30,438)	(30,438)	-	-
Arising from disposal of subsidiaries	-	-	(25)	-
Exchange fluctuation adjustments	-	-	(1)	-
Reclassified as held for sale (Note 48)	-	-	(4,602)	-
At end of year	11,447	11,146	39,916	39,621
ACCUMULATED AMORTISATION				
At beginning of year	33,360	33,084	36,043	32,231
Additions	491	486	1,996	1,854
Disposal	-	-	(22)	-
Written-Off	-	-	(1,003)	(1,001)
Control transfer to a related company	(24,705)	(24,705)	-	-
Arising from disposal of subsidiaries	-	-	(24)	-
Reclassified as held for sale (Note 48)	-	-	(3,630)	-
At end of year	9,146	8,865	33,360	33,084
NET CARRYING AMOUNT	2,301	2,281	6,556	6,537

19. DEPOSITS FROM CUSTOMERS

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Negotiable instruments of deposits	13,917	13,917	114,309	114,309
Other deposits	-	-	71,307	71,307
	13,917	13,917	185,616	185,616

The maturity structure of deposits from customers is as follows:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Due within six months	-	-	71,307	71,307
Six months to one year	-	-	100,000	100,000
One year to three years	13,917	13,917	14,309	14,309
	13,917	13,917	185,616	185,616

The deposits are sourced from the following types of customers:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Business enterprises	13,917	13,917	85,616	85,616
Government	-	-	100,000	100,000
	13,917	13,917	185,616	185,616

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Licensed banks:				
Related	609,129	609,129	566,479	566,479

Deposits and placements of banks and other financial institutions of the Group represent interbank borrowings.

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTD.)

As at the end of the financial year, the net interbank borrowings and lendings position of the Group and the Bank are as follows:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Interbank lendings (Notes 5 and 7)	778,621	716,986	879,497	758,946
Interbank borrowings	(609,129)	(609,129)	(566,479)	(566,479)
Net interbank lendings	169,492	107,857	313,018	192,467

21. OTHER LIABILITIES

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Trade payables	684,962	397,031	468,454	271,097
Other payables and accruals	97,793	89,117	94,825	67,093
Provision for commitments and contingencies	5,001	5,001	-	-
Amounts due to:				
Subsidiaries	-	396	-	10
Related companies	15,377	15,154	17,282	17,281
Tax payable	(340)	-	(340)	-
Zakat payable	38	38	38	38
Deferred tax liabilities (Note 35)	-	-	6,731	6,637
Bank overdrafts	-	-	786	-
	802,831	506,737	587,776	362,156
Liabilities directly associated with assets classified as held for sale (Note 48)	-	-	(25,611)	-
	802,831	506,737	562,165	362,156

Trade payables mainly relate to the stock and share-broking operations of the Bank and its subsidiaries and represent amount payable in outstanding sales contracts.

Included under other payables and accruals of the Group and of the Bank are the following:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Interest payable	4,404	4,404	5,822	5,826

Amounts due to subsidiaries and related companies represent expenses paid on behalf.

21. OTHER LIABILITIES (CONTD.)

The movements in profit equalisation reserve is as follows:

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Balance at beginning of year	-	-	335	95
Amount vested to Ambank/AmIslamic Bank	-	-	(335)	(95)
Balance at end of year	-	-	-	-

22. TERM LOANS

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Foreign financial institutions	15,146	-	-	-

Term loans pertaining to a foreign subsidiary represent secured loans obtained from foreign banks at interest rates ranging from 2.5% to 2.8% per annum in the amount of SGD6,500,000 and are repayable in full within one year.

23. DEBT CAPITAL

Debt capital of the Group and of the Bank comprises redeemable unsecured subordinated bonds which are analysed as follows:

	Group and Bank	
	2010 RM'000	2009 RM'000
Balance at beginning of the year	135,000	595,000
Redemption during the year	-	(460,000)
Balance at end of the year	135,000	135,000

(a) Pursuant to a Trust Deed dated 27 October 2005, the Bank issued RM200,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("Subordinated Tier 2 Bonds") for the purpose of redemption of RM200,000,000 nominal amount of unsecured subordinated certificates of deposits. The Bank had purchased and cancelled RM65,000,000 of the Subordinated Tier 2 Bonds in financial year ended 31 March 2008. As at 31 March 2010, no further redemption was made.

The salient features of the Subordinated Tier 2 Bonds are as follows:

(a) The Subordinated Tier 2 Bonds bear interest at 4.75% per annum for the first five years and at 5.25% to 7.25% per annum between years 6 to 10. The interest is payable on a semi-annual basis.

(b) The Subordinated Tier 2 Bonds are for a period of ten years maturing on 31 October 2015. However, subject to the prior approval of Bank Negara Malaysia, the Bank may redeem the Subordinated Tier 2 Bonds on 31 October 2010 or on each anniversary date thereafter.

(b) Pursuant to a Trust Deed dated 23 September 2003, the Bank issued RM460,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("SubBonds"). The proceeds were used to grant a RM460,000,000 10-year unsecured subordinated term loan to AmBank (M) Berhad, its related licensed commercial bank for the purpose of refinancing its RM460,000,000 exchangeable subordinated capital loan from Danamodal Nasional Berhad.

The salient features of the SubBonds are as follows:

(a) The SubBonds bear interest at 6.5% per annum for the first five years and at 7.0% to 9.0% per annum or 3% above the yield of 5-year Malaysian Government Securities, whichever is higher for years 6 to 10. The interest is payable on a semi-annual basis.

(b) The SubBonds are for a period of ten years maturing on 30 September 2013. However, subject to the prior approval of Bank Negara Malaysia, the Bank may redeem the SubBonds on 30 September 2008 or on each anniversary date thereafter.

The Bank had redeemed the entire Subordinated Bonds in the previous financial year.

24. SHARE CAPITAL

	Group and Bank	
	2010	2009
	RM'000	RM'000
Authorised:		
Shares of RM1.00 each		
Balance at beginning and end of year	2,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at beginning of year	200,000	240,000
Bonus issue	-	189,500
Capital reduction exercise	-	(229,500)
Balance at end of year	200,000	200,000
Non-cumulative convertible preference shares of RM1.00 each		
Balance at beginning of year	-	100,000
Capital reduction exercise	-	(100,000)
Balance at end of year	-	-
Balance at the end of the year	200,000	200,000

Salient features of the Preference Shares are as follows:

(a) The Preference Shares shall rank in preference to ordinary shares in issue.

(b) An annual gross dividend of 10% is payable on the shares.

(c) The Bank shall at no time be obliged to redeem or purchase the Preference Shares or any part thereof.

(d) Subject to approvals of the relevant authorities and holder of the Preference Shares, the Preference Shares are convertible into new ordinary shares of RM1.00 each on the basis of one new ordinary share of RM1.00 each for every Preference Share held.

(e) The Preference Shares were redeemed under the capital reduction exercise of the Bank.

25. RESERVES

Reserves as at 31 March 2010 are analysed as follows:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Non-distributable reserves:				
Capital reserve	2,815	-	2,815	-
Statutory reserve	200,000	200,000	200,000	200,000
Available-for-sale reserve	3,200	3,148	(5,557)	(5,609)
Merger reserve	7,656	-	22,023	14,367
Exchange fluctuation reserve	24,172	-	24,898	6,840
Total non-distributable reserves	237,843	203,148	244,179	215,598
Distributable reserve:				
Unappropriated profits	116,133	113,874	80,241	31,391
Total reserves	353,976	317,022	324,420	246,989

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

Capital reserve is in respect of dilution and accretion in net attributable assets of the Group arising from capitalisation of subsidiaries' bonus issues.

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

The statutory reserve is maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

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

Merger reserve represents reserve arising from the acquisition of AmResearch and AmFutures which are accounted for using the merger accounting method.

Exchange fluctuation reserve arises on translation of Labuan offshore branch, foreign subsidiaries and associates, as described in the accounting policies.

Distributable reserve is available for distribution by way of dividends.

The Bank has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of all its distributable reserves as at 31 March 2010.

26. INTEREST INCOME

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Short-term funds and deposits with financial institutions	16,688	12,195	41,761	37,997
Securities held-for-trading	3	3	12,214	12,214
Securities available-for-sale	2,170	2,170	8,282	8,282
Loans and advances				
- Interest income other than recoveries from NPLs	19,788	19,786	46,390	46,390
- Recoveries from NPLs	-	-	218	218
Others	1,287	246	1,141	194
Gross interest income	39,936	34,400	110,006	105,295
Amortisation of premium less accretion of discounts	4,875	4,875	7,115	7,115
Interest suspended	(20)	(20)	(819)	(819)
Total after interest suspension	44,791	39,255	116,302	111,591

27. INTEREST EXPENSE

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Deposits from customers	6,617	3,931	17,003	17,003
Deposits of banks and other financial institutions	12,427	12,427	31,425	31,425
Subordinated deposits and term loans	-	-	393	244
Redeemable unsecured subordinated bonds	6,413	6,413	21,322	21,322
Others	1,271	307	1,174	456
	26,728	23,078	71,317	70,450

28. OTHER OPERATING INCOME

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Fee income:				
Fees on loans and advances	22,298	22,298	11,851	11,851
Corporate advisory	21,096	20,482	26,945	25,836
Guarantee fees	1,229	1,229	1,595	1,595
Underwriting commissions	8,113	6,896	5,669	5,604
Unit trust management fees	7,198	-	6,711	-
Brokerage fees and commissions	107,672	71,722	64,794	44,380
Other fee income	35,263	37,010	24,499	23,549
	202,869	159,637	142,064	112,815
Investment and trading income:				
Net gain/(loss) from sale of securities held-for-trading	5,564	5,821	(17,004)	(16,985)
Net loss from sale of securities available-for-sale	(5,401)	(5,401)	(7,099)	(7,099)
Net gain on redemption of securities held-to-maturity	20	20	540	540
Gross dividend income from:				
Unquoted subsidiaries	-	63	-	25,634
Securities held-for-trading	521	521	1,599	1,585
Securities available-for-sale	632	632	-	-
Securities held-to-maturity	908	908	678	678
Gain/(loss) on revaluation of derivatives	1,312	1,312	(18,193)	(18,179)
Gain/(loss) on revaluation of securities held-for-trading	180	179	(9,278)	(9,278)
Loss on transfer of subsidiaries	(45,121)	-	(48,515)	-
Foreign exchange gain/(loss)	1,195	1,195	(2,795)	(2,795)
	(40,190)	5,250	(100,067)	(25,899)
Other income:				
Non-trading foreign exchange gain/(loss)	792	8,825	(556)	(672)
Gain on disposal of property and equipment - net	213	212	526	526
Rental income	2,350	2,350	1,524	1,524
Other non-operating income	611	521	35	-
Service transfer pricing income	33,794	34,707	70,737	71,174
	37,760	46,615	72,266	72,552
	200,439	211,502	114,263	159,468

29. OTHER OPERATING EXPENSES

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Personnel/Staff costs:				
- Salaries, allowances and bonuses	111,559	97,653	116,206	101,894
- Shares/options granted under Group Executive Share Scheme	4,103	3,910	-	-
- Others	34,248	28,767	35,870	30,007
	149,910	130,330	152,076	131,901
Establishment costs:				
- Depreciation of property and equipment (Note 17)	5,417	4,211	8,009	6,803
- Amortisation of computer software (Note 18(b))	491	486	1,857	1,854
- Amortisation of prepaid land lease payments (Note 16)	60	60	60	60
- Computerisation costs	16,597	8,017	16,617	10,096
- Rental	14,466	10,507	16,581	12,637
- Others	4,335	3,041	6,190	4,876
	41,366	26,322	49,314	36,326
Marketing and communication expenses:				
- Sales commission	10,971	8,688	5,096	2,517
- Advertising	2,908	2,712	3,960	3,769
- Travel and entertainment	3,908	2,951	5,888	5,015
- Others	5,349	4,017	6,088	4,880
	23,136	18,368	21,032	16,181
Administration and general expenses				
- Professional fees	2,897	2,435	3,331	2,641
- Others	5,773	4,030	10,284	9,771
	8,670	6,465	13,615	12,412
Service transfer pricing expenses	8,905	13,511	-	-
	231,987	194,996	236,037	196,820

Included in the above expenditure are the following statutory disclosures:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Directors' remuneration (Note 33)	9,927	9,899	8,169	8,145
Hire of motor vehicles and office equipment	935	825	1,583	1,482
Auditors' remuneration:				
Group auditor:				
Statutory audit	302	120	147	120
Special audit/Limited review	24	24	79	79
Other auditors' remuneration:				
Statutory audit	-	-	189	-
Property and equipment written off	12	3	32	24
Sundry receivables written off	40	40	276	276

Personnel/staff costs include salaries, bonuses, contributions to employees provident fund and all other staff related expenses. Contributions to employees provident fund of the Group and of the Bank amounted to RM18,263,000 (RM17,162,000 in 2009) and RM16,704,000 (RM16,712,000 in 2009), respectively.

30. (WRITEBACK OF ALLOWANCE)/ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	2010		2009	
	Group	**Bank**	**Group**	**Bank**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Reversal of allowance)/allowance for bad and doubtful debts and financing:				
Specific allowance - net	(808)	(808)	(492)	(492)
General allowance	2,120	2,120	3,272	3,272
Bad debts and financing Recovered	(19)	(19)	(2,298)	(2,298)
	1,293	1,293	482	482

31. RELATED PARTY TRANSACTIONS

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

The related parties of the Group and the Bank are:

(i) Subsidiaries

Details of the subsidiaries are shown in Note 14.

Transactions between the Bank and its subsidiaries have been eliminated on consolidation.

(ii) Associates

An associate is a company in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not in control over those policies as disclosed in Note 15.

(iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly. The key management personnel of the Group and the Bank include Executive Directors and Non-Executive Directors of the Bank and of the Group.

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

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

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Bank.

31. RELATED PARTY TRANSACTIONS (CONTD.)

(a) The significant transactions of the Group with its related parties are as follows:

Group	Subsidiaries 2010 RM'000	Subsidiaries 2009 RM'000	Associates 2010 RM'000	Associates 2009 RM'000	Key management personnel 2010 RM'000	Key management personnel 2009 RM'000	Companies in which certain Directors have substantial interest 2010 RM'000	Companies in which certain Directors have substantial interest 2009 RM'000	Substantial shareholders 2010 RM'000	Substantial shareholders 2009 RM'000
Expenses										
Cleaning and maintenance	-	-	-	-	-	-	25	14	-	-
Rental of premises	-	-	-	-	-	-	6,652	18,150	-	-
Insurance premiums	-	-	-	-	-	-	808	787	-	-
Training expenses	-	-	-	-	-	-	222	-	-	-
Professional fees	-	-	-	-	-	-	-	-	38	-
Travelling expenses	-	-	-	-	-	-	472	934	-	-
Food and beverage	-	-	-	-	-	-	54	100	-	-
Other expenses	-	-	-	-	-	-	189	-	-	-
	-	-	-	-	-	-	8,422	19,985	38	-
Capital expenditure										
Purchase of computer hardware, software and related consultancy services	-	-	-	-	-	-	7	-	-	-

31. RELATED PARTY TRANSACTIONS (CONTD.)

(b) The significant transactions of the Bank with its related parties are as follows:

Bank	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Expenses										
Other expenses	4,680	5,620	-	-	-	-	-	-	-	-
Amount due from:										
Others	-	1,172	-	-	-	-	-	-	-	-

31. RELATED PARTY TRANSACTIONS (CONTD.)

(c) There were no granting of loans to the Directors of the Bank. Any loans made to other key management personnel of the Group and the Bank is on similar terms and conditions generally available to other employees within the Group. All related party transactions are conducted at arm's length basis and on normal commercial terms which are no more favourable than those generally available to the public. No provisions have been recognised in respect of loans given to key management personnel (2009 - RM NIL).

(d) Key management personnel compensation

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Directors:				
Fees	305	277	324	300
Salaries and other remuneration	6,365	6,365	4,194	4,194
Other short-term employees benefits (including estimated monetary value of benefits-in-kind)	3,257	3,257	3,651	3,651
Total short-term employee benefits	9,927	9,899	8,169	8,145

32. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	2010	2009
	Group and Bank	
Outstanding credit exposure with connected parties (RM'000)	**34,068**	**31,708**
Percentage of outstanding credit exposure to connected parties as proportion of total credit exposures	**4.03%**	**4.36%**
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

Based on this guideline, a connected party refers to the following:

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

(ii) Controlling shareholder and their close relatives;

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

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

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

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

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

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

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

33. DIRECTORS' REMUNERATION

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

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Executive directors				
Fees	14	-	12	-
Salaries and other remuneration	2,223	2,223	2,037	2,037
Gratuity payment	-	-	500	500
Bonuses	846	846	1,313	1,313
Benefits-in-kind	156	156	57	57
	3,239	3,225	3,919	3,907
Non-executive directors				
Fees	291	277	312	300
Salaries and other remuneration	4,142	4,142	2,157	2,157
Gratuity payment	-	-	400	400
Bonuses	1,929	1,929	1,300	1,300
Benefits-in-kind	326	326	81	81
	6,688	6,674	4,250	4,238
Total directors' remuneration	9,927	9,899	8,169	8,145
Total directors' remuneration excluding benefits-in-kind	9,445	9,417	8,031	8,007

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

The remuneration attributable to the managing director of the Bank, including estimated cash value of benefits-in-kind during the year amounted to RM1,729,000.

	2010 Group	2010 Bank	2009 Group	2009 Bank
	No of directors		No of directors	
Executive directors				
RM1,450,001 - RM1,500,000	1	1	-	-
RM1,700,001 - RM1,750,000	1	1	1	1
RM2,150,001 - RM2,200,000	-	-	1	1
Non-executive directors				
RM50,001 - RM100,000	3	3	3	3
RM100,001 - RM150,000	1	1	1	1
RM250,001 - RM300,000	1	1	1	1
RM2,400,001 – RM2,450,000	1	1	-	-
RM3,600,001 – RM3,650,000	1	1	1	1

34. TAXATION

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Continuing Operations				
Estimated current tax payable	29,883	29,358	5,146	4,545
Transfer from deferred tax assets (Note 35(a))				
Relating to origination and reversal of temporary differences	(8,393)	(9,573)	(2,764)	(2,474)
Overprovided in previous year	(1,620)	(1,620)	-	-
Transfer from deferred tax liabilities (Note 35(b))	-	-	6,973	8,506
	19,870	18,165	9,355	10,577
Under provision of taxation in respect of prior years	22	-	633	1,261
Total income tax expense from continuing operations	19,892	18,165	9,988	11,838
Discontinued Operations				
Estimated current tax payable	-	-	2,903	-
Transfer from deferred tax liabilities (Note 35(b))	-	-	1,304	-
	-	-	4,207	-
Over provision of taxation in respect of prior years	-	-	(430)	-
Total income tax expense from discontinued operations (Note 48)	-	-	3,777	-
Total taxation expense	19,892	18,165	13,765	11,838

As at the end of the current financial year, the Group and the Bank has tax exempt income totalling RM9,824,248 (RM6,464,440 as at 31 March 2009) and RM9,379,126 (RM5,918,588 as at 31 March 2009) respectively pertaining to subsidiaries.

Domestic current income tax is calculated at the statutory tax rate of 25.0% (2009: 25.0%) of the estimated assessable profit for the year. The computation of deferred tax assets and deferred tax liabilities is also based on the statutory tax rate of 25%.

Taxation in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

34. TAXATION (CONTD.)

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:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Profit/(loss) before taxation from:				
Continuing operations	55,784	100,648	(68,421)	12,587
Discontinued operations (Note 48)	-	-	36,010	-
	55,784	100,648	(32,411)	12,587
Taxation at Malaysian statutory tax rate of 25.0% (2009: 25.0%)	13,946	25,162	(8,103)	3,147
Effect of different tax rates in Labuan and certain subsidiaries	(501)	20	3,988	3,141
Effect of changes in tax rates on opening balance of deferred tax	-	-	(2)	-
Underprovision of tax expense in prior year	22	-	203	1,261
Tax losses and capital allowances not previously recognised	(3,146)	(2,136)	1,605	-
Overprovision of deferred tax in prior year	(1,620)	(1,620)	-	-
Income not subject to tax	(4,854)	(4,595)	(377)	(373)
Expenses not deductible for tax purposes	16,045	1,334	12,720	931
Tax on prior year dividend income received during the year	-	-	3,731	3,731
Tax expense for the year	19,892	18,165	13,765	11,838

35. DEFERRED TAXATION

Deferred taxation pertaining to the Bank and its subsidiaries is as follows:

(a) Deferred tax assets

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Balance at beginning of year	(1,485)	-	(14,175)	(12,965)
Reclassified from deferred tax liabilities	6,637	6,637	-	-
Recognised in income statement (Note 34)	(10,013)	(11,193)	(2,764)	(2,474)
Amount vested to Ambank/ AmIslamic Bank	-	-	15,439	15,439
Recognised in equity	2,849	2,849	-	-
Exchange differences	(9)	-	15	-
Balance at end of year	(2,021)	(1,707)	(1,485)	-

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Temporary differences between depreciation and tax allowances on property and equipment	2,656	2,437	260	-
Unutilised tax losses	(331)	-	(1,494)	-
Unabsorbed capital allowances	(139)	-	(184)	-
General allowance for loans, advances and financing	(2,442)	(2,442)	-	-
Other temporary differences	(1,765)	(1,702)	(67)	-
	(2,021)	(1,707)	(1,485)	-

35. DEFERRED TAXATION (CONTD.)

(b) Deferred tax liabilities

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Balance at beginning of year	6,637	6,637	323	-
Recognised in income statements (Note 34)				
-Continuing operations	-	-	6,973	8,506
-Discontinued operations	-	-	1,304	-
Recognised in equity	-	-	(1,869)	(1,869)
Reclassified as held for sale	-	-	(94)	-
Reclassified to deferred tax asset	(6,637)	(6,637)	-	-
Balance at end of year	-	-	6,637	6,637

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Temporary differences between depreciation and tax allowances on property and equipment	-	-	3,465	3,465
General allowance for loans, advances and financing	-	-	(1,083)	(1,083)
Other temporary differences	-	-	4,255	4,255
	-	-	6,637	6,637

36. DIVIDENDS

Dividends paid and proposed by the Bank are as follows:

	Bank RM'000
In respect of financial year ended 31 March 2010	
First and final ordinary dividend proposed - 33.3%, less 25.0% taxation, on 200,000,000 ordinary shares of RM1.00 each	50,000
In respect of financial year ended 31 March 2009	
Special dividend paid - 480.0%, less 25.0% taxation, on 240,000,000 ordinary shares of RM1.00 each	864,000

In the previous financial year, the Bank paid a special ordinary dividend of 480.0%, less 25.0% taxation, in respect of financial year ended 31 March 2008 amounting to RM864,000,000 which amount have been dealt with in the directors' report in the previous financial year and paid on 25 April 2008 to AmInvestment Group Berhad.

In the previous financial year, the Bank also paid a final ordinary dividend of 50.0%, less 25.0% taxation, in respect of financial year ended 31 March 2008 amounting to RM90,000,000 which amount have been dealt with in the directors' report for that financial year and paid on 29 September 2008 to AmInvestment Group Berhad.

A proposed first and final ordinary dividend in respect of the financial year ended 31 March 2010 of 33.3%, less 25.0% taxation based on the issued and paid-up ordinary share capital of 200,000,000 of RM1.00 each amounting to a total dividend of RM50,000,000 have been proposed by the Directors for shareholder approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in shareholder’s equity as an appropriation of retained earnings in the next financial year ending 31 March 2011.

37. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholder of the Bank by the number of ordinary shares in issue.

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Net profit/(loss) from continuing operations attributable to shareholder of the Bank	35,892	82,483	(78,409)	749
Net profit from discontinued operations attributable to shareholder of the Bank	-	-	32,233	-
Net profit/(loss) attributable to shareholder of the Bank	35,892	82,483	(46,176)	749
Number of ordinary shares at beginning of year	200,000	200,000	240,000	240,000
Bonus issue	-	-	189,500	189,500
Capital reduction exercise	-	-	(229,500)	(229,500)
Number of ordinary shares in issue	200,000	200,000	200,000	200,000
Basic earnings per share (sen):				
Profit/(loss) from continuing operations	17.9	41.2	(39.2)	0.4
Profit from discontinued operations	-	-	16.1	-
Profit/(loss) for the year	17.9	41.2	(23.1)	0.4

37. EARNINGS PER SHARE (CONTD.)

(b) Fully diluted earnings per share

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Adjusted net profit/(loss) from continuing operations attributable to shareholder of the Bank	35,892	82,483	(78,409)	749
Net profit from discontinued operations attributable to shareholder of the Bank	-	-	32,233	-
Adjusted net profit/(loss) attributable to shareholder of the Bank	35,892	82,483	(46,176)	749
Number of ordinary shares in issue	200,000	200,000	200,000	200,000
Fully diluted earnings per share (sen):				
Profit/(loss) from continuing operations	17.9	41.2	(39.2)	0.4
Profit from discontinued operations	-	-	16.1	-
Profit/(loss) for the year	17.9	41.2	(23.1)	0.4

38. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group and the Bank on behalf of customers as at 31 March 2010 amounted to RM3,332,243,000 (RM16,399,295,000 as at 31 March 2009) and RM3,332,243,000 (RM447,176,000 as at 31 March 2009), respectively.

39. CAPITAL COMMITMENTS

As at 31 March 2010, capital commitments pertaining to the Group and the Bank are as follows:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Authorised and contracted but not provided for:				
Uncalled portion of total subscription price in the share capital of AmTrustee Berhad	100	100	100	100
Purchase of office equipment, information technology equipment and solutions	187	187	1,565	1,565
	287	287	1,665	1,665
Authorised but not contracted for:				
Purchase of office equipment, information technology equipment and solutions	4,851	4,489	-	-
	5,138	4,776	1,665	1,665

40. LEASE COMMITMENTS

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

	Group RM'000	Bank RM'000
12 months ending 31 March		
2011	20,218	17,592
2012	12,431	9,939
2013 and thereafter	4,150	1,747
	36,799	29,278

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

41. COMMITMENTS AND CONTINGENCIES

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

A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee Berhad ("AmTrustee") ("Meridian's Suit"), an associated company of the Bank in respect of a claim amounting to RM27,606,169.95 for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ("MAA") has claimed its portion of the above mentioned alleged loss, being general damages and special damages of RM19,640,178.83, together with interest and costs. AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA ("MAA Suit"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

AmTrustee has been served on 5 October 2006 with an application to add the Bank as 2nd Defendant to the Meridian's Suit. The claim in the application by Meridian against the Bank is to increase the amount claimed for alleged loss and damage from RM 27,606,169.95 to RM36,967,166.84 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian.

The application was fixed for hearing before the Registrar on 17 October 2008, and the Registrar dismissed the Application with cost. Meridian filed an appeal to the Judge in Chambers against the Registrar's Order and the same was heard by the Judge on 8 January 2009 and was fixed for decision on 23 March 2009 wherein the High Court Judge allowed Meridian's Appeal in part, in that the Court dismissed Meridian's application to add the Bank as a Party to Meridian's Suit and allowed Meridian to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

No appeal was lodged to the Court of Appeal by Meridian against the High Court's decision in dismissing its application to add the Bank as a Party to its Suit.

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

AmTrustee has also been served on 3 August 2009 with a copy of a Third Party Notice dated 24 July 2009 by solicitors acting for Meridian.

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

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

At this point solicitors for Meridian mentioned that the KWAP Suit also revolves around the same facts of the other two matters.

It is to be noted that both the Meridian's Suit and MAA Suit were ordered on 16 September 2008 to be tried together at the same time pursuant to Order 4 Rule 1 of the Rules of the High Court 1980. Both matters were fixed for further Case Management on 13 July 2010 and the KWAP suit was fixed for Case Management on 21 July 2010.

41. COMMITMENTS AND CONTINGENCIES (CONTD.)

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

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

42. NET ASSETS PER SHARE (RM)

Net assets per share represents the balance sheet total assets value less total liabilities, including long term loans expressed as an amount per ordinary share.

Net assets per share is calculated as follows:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Total assets	2,130,466	1,782,272	2,021,570	1,718,519
Less:				
Total liabilities	1,576,490	1,265,250	1,497,150	1,271,530
Net assets	553,976	517,022	524,420	446,989
Issued and fully paid up ordinary shares of RM1.00 each	200,000	200,000	200,000	200,000
Net assets per share (RM)	2.77	2.59	2.62	2.23

43. 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:

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

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

Treasury and markets
The treasury and markets operations focus 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 comprise activities which complement and support the operations of the main business units, and non-core operations of the Group.

Measurements of Segment Performance

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

Major customers

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

43. BUSINESS SEGMENT ANALYSIS

2010 Group	Investment Banking RM'000	Commercial and Institutional Banking RM'000	Treasury & Market RM'000	Group Function and Others RM'000	Total RM'000
Revenue	288,490	60,178	71,574	(84,706)	335,536
Income	287,448	59,651	68,231	(106,341)	308,989
Expenses	(130,664)	(44,675)	2,261	(58,909)	(231,987)
Profit/(loss) before provisions	156,784	14,976	70,492	(165,250)	77,002
Provisions	(6,753)	605	(10,398)	(4,672)	(21,218)
Profit/(loss) before taxation	150,031	15,581	60,094	(169,922)	55,784
Taxation and zakat	(20,376)	(2,446)	(8,123)	11,053	(19,892)
Net profit/(loss) for the year	129,655	13,135	51,971	(158,869)	35,892
Other information					
Cost to Income ratio	45.46%	74.89%	-3.31%	-55.40%	75.08%
Gross loans	364,016	31,209	-	9,518	404,743
Net loans	352,827	30,741	-	9,376	392,944
Gross non-performing loans	5,995	-	-	-	5,995
Net non-performing loans	178	-	-	-	178
Deposits	35,467	-	-	587,579	623,046

44. BUSINESS SEGMENT ANALYSIS

2009 Group	Continuing Operations: Investment Banking RM'000	Continuing Operations: Commercial and Institutional Banking RM'000	Continuing Operations: Treasury & Market RM'000	Continuing Operations: Group Function and Others RM'000	Continuing Operations: Total RM'000	Discontinued Operations: Investment Banking RM'000	Total Operations RM'000
Revenue	200,642	61,871	11,355	(33,516)	240,352	73,478	313,830
Income	199,773	38,022	10,949	(79,644)	169,100	73,478	242,578
Expenses	(178,868)	(37,875)	(1,933)	(17,361)	(236,037)	(37,468)	(273,505)
Profit/(loss) before provisions	20,905	147	9,016	(97,005)	(66,937)	36,010	(30,927)
Provisions	430	(4,287)	-	2,373	(1,484)	-	(1,484)
Profit/(loss) before taxation	21,335	(4,140)	9,016	(94,632)	(68,421)	36,010	(32,411)
Taxation and zakat	(3,179)	1,077	837	(8,723)	(9,988)	(3,777)	(13,765)
Net profit/(loss) for the year	18,156	(3,063)	9,853	(103,355)	(78,409)	32,233	(46,176)
Other information							
Cost to Income ratio	89.54%	99.61%	17.65%	21.80%	139.58%	50.99%	112.75%
Gross loans	220,932	-	-	43,263	264,195	-	264,195
Net loans	211,095	-	-	42,613	253,708	-	253,708
Gross non-performing loans	6,733	-	-	-	6,733	-	6,733
Net non-performing loans	108	-	-	-	108	-	108
Deposits	-	-	100,000	652,095	752,095	-	752,095

Included in the above is Islamic Banking business profit before taxation of RM82.3 million for the year ended 31 March 2010 (RM11.6 million for the year ended 31 March 2009).

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for Frasers International Pte. Ltd. and its subsidiary companies' activities which are principally conducted in Singapore. These activities in Singapore are not significant in relation to the Group's activities in Malaysia.

44. RISK MANAGEMENT POLICY

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

Every risk assumed by the Bank carries with it potential for gains as well as potential to erode shareholders’ value. The Bank’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's approach towards the significant risks of the Bank is 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 Bank to reduce its position without incurring potential loss that is beyond the sustainability of the Bank.

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

The Bank 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 and these risk threshold structures aligns specific risk taking activities with the overall risk appetite of the Bank.

To complement value at risk measurement, the Bank 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.

44. RISK MANAGEMENT POLICY (CONTD.)

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

Group 2010	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
	<-----	-----	-----	Non Trading Book	-----	-----	----->			
ASSETS										
Cash and short-term funds	777,886	-	-	-	-	-	55,102	-	832,988	1.49
Securities purchased under resale agreements	16,992	-	-	-	-	-	-	-	16,992	1.20
Deposits and placements with banks and other financial institutions	-	192	543	-	-	-	-	-	735	1.37
Securities held-for-trading	-	-	-	-	-	-	-	32,933	32,933	-
Securities available-for-sale	-	-	-	-	15,360	24,448	5,616	-	45,424	5.42
Securities held-to-maturity	-	-	-	-	-	-	15,052	-	15,052	-
Loans, advances and financing:										
- performing	77,630	270,131	22,670	17,872	3,226	7,145	74	-	398,748	7.12
- non-performing *	-	-	-	-	-	-	(5,804)	-	(5,804)	-
Other non-interest sensitive balances	-	-	-	-	-	-	793,398	-	793,398	-
TOTAL ASSETS	872,508	270,323	23,213	17,872	18,586	31,593	863,438	32,933	2,130,466	
LIABILITIES AND EQUITY										
Deposits from customers	-	-	-	-	-	-	13,917	-	13,917	-
Deposits and placements of banks and other financial institutions	219,497	290,000	99,632	-	-	-	-	-	609,129	2.29

44. RISK MANAGEMENT POLICY (CONTD.)

Group 2010	<---Non Trading Book--- Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000 --->	Trading Book RM'000	Total RM'000	Effective interest rate %
Derivative financial liabilities	-	-	-	-	-	-	467	-	467	-
Term loans	15,146	-	-	-	-	-	-	-	15,146	2.62
Redeemable unsecured bonds	-	-	-	-	-	135,000	-	-	135,000	4.75
Other non-interest sensitive balances	-	-	-	-	-	-	802,831	-	802,831	-
Total Liabilities	234,643	290,000	99,632	-	-	135,000	817,215	-	1,576,490	
EQUITY										
Share capital	-	-	-	-	-	-	200,000	-	200,000	
Reserves	-	-	-	-	-	-	353,976	-	353,976	
Shareholder's equity	-	-	-	-	-	-	553,976	-	553,976	
TOTAL LIABILITIES AND EQUITY	234,643	290,000	99,632	-	-	135,000	1,371,191	-	2,130,466	
On-balance sheet interest rate gap sensitivity	637,865	(19,677)	(76,419)	17,872	18,586	(103,407)	(507,753)	32,933	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total interest rate gap sensitivity	637,865	(19,677)	(76,419)	17,872	18,586	(103,407)	(507,753)	32,933	-	
Cumulative interest rate gap sensitivity	637,865	618,188	541,769	559,641	578,227	474,820	(32,933)	-		

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

44. RISK MANAGEMENT POLICY (CONTD.)

Group 2009	<----Non Trading Book						---->			
	Up to 1 month RM'000	>1 - 3 RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
ASSETS										
Cash and short-term funds	835,173	-	-	-	-	-	71,934	-	907,107	1.83
Securities purchased under resale agreements	16,807	-	-	-	-	-	-	-	16,807	1.15
Deposits and placements with banks and other financial institutions	460	11	799	-	-	-	-	-	1,270	2.16
Securities held-for-trading	-	-	-	-	-	-	232	10,752	10,984	-
Securities available-for-sale	-	-	-	-	23,605	18,105	7,061	-	48,771	4.64
Securities held-to-maturity	-	-	-	96,614	-	-	16,805	-	113,419	3.80
Loans, advances and financing:										
- performing	47,758	185,652	6,732	5,228	2,839	9,072	181	-	257,462	7.18
- non-performing *	-	-	-	-	-	-	(3,754)	-	(3,754)	-
Derivative financial assets	-	-	-	-	-	-	5,800	-	5,800	-
Assets classified as held for sale	61,068	-	-	-	-	-	42,014	-	103,082	1.83
Other non-interest sensitive balances	-	-	-	-	-	-	560,622	-	560,622	-
TOTAL ASSETS	961,266	185,663	7,531	101,842	26,444	27,177	700,895	10,752	2,021,570	
LIABILITIES AND EQUITY										
Deposits from customers	71,307	-	-	100,000	14,309	-	-	-	185,616	0.71
Deposits and placements of banks and other financial institutions	145,180	220,000	150,000	-	51,049	-	250	-	566,479	2.76
Derivative financial liabilities	-	-	-	-	-	-	22,279	-	22,279	-

44. RISK MANAGEMENT POLICY (CONTD.)

Group 2009	Up to 1 month RM'000	>1 - 3 RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
	<------Non Trading Book------>									
Redeemable unsecured subordinated bonds	-	-	-	-	-	135,000	-	-	135,000	4.75
Liabilities directly associated to assets classified as held for sale	-	-	-	-	-	-	25,611	-	25,611	-
Other non-interest sensitive balances	-	-	-	-	-	-	562,165	-	562,165	-
Total Liabilities	216,487	220,000	150,000	100,000	65,358	135,000	610,305	-	1,497,150	
EQUITY										
Share capital	-	-	-	-	-	-	200,000	-	200,000	
Reserves	-	-	-	-	-	-	324,420	-	324,420	
Shareholder's equity	-	-	-	-	-	-	524,420	-	524,420	
TOTAL LIABILITIES AND EQUITY	216,487	220,000	150,000	100,000	65,358	135,000	1,134,725	-	2,021,570	
On-balance sheet interest rate gap sensitivity	744,779	(34,337)	(142,469)	1,842	(38,914)	(107,823)	(433,830)	10,752	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total interest rate gap sensitivity	744,779	(34,337)	(142,469)	1,842	(38,914)	(107,823)	(433,830)	10,752	-	
Cumulative interest rate gap sensitivity	744,779	710,442	567,973	569,815	530,901	423,078	(10,752)	-		

44. RISK MANAGEMENT POLICY (CONTD.)

Bank 2010	<---Non Trading Book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000 --->	Trading Book RM'000	Total RM'000	Effective interest rate %
ASSETS										
Cash and short-term funds	716,987	-	-	-	-	-	27,188	-	744,175	1.43
Securities held-for-trading	-	-	-	-	-	-	-	32,880	32,880	-
Securities available-for-sale	-	-	-	-	15,360	24,448	3,416	-	43,224	5.70
Securities held-to-maturity	-	-	-	-	-	-	15,050	-	15,050	-
Loans, advances and financing:										
- performing	77,630	270,131	22,670	17,872	3,226	7,112	74	-	398,715	7.12
- non-performing *	-	-	-	-	-	-	(5,804)	-	(5,804)	-
Other non-interest sensitive balances	-	-	-	-	-	-	554,032	-	554,032	-
TOTAL ASSETS	794,617	270,131	22,670	17,872	18,586	31,560	593,956	32,880	1,782,272	
LIABILITIES AND EQUITY										
Deposits from customers	-	-	-	-	-	-	13,917	-	13,917	-
Deposits and placements of banks and other financial institutions	219,497	290,000	99,632	-	-	-	-	-	609,129	2.29

44. RISK MANAGEMENT POLICY (CONTD.)

Bank 2010	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
	<-----Non Trading Book						----->			
Derivative financial liabilities	-	-	-	-	-	-	467	-	467	-
Redeemable unsecured bonds	-	-	-	-	-	135,000	-	-	135,000	4.75
Other non-interest sensitive balances	-	-	-	-	-	-	506,737	-	506,737	-
Total Liabilities	219,497	290,000	99,632	-	-	135,000	521,121	-	1,265,250	
EQUITY										
Share capital	-	-	-	-	-	-	200,000	-	200,000	
Reserves	-	-	-	-	-	-	317,022	-	317,022	
Total equity	-	-	-	-	-	-	517,022	-	517,022	
TOTAL LIABILITIES AND EQUITY	219,497	290,000	99,632	-	-	135,000	1,038,143	-	1,782,272	
On-balance sheet interest rate gap sensitivity	575,120	(19,869)	(76,962)	17,872	18,586	(103,440)	(444,187)	32,880	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total interest rate gap sensitivity	575,120	(19,869)	(76,962)	17,872	18,586	(103,440)	(444,187)	32,880	-	
Cumulative interest rate gap sensitivity	575,120	555,251	478,289	496,161	514,747	411,307	(32,880)	-		

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

44. RISK MANAGEMENT POLICY (CONTD.)

Bank 2009	<---Non Trading Book Up to 1 month RM'000	>1 - 3 RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000 --->	Trading Book RM'000	Total RM'000	Effective interest rate %
ASSETS										
Cash and short-term funds	758,946	-	-	-	-	-	18,244	-	777,190	1.69
Securities held-for-trading	-	-	-	-	-	-	-	10,752	10,752	-
Securities available-for-sale	-	-	-	-	23,605	18,105	4,861	-	46,571	4.64
Securities held-to-maturity	-	-	-	96,614	-	-	16,803	-	113,417	3.80
Loans, advances and financing:										
- performing	47,758	185,652	6,732	5,228	2,839	9,072	181	-	257,462	7.18
- non-performing *	-	-	-	-	-	-	(3,754)	-	(3,754)	-
Derivative financial assets	-	-	-	-	-	-	5,800	-	5,800	-
Assets classified as held for sale	-	-	-	-	-	-	48,807	-	48,807	-
Other non-interest sensitive balances	-	-	-	-	-	-	462,274	-	462,274	-
TOTAL ASSETS	806,704	185,652	6,732	101,842	26,444	27,177	553,216	10,752	1,718,519	
LIABILITIES AND EQUITY										
Deposits from customers	71,307	-	-	100,000	14,309	-	-	-	185,616	0.71
Deposits and placements of banks and other financial institutions	145,180	220,000	150,000	-	51,049	-	250	-	566,479	2.76

44. RISK MANAGEMENT POLICY (CONTD.)

Bank 2009	<-----Non Trading Book Up to 1 month RM'000	>1 - 3 RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000 ----->	Trading Book RM'000	Total RM'000	Effective interest rate %
Derivative financial liabilities	-	-	-	-	-	-	22,279	-	22,279	-
Redeemable unsecured subordinated										-
bonds	-	-	-	-	-	135,000	-	-	135,000	4.75
Other non-interest sensitive balances	-	-	-	-	-	-	362,156	-	362,156	-
Total Liabilities	216,487	220,000	150,000	100,000	65,358	135,000	384,685	-	1,271,530	
EQUITY										
Share capital	-	-	-	-	-	-	200,000	-	200,000	
Reserves	-	-	-	-	-	-	246,989	-	246,989	
Shareholder's equity	-	-	-	-	-	-	446,989	-	446,989	
TOTAL LIABILITIES AND EQUITY	216,487	220,000	150,000	100,000	65,358	135,000	831,674	-	1,718,519	
On-balance sheet interest rate gap sensitivity	590,217	(34,348)	(143,268)	1,842	(38,914)	(107,823)	(278,458)	10,752	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total interest rate gap sensitivity	590,217	(34,348)	(143,268)	1,842	(38,914)	(107,823)	(278,458)	10,752	-	
Cumulative interest rate gap sensitivity	590,217	555,869	412,601	414,443	375,529	267,706	(10,752)	-		

44. 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 as they fall due.

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

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

- Management of cash-flow; an assessment of potential cash flow mismatches that may arise over a period of one-year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of BNM.

- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.

- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

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

44. RISK MANAGEMENT POLICY (CONTD.)

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

2010 Group	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 6 months RM'000**	**>6 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non specific maturity RM'000**	**Total RM'000**
ASSETS								
Cash and short-term funds	777,886	-	-	-	-	-	55,102	832,988
Securities purchased under resale agreements	16,992	-	-	-	-	-	-	16,992
Deposits and placements with banks and other financial institutions	-	192	543	-	-	-	-	735
Securities held-for-trading	-	-	-	-	-	-	32,933	32,933
Securities available-for-sale	-	-	-	-	39,152	-	6,272	45,424
Securities held-to-maturity	-	-	-	-	-	-	15,052	15,052
Loans, advances and financing	15,223	39,809	35,995	264,736	49,791	33	(12,643)	392,944
Other assets	695	-	-	-	128	302	742,473	743,598
Investments in associates	-	-	-	-	-	-	2,471	2,471
Prepaid land lease payments	-	-	-	-	-	-	2,535	2,535
Property and equipment	-	-	-	-	-	-	29,229	29,229
Deferred tax assets	-	-	-	-	-	-	2,021	2,021
Intangible assets	-	-	-	-	-	-	13,544	13,544
TOTAL ASSETS	810,796	40,001	36,538	264,736	89,071	335	888,989	2,130,466

44. RISK MANAGEMENT POLICY (CONTD.)

2010 Group	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES AND EQUITY								
Deposits from customers	-	-	-	-	13,917	-	-	13,917
Deposits and placements of banks and other financial institutions	219,497	290,000	99,632	-	-	-	-	609,129
Derivative financial liabilities	-	-	-	-	-	-	467	467
Other liabilities	1,033	442	241	-	2,688	-	798,427	802,831
Term loans	15,146	-	-	-	-	-	-	15,146
Redeemable unsecured bonds	-	-	-	-	-	135,000	-	135,000
Total Liabilities	235,676	290,442	99,873	-	16,605	135,000	798,894	1,576,490
Share capital	-	-	-	-	-	-	200,000	200,000
Reserves	-	-	-	-	-	-	353,976	353,976
Shareholders' equity	-	-	-	-	-	-	553,976	553,976
TOTAL LIABILITIES AND EQUITY	235,676	290,442	99,873	-	16,605	135,000	1,352,870	2,130,466
Net maturity mismatch	575,120	(250,441)	(63,335)	264,736	72,466	(134,665)	(463,881)	-

44. RISK MANAGEMENT POLICY (CONTD.)

2009 Group	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	878,226	-	-	-	-	-	28,881	907,107
Securities purchased under resale agreements	16,807	-	-	-	-	-	-	16,807
Deposits and placements with banks and other financial institutions	460	11	799	-	-	-	-	1,270
Securities held-for-trading	-	-	-	-	-	-	10,984	10,984
Securities available-for-sale	-	-	-	-	23,605	18,105	7,061	48,771
Securities held-to-maturity	-	-	-	97,614	-	-	15,805	113,419
Loans, advances and financing	31,942	13,363	53,144	146,626	19,944	-	(11,311)	253,708
Derivative financial assets	-	-	-	-	-	-	5,800	5,800
Other assets	2,780	-	-	-	141	338	458,139	461,398
Investments in associates	-	-	-	-	-	-	2,291	2,291
Prepaid land lease payments	-	-	-	-	-	-	2,595	2,595
Property and equipment	-	-	-	-	-	-	38,612	38,612
Deferred tax assets	-	-	-	-	-	-	1,485	1,485
Intangible assets	-	-	-	-	-	-	54,241	54,241
Assets classified as held for sale	99,180	1,241	-	-	-	-	2,661	103,082
TOTAL ASSETS	1,029,395	14,615	53,943	244,240	43,690	18,443	617,244	2,021,570

44. RISK MANAGEMENT POLICY (CONTD.)

2009 **Group**	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 6 months RM'000**	**>6 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non specific maturity RM'000**	**Total RM'000**
LIABILITIES AND EQUITY								
Deposits from customers	71,307	-	-	100,000	14,309	-	-	185,616
Deposits and placements of banks and other financial institutions	145,430	220,000	150,000	-	51,049	-	-	566,479
Derivative financial liabilities	-	-	-	-	-	-	22,279	22,279
Other liabilities	8,876	16,724	1,191	24	-	-	535,350	562,165
Redeemable unsecured subordinated bonds	-	-	-	-	135,000	-	-	135,000
Liabilities directly associated to assets classified as held for sale	721	24,890	-	-	-	-	-	25,611
Total Liabilities	226,334	261,614	151,191	100,024	200,358	-	557,629	1,497,150
Share capital	-	-	-	-	-	-	200,000	200,000
Reserves	-	-	-	-	-	-	324,420	324,420
Shareholders' equity	-	-	-	-	-	-	524,420	524,420
TOTAL LIABILITIES AND EQUITY	226,334	261,614	151,191	100,024	200,358	-	1,082,049	2,021,570
Net maturity mismatch	803,061	(246,999)	(97,248)	144,216	(156,668)	18,443	(464,805)	-

44. RISK MANAGEMENT POLICY (CONTD.)

2010 Bank	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	716,987	-	-	-	-	-	27,188	744,175
Securities held-for-trading	-	-	-	-	-	-	32,880	32,880
Securities available-for-sale	-	-	-	-	39,152	-	4,072	43,224
Securities held-to-maturity	-	-	-	-	-	-	15,050	15,050
Loans, advances and financing	15,223	39,809	35,995	264,736	49,791	-	(12,643)	392,911
Other assets	695	-	-	-	128	302	431,448	432,573
Investments in subsidiaries	-	-	-	-	-	-	88,231	88,231
Investments in associates	-	-	-	-	-	-	100	100
Prepaid land lease payments	-	-	-	-	-	-	2,535	2,535
Property and equipment	-	-	-	-	-	-	26,605	26,605
Deferred tax assets	-	-	-	-	-	-	1,707	1,707
Intangible assets	-	-	-	-	-	-	2,281	2,281
TOTAL ASSETS	732,905	39,809	35,995	264,736	89,071	302	619,454	1,782,272

44. RISK MANAGEMENT POLICY (CONTD.)

2010 Bank	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES AND EQUITY								
Deposits from customers	-	-	-	-	13,917	-	-	13,917
Deposits and placements of banks and other financial institutions	219,497	290,000	99,632	-	-	-	-	609,129
Derivative financial liabilities	-	-	-	-	-	-	467	467
Other liabilities	1,033	442	241	-	-	2,688	502,333	506,737
Redeemable unsecured subordinated bonds	-	-	-	-	-	135,000	-	135,000
Total Liabilities	220,530	290,442	99,873	-	13,917	137,688	502,800	1,265,250
Share capital	-	-	-	-	-	-	200,000	200,000
Reserves	-	-	-	-	-	-	317,022	317,022
Shareholders' equity	-	-	-	-	-	-	517,022	517,022
TOTAL LIABILITIES AND EQUITY	220,530	290,442	99,873	-	13,917	137,688	1,019,822	1,782,272
Net maturity mismatch	512,375	(250,633)	(63,878)	264,736	75,154	(137,386)	(400,368)	-

44. RISK MANAGEMENT POLICY (CONTD.)

2009 Bank	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	758,946	-	-	-	-	-	18,244	777,190
Securities held-for-trading	-	-	-	-	-	-	10,752	10,752
Securities available-for-sale	-	-	-	-	23,605	18,105	4,861	46,571
Securities held-to-maturity	-	-	-	97,614	-	-	15,803	113,417
Loans, advances and financing	31,942	13,363	53,144	146,626	19,944	-	(11,311)	253,708
Derivative financial assets	-	-	-	-	-	-	5,800	5,800
Other assets	828	-	-	-	141	338	328,341	329,648
Investments in subsidiaries	-	-	-	-	-	-	88,231	88,231
Investments in associates	-	-	-	-	-	-	100	100
Prepaid land lease payments	-	-	-	-	-	-	2,595	2,595
Property and equipment	-	-	-	-	-	-	35,163	35,163
Intangible assets	-	-	-	-	-	-	6,537	6,537
Assets classified as held for sale	-	-	-	-	-	-	48,807	48,807
TOTAL ASSETS	791,716	13,363	53,144	244,240	43,690	18,443	553,923	1,718,519

44. RISK MANAGEMENT POLICY (CONTD.)

2009 Bank	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
LIABILITIES AND EQUITY								
Deposits from customers	71,307	-	-	100,000	14,309	-	-	185,616
Deposits and placements of banks and other financial institutions	145,430	220,000	150,000	-	51,049	-	-	566,479
Derivative financial liabilities	-	-	-	-	-	-	22,279	22,279
Other liabilities	4,002	633	1,191	-	-	-	356,330	362,156
Redeemable unsecured subordinated bonds	-	-	-	-	135,000	-	-	135,000
Total Liabilities	220,739	220,633	151,191	100,000	200,358	-	378,609	1,271,530
Share capital	-	-	-	-	-	-	200,000	200,000
Reserves	-	-	-	-	-	-	246,989	246,989
Shareholders' equity	-	-	-	-	-	-	446,989	446,989
TOTAL LIABILITIES AND EQUITY	220,739	220,633	151,191	100,000	200,358	-	825,598	1,718,519
Net maturity mismatch	570,977	(207,270)	(98,047)	144,240	(156,668)	18,443	(271,675)	-

44. RISK MANAGEMENT POLICY (CONTD.)

CREDIT RISK MANAGEMENT

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

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

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

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

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

OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss from a breakdown in internal processes, 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 Bank 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 Bank's Internal Audit team.

44. RISK MANAGEMENT POLICY (CONTD.)

LEGAL AND REGULATORY RISK

The Bank also manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organization to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimize these risks, staff training and assessments, provision of advise and disseminating of information.

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 Bank both for revenue purposes as well as to manage the Bank's own market risk exposure. The Bank's involvement in financial derivatives is currently focused on interest rate derivatives and foreign exchange rate derivatives.

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

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

For revenue purposes the Bank maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate and foreign exchange rate exposures. Derivative transactions generate income for the Bank from the buy-sell spreads. The Bank 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 Bank uses derivatives to manage the Bank's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Bank uses them to reduce the overall interest rate and foreign exchange rate exposures of the Bank. 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 Bank. The Bank 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 Bank.

44. RISK MANAGEMENT POLICY (CONTD.)

Risk associated with financial derivatives

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

Market risk of derivatives used for trading purposes

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

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measure that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a 90-day period at a 99% confidence level under normal market condition.

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

Credit risk of derivatives

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivative contracts. Unlike conventional asset instruments, the Bank'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 Bank will only suffer a replacement cost if the contract carries a fair value gain at time of default.

45. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of $FRS132_{2004}$ (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:

	Group		Bank	
2010	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Assets				
Cash and short-term funds	832,988	832,988	744,175	744,175
Securities purchased under resale agreements	16,992	16,992	-	-
Deposits and placements with banks and other financial institutions	735	735	-	-
Securities held-for-trading	32,933	32,933	32,880	32,880
Securities available-for-sale	45,424	45,424	43,224	43,224
Securities held-to-maturity	15,052	15,052	15,050	15,050
Loans, advances and financing *	398,926	398,926	398,893	398,893
Other financial assets	606,749	606,749	301,254	301,254
	1,949,799	1,949,799	1,535,476	1,535,476
Other non-financial assets	180,667		246,796	
TOTAL ASSETS	2,130,466		1,782,272	

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

2010	Group Carrying Amount RM'000	Group Fair Value RM'000	Bank Carrying Amount RM'000	Bank Fair Value RM'000
Financial Liabilities				
Deposits from customers	13,917	13,917	13,917	13,917
Deposits and placements of banks and other financial institutions	609,129	609,129	609,129	609,129
Derivative financial liabilities	467	467	467	467
Term loans	15,146	15,146	-	-
Redeemable unsecured bonds	135,000	149,280	135,000	149,280
Other financial liabilities	689,366	689,366	401,435	401,435
	1,463,025	1,477,305	1,159,948	1,174,228
Non-Financial Liabilities				
Other non-financial liabilities	113,465		105,302	
Shareholder's equity	553,976		517,022	
	667,441		622,324	
TOTAL LIABILITIES AND EQUITY	2,130,466		1,782,272	
2009				
Financial Assets				
Cash and short-term funds	907,107	907,107	777,190	777,190
Securities purchased under resale agreements	16,807	16,807	-	-
Deposits and placements with banks and other financial institutions	1,270	1,270	-	-
Securities held-for-trading	10,984	10,984	10,752	10,752
Securities available-for-sale	48,771	48,771	46,571	46,571
Securities held-to-maturity	113,419	99,140	113,417	99,138
Loans, advances and financing *	257,570	257,570	257,570	257,570
Derivative financial assets	5,800	5,800	5,800	5,800
Assets classified as held for sale - Financial assets	86,623	86,623	-	-
Other financial assets	332,205	332,205	197,337	197,337
	1,780,556	1,766,277	1,408,637	1,394,358
Assets classified as held for sale - non financial assets	16,459		48,807	
Non-financial assets	224,555		261,075	
TOTAL ASSETS	2,021,570		1,718,519	

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

	Group		Bank	
2009	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Liabilities				
Deposits from customers	185,616	184,191	185,616	184,191
Deposits and placements of banks and other financial institutions	566,479	567,431	566,479	567,431
Derivative financial liabilities	22,279	22,279	22,279	22,279
Redeemable unsecured subordinated bonds	135,000	148,444	135,000	148,444
Liabilities directly associated with assets classified as held for sale				
- Financial liabilities	5,079	26,049	-	-
Other financial liabilities	469,983	469,983	276,923	276,923
	1,384,436	1,418,377	1,186,297	1,199,268
Non-Financial Liabilities				
Liabilities directly associated with assets classified as held for sale				
- Non financial liabilities	20,532		-	
Other non-financial liabilities	92,182		85,233	
Shareholder's equity	524,420		446,989	
	637,134		532,222	
TOTAL LIABILITIES AND EQUITY	2,021,570		1,718,519	

* The general allowance for loans, advances and financing for the Group and the Bank amounting to RM5,982,000 (RM3,862,000 in 2009) and RM5,982,000 (RM3,862,000 in 2009) respectively has been included under non-financial assets.

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

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

(a) Cash and Short-Term Funds

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

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

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

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

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

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

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

45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(e) Deposits From Customers, Deposits and Placements of Banks and Other Financial Institutions and Obligations on Securities Sold Under Repurchase Agreements

The fair value of deposits liabilities payable on demand ("current and savings deposits") or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date.

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

(f) Term Loans and Debt Capital ("Borrowings")

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

(g) Interest Rate Swaps, Futures and Forward Rate Agreements

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

(h) Short Term Financial Assets and Financial Liabilities

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

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

(i) Derivative Financial Instruments

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

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.

46. CAPITAL ADEQUACY RATIO

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

	2010		2009	
	Group	**Bank**	**Group**	**Bank**
Before deducting proposed dividends:				
Core capital ratio	23.98%	28.29%	27.14%	28.13%
Risk-weighted capital ratio	29.37%	30.07%	34.16%	28.13%
After deducting proposed dividend:				
Core capital ratio	21.73%	25.51%	27.14%	28.13%
Risk-weighted capital ratio	27.13%	27.30%	34.16%	28.13%

The capital adequacy ratio of the Group refers to the consolidated capital base as a ratio of the consolidated risk-weighted assets of AmInvestment Bank Berhad and its subsidiaries. The capital adequacy ratio of the Bank refers to the capital base as a ratio of the risk-weighted assets of AmInvestment Bank Berhad for the financial year.

The capital adequacy ratios of AmInvestment Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). AmInvestment Bank 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 8.0% for the risk-weighted capital ratio.

The detailed disclosures on the risk-weighted assets, as set out in Notes 46 (c), (d), and (e) are presented in accordance with para 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 are effective for financial reports for periods beginning on or after 1 January 2008.

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Tier 1 capital				
Paid-up ordinary share capital	200,000	200,000	200,000	200,000
Statutory reserve	200,000	200,000	200,000	200,000
Capital reserve	2,815	-	2,815	-
Merger reserve	7,656	-	-	-
Exchange fluctuation reserve	24,172	-	24,899	6,840
Unappropriated profits at end of year	116,133	113,874	80,240	31,391
Total	550,776	513,874	507,954	438,231
Less: Goodwill	(11,243)	-	(47,685)	-
Deferred tax (assets)/liabilities - net	(4,870)	(4,556)	8,601	8,507
Total tier 1 capital	534,663	509,318	468,870	446,738
Tier 2 capital				
Subordinated bonds	135,000	135,000	135,000	135,000
General allowance for bad and doubtful debts	9,768	9,768	4,330	4,330
Total tier 2 capital	144,768	144,768	139,330	139,330
Total capital funds	679,431	654,086	608,200	586,068
Less: Investment in capital of related financial institution	(24,448)	(24,448)	(18,105)	(18,105)
Less: Investment in subsidiaries	-	(88,231)	-	(122,671)
Capital base	654,983	541,407	590,095	445,292

The breakdown of risk-weighted assets of the Group and the Bank in the various risk categories are as follows:

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Credit risk	1,652,878	1,287,199	1,373,712	1,270,849
Market risk	148,712	148,564	127,467	127,467
Operational risk	428,455	364,560	226,052	184,082
Large exposure risk requirements for single equity	-	-	405	405
	2,230,045	1,800,323	1,727,636	1,582,803

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

2010
Group

Exposure Class

		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks		89	89	-	-
	Public Sector Entities		-	-	-	-
	Banks, Development Financial Institutions & MDBs, Insurance Cos, Securities Firms & Fund Managers		674,086	674,086	139,425	11,154
	Corporates		347,712	39,827	57,882	4,631
	Regulatory Retail		39,145	5,477	4,108	329
	Residential Mortgages		6,680	6,680	2,459	197
	Higher Risk Assets		17,350	17,350	26,025	2,082
	Other Assets		969,083	969,083	947,687	75,815
	Specialised Financing/Investment					
	Equity Exposure		4,074	4,074	4,074	326
	Securitisation Exposures		-	-	-	-
	Defaulted Exposures		32,523	31,272	46,909	3,753
	Total for On-Balance Sheet Exposures		2,090,742	1,747,938	1,228,569	98,287
	Off-Balance Sheet Exposures					
	OTC Derivatives		-	-	-	-
	Credit Derivatives		-	-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives		437,736	437,736	424,309	33,945
	Defaulted Exposures		-	-	-	-
	Total for Off-Balance Sheet Exposures		437,736	437,736	424,309	33,945
	Total On and Off-Balance Sheet Exposures		2,528,478	2,185,674	1,652,878	132,232
2.	**Large Exposures Risk Requirement**		-	-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk	201	201	-	12	1
	Foreign Currency Risk	38,482	-	-	38,482	3,079
	Equity Risk					
	- General risk	61,106	-	-	61,106	4,888
	- Specific risk	61,106	-	-	40,016	3,201
	Option Risk	6,615	-	-	9,096	728
	Total	167,510	201	-	148,712	11,897
4.	Operational Risk				428,455	34,276
5.	Total RWA and Capital Requirements				2,230,045	178,405

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

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

2009
Group

Exposure Class

		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks		76	76	-	-
	Public Sector Entities		-	-	-	-
	Banks, Development Financial Institutions & MDBs, Insurance Cos, Securities Firms & Fund Managers		742,004	742,004	181,924	14,554
	Corporates		194,779	17,154	30,836	2,467
	Regulatory Retail		31,095	4,259	2,916	233
	Residential Mortgages		8,904	8,904	3,251	260
	Higher Risk Assets		15,902	15,902	23,854	1,908
	Other Assets		737,094	737,094	628,812	50,305
	Specialised Financing/Investment					
	Equity Exposure		5,861	5,861	5,861	469
	Securitisation Exposures		-	-	-	-
	Defaulted Exposures		31,736	31,270	46,876	3,750
	Total for On-Balance Sheet Exposures		1,767,451	1,562,523	924,330	73,946
	Off-Balance Sheet Exposures					
	OTC Derivatives		-	-	-	-
	Credit Derivatives		-	-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives		462,825	462,825	449,382	35,951
	Defaulted Exposures		-	-	-	-
	Total for Off-Balance Sheet Exposures		462,825	462,825	449,382	35,951
	Total On and Off-Balance Sheet Exposures		2,230,276	2,025,348	1,373,712	109,897
2.	**Large Exposures Risk Requirement**		202	202	405	32
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk					
	Foreign Currency Risk	27,725	27,996	-	27,996	2,240
	Equity Risk					
	- General risk	10,752	-	-	10,752	860
	- Specific risk	141,550	-	-	88,719	7,098
	Total	180,027	27,996	-	127,467	10,198
4.	Operational Risk				226,052	18,084
5.	Total RWA and Capital Requirements				1,727,636	138,211

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

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

2010
Bank

Exposure Class

		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks	89		89	-	-
	Public Sector Entities	-		-	-	-
	Banks, Development Financial Institutions & MDBs, Insurance Cos, Securities Firms & Fund Managers	585,147		585,147	121,638	9,731
	Corporates	330,719		22,835	40,890	3,271
	Regulatory Retail	39,145		5,478	4,108	329
	Residential Mortgages	6,680		6,680	2,459	197
	Higher Risk Assets	15,150		15,150	22,725	1,818
	Other Assets	641,477		641,477	620,089	49,607
	Specialised Financing/Investment	-		-	-	-
	Equity Exposure	4,072		4,072	4,072	326
	Securitisation Exposures	-		-	-	-
	Defaulted Exposures	32,523		31,272	46,909	3,753
	Total for On-Balance Sheet Exposures	1,655,002		1,312,200	862,890	69,032
	Off-Balance Sheet Exposures					
	OTC Derivatives	-		-	-	-
	Credit Derivatives	-		-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives	437,736		437,736	424,309	33,945
	Defaulted Exposures	-		-	-	-
	Total for Off-Balance Sheet Exposures	437,736		437,736	424,309	33,945
	Total On and Off-Balance Sheet Exposures	2,092,738		1,749,936	1,287,199	102,977
2.	**Large Exposures Risk Requirement**	-		-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk	201	201	-	12	1
	Foreign Currency Risk	38,482	-	-	38,482	3,079
	Equity Risk					
	- General risk	61,052	-	-	61,052	4,884
	- Specific risk	61,052	-	-	39,922	3,194
	Option Risk	6,615	-	-	9,096	728
	Total	167,402	201	-	148,564	11,886
4.	Operational Risk				364,560	29,165
5.	Total RWA and Capital Requirements				1,800,323	144,028

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

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

2009
Bank

Exposure Class

		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks		76	76	-	-
	Public Sector Entities		-	-	-	-
	Banks, Development Financial Institutions & MDBs, Insurance Cos, Securities Firms & Fund Managers		742,004	742,004	181,924	14,554
	Corporates		194,779	17,154	30,559	2,445
	Regulatory Retail		31,095	4,259	3,194	256
	Residential Mortgages		8,904	8,904	3,251	260
	Higher Risk Assets		15,902	15,902	23,854	1,908
	Other Assets		528,506	528,506	525,948	42,076
	Specialised Financing/Investment		-	-	-	-
	Equity Exposure		5,861	5,861	5,861	469
	Securitisation Exposures		-	-	-	-
	Defaulted Exposures		31,736	31,270	46,876	3,750
	Total for On-Balance Sheet Exposures		1,558,863	1,353,936	821,467	65,718
	Off-Balance Sheet Exposures					
	OTC Derivatives		-	-	-	-
	Credit Derivatives		-	-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives		462,825	462,825	449,382	35,951
	Defaulted Exposures		-	-	-	-
	Total for Off-Balance Sheet Exposures		462,825	462,825	449,382	35,951
	Total On and Off-Balance Sheet Exposures		2,021,688	1,816,761	1,270,849	101,669
2.	**Large Exposures Risk Requirement**		202	202	405	32
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk	-	-	-	-	-
	Foreign Currency Risk	27,725	27,996	-	27,996	2,240
	Equity Risk					
	- General risk	10,752	-	-	10,752	860
	- Specific risk	141,550	-	-	88,719	7,098
	Foreign Risk	-	-	-	-	-
	Option Risk	-	-	-	-	-
	Total	180,027	27,996	-	127,467	10,198
4.	Operational Risk				184,082	14,727
5.	Total RWA and Capital Requirements				1,582,803	126,626

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

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

2010
Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	89	-	-	-	-	-	-	-	14	-	-	-	103	-
20%	-	-	658,726	-	-	-	-	-	26,729	-	-	-	685,455	137,091
35%	-	-	-	-	-	-	5,874	-	-	-	-	-	5,874	2,056
50%	-	-	15,360	-	-	-	806	-	-	-	-	-	16,166	8,083
75%	-	-	-	-	-	5,566	-	-	-	-	-	-	5,566	4,175
100%	-	-	-	-	468,172	-	-	-	942,340	-	-	4,074	1,414,586	1,414,586
150%	-	-	-	-	40,516	58	-	17,350	-	-	-	-	57,924	86,887
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	89	-	674,086	-	508,688	5,624	6,680	17,350	969,083	-	-	4,074	2,185,674	1,652,878

ii) The breakdown of credit risk exposures by risk weights of the Bank for the current financial year are as follows:

2010
Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	89	-	-	-	-	-	-	-	5	-	-	-	94	-
20%	-	-	569,787	-	-	-	-	-	26,729	-	-	-	596,516	119,303
35%	-	-	-	-	-	-	5,874	-	-	-	-	-	5,874	2,056
50%	-	-	15,360	-	-	-	806	-	-	-	-	-	16,166	8,083
75%	-	-	-	-	-	5,566	-	-	-	-	-	-	5,566	4,175
100%	-	-	-	-	451,181	-	-	-	614,743	-	-	4,072	1,069,996	1,069,996
150%	-	-	-	-	40,516	58	-	15,150	-	-	-	-	55,724	83,586
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	89	-	585,147	-	491,697	5,624	6,680	15,150	641,477	-	-	4,072	1,749,936	1,287,199

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

2009

Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	76	-	-	-	-	-	-	-	5	-	-	-	81	-
20%	-	-	630,261	-	-	-	-	-	135,346	-	-	-	765,607	153,121
35%	-	-	-	-	-	-	8,004	-	-	-	-	-	8,004	2,802
50%	-	-	111,743	-	-	-	900	-	-	-	-	-	112,643	56,321
75%	-	-	-	-	-	4,412	-	-	-	-	-	-	4,412	3,308
100%	-	-	-	-	479,826	-	59	-	601,742	-	-	5,861	1,087,488	1,087,488
150%	-	-	-	-	31,135	76	-	15,902	-	-	-	-	47,113	70,672
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	76	-	742,004	-	510,961	4,488	8,963	15,902	737,093	-	-	5,861	2,025,348	1,373,712

ii) The breakdown of credit risk exposures by risk weights of the Bank for the current financial year are as follows:

2009

Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	76	-	-	-	-	-	-	-	5	-	-	-	81	-
20%	-	-	630,261	-	-	-	-	-	3,191	-	-	-	633,452	126,690
35%	-	-	-	-	-	-	8,004	-	-	-	-	-	8,004	2,801
50%	-	-	111,743	-	-	-	900	-	-	-	-	-	112,643	56,321
75%	-	-	-	-	-	4,412	-	-	-	-	-	-	4,412	3,309
100%	-	-	-	-	479,826	-	59	-	525,310	-	-	5,861	1,011,056	1,011,056
150%	-	-	-	-	31,135	76	-	15,902	-	-	-	-	47,113	70,672
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	76	-	742,004	-	510,961	4,488	8,963	15,902	528,506	-	-	5,861	1,816,761	1,270,849

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

2010
Group

	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Credit-Related Exposures				
Guarantees given on behalf of customers	437,648		437,648	424,243
Obligations under underwriting agreements	6,615		-	-
Irrevocable commitments to extend credit maturing:				
- within one year	166,459		-	-
- more than one year	4,444		88	66
	615,166		437,736	424,309
Derivative Financial Instruments				
Equity related contracts:				
Equity futures				
- One year or less	28,173		-	-
	28,173	-	-	-
Other Treasury-related Exposures				
Forward purchase commitments	206		-	-
Total	**643,545**	**-**	**437,736**	**424,309**
		Note 12	<---------------Note 46(c)----------------->	

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

2010
Bank

	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Credit-Related Exposures				
Guarantees given on behalf of customers	437,648		437,648	424,243
Obligations under underwriting agreements	6,615		-	-
Irrevocable commitments to extend credit maturing:				
- within one year	166,459		-	-
- more than one year	4,444		88	66
	615,166		437,736	424,309
Derivative Financial Instruments				
Equity related contracts:				
Equity futures				
- One year or less	28,173		-	-
	28,173	-	-	-
Other Treasury-related Exposures				
Forward purchase commitments	206		-	-
Total	**643,545**	**-**	**437,736**	**424,309**
		Note 12	<---------------Note 46(c)----------------->	

46. CAPITAL ADEQUACY RATIO (CONTD.)

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

2009
Group

	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Credit-Related Exposures				
Guarantees given on behalf of customers	462,672		462,672	449,267
Irrevocable commitments to extend credit maturing:				
- within one year	100,147		-	-
- more than one year	1,328		153	115
	564,147		462,825	449,382
Derivative Financial Instruments				
Equity related contracts:				
Options				
- One year or less	127,290	5,800	-	-
Equity futures				
- One year or less	8,262		-	-
	135,552	5,800	-	-
Total	**699,699**	**5,800**	**462,825**	**449,382**
		Note 12	<---------------Note 46(c)	----------------->

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

2009
Bank

	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
Credit-Related Exposures				
Guarantees given on behalf of customers	462,672		462,672	449,267
Irrevocable commitments to extend credit maturing:				
- within one year	100,147		-	-
- more than one year	1,328		153	115
	564,147		462,825	449,382
Derivative Financial Instruments				
Equity related contracts:				
Options				
- One year or less	127,290	5,800	-	-
Equity futures				
- One year or less	8,262		-	-
	135,552	5,800	-	-
Total	**699,699**	**5,800**	**462,825**	**449,382**
		Note 12	<---------------Note 46(c)	----------------->

47. OTHER SIGNIFICANT AND SUBSEQUENT EVENTS

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

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

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

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

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

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

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

48. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As disclosed in Note 47 (a) (iii) & (iv) above, the Group had discontinued its fund management business and transferred its subsidiaries, AmInvestment Management Sdn Bhd ("AIM") and AmInvestment Services Sdn Bhd ("AIS") to AIGB on 1 April 2009.

As at 31 March 2009, the assets and liabilities of AIM and AIS have been presented in the Group balance sheet as disposal group held for sale and results from these subsidiaries are presented separately on the Group income statement as discontinued operations.The carrying amount of the investment in these subsidiaries have also been presented as asset held for sale on the Bank's balance sheet as at 31 March 2009.

An analysis of the result of the discontinued operations are as follows:

	2010 Group RM'000	2009 Group RM'000
Operating revenue	-	73,478
Interest income	-	1,783
Other operating income	-	71,695
Net Income	-	73,478
Other operating expenses	-	(37,468)
Profit from discontinued operations before tax (Note 34)	-	36,010
Taxation (Note 34)	-	(3,777)
Profit for the year from discontinued operations	-	32,233

The following amounts have been included in arriving at profit from discontinued operations:

	2010 Group RM'000	2009 Group RM'000
Depreciation of property and equipment	-	443
Amortisation of computer software	-	139
Rental	-	1,423
Hire of motor vehicles and office equipment	-	1,263
Directors' remuneration	-	1,603
Auditors' remuneration:		
Group auditor:		
Statutory audit	-	30
Property and equipment written off	-	6

Personnel/staff costs include salaries, bonuses, contributions to employees provident fund and all other staff related expenses. Contributions to employees provident fund of the discontinued operations amounted to RM NIL (RM 3,404,000 in 2009).

The cash flows attributable to the discontinued operations are as follows:

Operating cash flows	-	39,792
Investing cash flows	-	151
Financing cash flows	-	(11,193)
Total cashflows	-	28,750

48. DISCONTINUED OPERATIONS AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTD.)

The major classes of assets and liabilities of AIM and AIS classified as held for sale on the Group balance sheet as at 31 March 2009 are as follows:

	Carrying amount as at 31 March 2009
Assets	
Cash and short-term funds (Note 5)	80,116
Other assets (Note 13)	20,535
Property and equipment (Note 17)	1,459
Intangible assets (Note 18)	972
	103,082
Liabilities	
Other liabilities (Note 21)	25,611

The asset classified as held for sale on the Bank's balance sheet as at 31 March 2009 is as follows:

	Carrying amount as at 31 March 2009
Assets	
Investment in Subsidiaries	48,807

49. CHANGES IN THE COMPOSITION OF THE GROUP AND THE BANK

On 1 April 2009, the Bank acquired 100% equity interest in AmResearch Sdn Bhd ("AMR") and AmFutures Sdn Bhd ("AMF") from AmSecurities Holdings Sdn Bhd pursuant to the reorganisation by AMMB Holdings Berhad of the Group's business operations after the privatisation of AmInvestment Group Berhad. The shareholding interest in these subsidiaries are acquired at their book values.

	As at 31 Mar 2009 AMR RM'000	As at 31 Mar 2009 AMF RM'000
ASSETS		
Cash and short-term funds	3,956	73,910
Securities purchased under resale agreements	-	16,807
Securities available-for-sale	-	2,200
Other assets	25	11,399
Property and equipment	170	361
Intangible assets	12	6
	4,163	104,683
LIABILITIES AND SHAREHOLDER'S EQUITY		
Other liabilities	1,489	85,334
Total liabilities	1,489	85,334
Share capital	500	15,000
Reserves	2,174	4,349
Shareholder's equity	2,674	19,349
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	4,163	104,683

As the Bank and the subsidiaries above are entities under common control, the transaction has been accounted for via the pooling of interest method ("Merger"). Under the pooling of interest method, the results of both subsidiaries above, together with the assets and liabilities are included in the financial statements of the Group as if the merger had been effected prior to and throughout the current financial year. As the merger was effected on 1 April 2009, the comparative figures for this financial year had been restated.

49. CHANGES IN THE COMPOSITION OF THE GROUP AND THE BANK (CONT'D.)

On 1 April 2009, the Bank divested its 100% equity interest in AmInvesment Management Sdn Bhd ("AIM") and AmInvestment Services Berhad ("AIS") at book values to AmInvestment Group Berhad.

The balance sheets are as follows:

	As at 31 Mar 2009 AIM RM'000	As at 31 Mar 2009 AIS RM'000
ASSETS		
Cash and short-term funds	22,133	57,983
Other assets	5,619	15,896
Property and equipment	1,041	418
Intangible assets	230	742
TOTAL ASSETS	29,023	75,039
LIABILITIES AND SHAREHOLDER'S EQUITY		
Other liabilities	16,984	29,592
Share capital	2,000	5,539
Reserves	10,039	39,908
Shareholder's equity	12,039	45,447
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	29,023	75,039

50. RESTATEMENT OF COMPARATIVES

The comparative amounts which have been reclassified to conform with the current period's presentation which better reflect the nature of the items are as follows:

	As previously stated RM'000	Effect of change arising from pooling of interest method (Note 49) RM'000	Effect of other reclassifications RM'000	As restated RM'000
Group				
Balance Sheet as at 31 March 2009				
ASSETS				
Cash and short-term funds	829,241	77,866	-	907,107
Securities purchased under resale agreements	-	16,807	-	16,807
Securities available-for-sale	46,571	2,200	-	48,771
Other assets	449,989	11,409	-	461,398
Property and equipment	38,081	531	-	38,612
Intangible assets	54,223	18	-	54,241
LIABILITIES				
Other liabilities	475,357	86,808	-	562,165
Reserves	302,397	22,023	-	324,420
Income Statement for the year ended 31 March 2009				
Interest income	112,944	3,358	-	116,302
Interest expense	(70,450)	(867)	-	(71,317)
Other operating income	32,132	11,394	70,737	114,263
Other operating expenses	(154,594)	(10,706)	(70,737)	(236,037)
Taxation	(9,677)	(311)	-	(9,988)
Bank				
Balance Sheet as at 31 March 2009				
ASSETS				
Investments in subsidiaries	73,864	14,367	-	88,231
Reserves	232,622	14,367	-	246,989
Income Statement for the year ended 31 March 2009				
Other operating income	88,294	-	71,174	159,468
Other operating expenses	(125,646)	-	(71,174)	(196,820)

51. ISLAMIC BANKING BUSINESS

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

BALANCE SHEETS
AS AT 31 MARCH 2010

		2010		2009	
	Note	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
ASSETS					
Cash and short-term funds	(ii)	123,734	123,734	43,783	43,783
Other receivables, deposits and prepayments		10,959	10,959	3,366	3,366
Property and equipment	(iv)	90	90	95	95
Intangible assets	(v)	3	3	5	5
TOTAL ASSETS		134,786	134,786	47,249	47,249
LIABILITIES AND ISLAMIC BANKING FUNDS					
Deposits and placements of banks and other financial institutions	(vii)	-	-	250	250
Other liabilities	(viii)	36,127	36,127	10,042	10,042
Total Liabilities		36,127	36,127	10,292	10,292
ISLAMIC BANKING FUNDS					
Capital funds	(ix)	30,000	30,000	30,000	30,000
Reserves		68,659	68,659	6,957	6,957
Islamic Banking Funds		98,659	98,659	36,957	36,957
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		134,786	134,786	47,249	47,249
OFF-BALANCE SHEET EXPOSURES	(xix)(e)	137,895	137,895	160,012	160,012

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

		2010		2009	
	Note	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Income derived from investment of depositors' funds and others	(x)	501	501	410	410
Reversal of allowance for losses on financing	(xi)	-	-	1,801	1,801
Total attributable income		501	501	2,211	2,211
Income attributable to the depositors	(xii)	(2,228)	(2,228)	(647)	(647)
Profit attributable to the Group and the Bank		(1,727)	(1,727)	1,564	1,564
Income derived from investment of Islamic banking funds	(xiii)	92,033	92,033	10,024	10,024
Total net income		90,306	90,306	11,588	11,588
Other operating expenses	(xiv)	(8,041)	(8,041)	(3,295)	(3,295)
Profit before taxation		82,265	82,265	8,293	8,293
Taxation	(xv)	(20,563)	(20,563)	(1,336)	(1,336)
Profit after taxation		61,702	61,702	6,957	6,957

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

		Non-Distributable		Distributable	
	Capital Funds RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated Profit RM'000	Total RM'000
Group					
At 1 April 2008	102,839	52	(733)	213,330	315,488
Profit for the year	-	-	-	6,957	6,957
Amount vested to AmBank	(2,839)	(52)	733	(2,211)	(4,369)
Amount retained by the Bank	(70,000)	-		(211,119)	(281,119)
At 31 March 2009	30,000	-	-	6,957	36,957
At 1 April 2009	30,000	-	-	6,957	36,957
Profit for the year	-	-	-	61,702	61,702
At 31 March 2010	30,000	-	-	68,659	98,659

51. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

		Distributable	
	Capital Funds RM'000	Unappropriated Profit RM'000	Total RM'000
Bank			
At 1 April 2008	100,000	211,119	311,119
Profit for the year	-	6,957	6,957
Amount retained by the Bank	(70,000)	(211,119)	(281,119)
At 31 March 2009	30,000	6,957	36,957
At 1 April 2009	30,000	6,957	36,957
Profit for the year	-	61,702	61,702
At 31 March 2010	30,000	68,659	98,659

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	82,265	82,265	8,293	8,293
Add/(less) adjustments for:				
Depreciation of property and equipment	21	21	20	20
Amortisation of computer software	2	2	1	1
Specific allowance for bad and doubtful financing	-	-	30	30
Net gain on sale of securities held-for-trading	(60,234)	(60,234)	(829)	(829)
Operating profit before working capital changes	22,054	22,054	7,515	7,515
(Increase)/decrease in operating assets:				
Financing activities	-	-	(52,591)	(52,591)
Other receivables, deposits and prepayments	(7,593)	(7,593)	(3,394)	(3,394)
Securities held-for-trading	60,234	60,234	117,799	117,799
Increase/(decrease) in operating liabilities:				
Deposits from customers	-	-	(37,896)	(37,896)
Deposits and placements of banks and other financial institutions	(250)	(250)	(82,747)	(82,747)
Other liabilities	5,521	5,521	734	734
Net cash generated from/(used in) operating activities	79,966	79,966	(50,580)	(50,580)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(15)	(15)	(22)	(22)
Net cash vested to AmIslamic Bank	-	-	(131,366)	(131,366)
Net cash vested to AmBank	-	-	(1)	-
Net cash used in investing activities	(15)	(15)	(131,389)	(131,388)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net capital funds transferred to conventional business	-	-	(281,119)	(281,119)
Net cash used in financing activities	-	-	(281,119)	(281,119)
Net increase/(decrease) in cash and cash equivalents	79,951	79,951	(463,088)	(463,087)
Cash and cash equivalents at beginning of year	43,783	43,783	506,871	506,870
Cash and cash equivalents at end of year	123,734	123,734	43,783	43,783

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisor

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

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

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

Zakat obligations

The Group and Bank do not pay zakat on behalf of the shareholder or depositors.

(ii) CASH AND SHORT TERM FUNDS

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Cash and bank balances	803	803	729	729
Money on call and deposits maturing within one month:				
Licensed banks	122,931	122,931	43,054	43,054
	123,734	123,734	43,783	43,783

51. ISLAMIC BANKING BUSINESS (CONTD.)

(iii) FINANCING ACTIVITIES

Movements in non-performing financing are as follows:

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Gross				
Balance at beginning of year	-	-	23,189	23,189
Vesting to AmIslamic Bank	-	-	(23,189)	(23,189)
Balance at end of year	-	-	-	-
Net NPL as % of gross financing less specific allowance	-	-	-	-

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

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
General Allowance				
Balance at beginning of year	-	-	287	287
Vesting to AmIslamic Bank	-	-	(287)	(287)
Balance at end of year	-	-	-	-
% of total financing less specific allowance	-	-	-	-
Specific Allowance				
Balance at beginning of year	-	-	23,189	23,189
Allowance made during the year	-	-	30	30
Vesting to AmIslamic Bank	-	-	(23,219)	(23,219)
Balance at end of year	-	-	-	-

51. ISLAMIC BANKING BUSINESS (CONTD.)

(iv) PROPERTY AND EQUIPMENT

Group	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2010				
COST				
Balance at beginning of year	73	75	157	305
Additions	15	-	-	15
Reclassification/Transfer	-	(3)	(79)	(82)
At end of year	88	72	78	238
ACCUMULATED DEPRECIATION				
Balance at beginning of year	47	53	110	210
Additions	8	7	6	21
Reclassification/Transfer	-	(3)	(80)	(83)
At end of year	55	57	36	148
NET BOOK VALUE				
As at 31 March 2010	33	15	42	90
2009				
COST				
Balance at beginning of year	69	64	150	283
Additions	4	11	7	22
At end of year	73	75	157	305
ACCUMULATED DEPRECIATION				
Balance at beginning of year	42	44	104	190
Additions	5	9	6	20
At end of year	47	53	110	210
NET BOOK VALUE				
As at 31 March 2009	26	22	47	95

51. ISLAMIC BANKING BUSINESS (CONTD.)

(iv) PROPERTY AND EQUIPMENT (CONTD.)

Bank	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2010				
COST				
Balance at beginning of year	73	75	157	305
Additions	15	-	-	15
Reclassification/Transfer	-	(3)	(79)	(82)
At end of year	88	72	78	238
ACCUMULATED DEPRECIATION				
Balance at beginning of year	47	53	110	210
Additions	8	7	6	21
Reclassification/Transfer	-	(3)	(80)	(83)
At end of year	55	57	36	148
NET BOOK VALUE				
As at 31 March 2010	33	15	42	90
2009				
COST				
Balance at beginning of year	69	64	150	283
Additions	4	11	7	22
At end of year	73	75	157	305
ACCUMULATED DEPRECIATION				
Balance at beginning of year	42	44	104	190
Additions	5	9	6	20
At end of year	47	53	110	210
NET BOOK VALUE				
As at 31 March 2009	26	22	47	95

51. ISLAMIC BANKING BUSINESS (CONTD.)

(v) INTANGIBLE ASSETS

Computer Software	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
COST				
At beginning of year	12	12	10	10
Additions	-	-	2	2
At end of year	12	12	12	12
ACCUMULATED AMORTISATION				
At beginning of year	7	7	6	6
Additions	2	2	1	1
At end of year	9	9	7	7
NET CARRYING AMOUNT	3	3	5	5

(vi) DEFERRED TAX ASSETS

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Balance at beginning of year	-	-	82	82
Vested to AmIslamic Bank	-	-	(82)	(82)
Balance at end of year	-	-	-	-

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

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Mudarabah Fund				
Licensed Islamic banks	-	-	250	250

(viii) OTHER LIABILITIES

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Other payables and accruals	8,208	8,208	1,674	1,674
Amount owing to head office	(613)	(613)	401	401
Taxation and zakat payable	28,524	28,524	7,953	7,953
Deferred tax liabilities	8	8	14	14
	36,127	36,127	10,042	10,042

The movements in profit equalisation reserve are as follows:

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Balance at beginning of year	-	-	335	95
Vesting to AmIslamic Bank	-	-	(335)	(95)
Balance at end of year	-	-	-	-

51. ISLAMIC BANKING BUSINESS (CONTD.)

(ix) CAPITAL FUNDS

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Allocated:				
Balance at beginning and end of year	30,000	30,000	102,839	100,000
Decrease during the year	-	-	(70,000)	(70,000)
Vested to AmIslamic Bank	-	-	(2,839)	-
Balance at end of year	30,000	30,000	30,000	30,000
Utilised:				
Balance at beginning and end of year	30,000	30,000	102,839	100,000
Decrease during the year	-	-	(70,000)	(70,000)
Vested to AmIslamic Bank	-	-	(2,839)	-
Balance at end of year	30,000	30,000	30,000	30,000

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

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Income derived from investment of:				
(i) general investment deposits	-	-	10	10
(ii) others	501	501	400	400
	501	501	410	410

(i) Income derived from investment of general investment deposits

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Finance income and hibah:				
Securities held-for-trading	-	-	3	3
Money at call and deposits with financial institutions	-	-	7	7
	-	-	10	10

51. ISLAMIC BANKING BUSINESS (CONTD.)

(x) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTD.)

(ii) Income derived from investment of other deposits

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Finance income and hibah:				
Financing activities	-	-	13	13
Securities held-for-trading	-	-	98	98
Money at call and deposits with financial institutions	501	501	289	289
	501	501	400	400

(xi) (REVERSAL OF ALLOWANCE)/ALLOWANCE FOR LOSSES ON FINANCING

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Allowance for bad and doubtful financing:				
- specific allowance (net)	-	-	30	30
Bad debts recovered	-	-	(1,831)	(1,831)
	-	-	(1,801)	(1,801)

(xii) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	2010		2009	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Deposits from customers				
- Mudarabah Fund	-	-	41	41
Deposits and placements of banks and other financial institutions				
- Mudarabah Fund	-	-	606	606
Other deposit and placement from Head Office	2,228	2,228	-	-
	2,228	2,228	647	647

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xiii) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Finance income and hibah:				
Financing activities	-	-	78	78
Securities held-for-trading	-	-	330	330
Money at call and deposits with financial institution	1,367	1,367	1,062	1,062
	1,367	1,367	1,470	1,470
Net gain from sale of securities held-for-trading	60,234	60,234	829	829
Fee and commission income:				
Brokerage fees and commissions	1,480	1,480	-	-
Corporate advisory	535	535	-	-
Guarantee fees	1,902	1,902	1,716	1,716
Other fee income	26,515	26,515	6,009	6,009
	30,432	30,432	7,725	7,725
Total	92,033	92,033	10,024	10,024

(xiv) OTHER OPERATING EXPENSES

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Personnel costs	7,435	7,435	2,993	2,993
Establishment costs	254	254	298	298
Marketing and communication expenses	97	97	237	237
Administration and general expenses	213	213	(233)	(233)
Service transfer pricing expenses	42	42	-	-
	8,041	8,041	3,295	3,295

(xv) TAXATION

	2010 Group RM'000	2010 Bank RM'000	2009 Group RM'000	2009 Bank RM'000
Estimated current tax payable	20,569	20,569	1,336	1,336
Transfer from deferred tax assets	(6)	(6)	-	-
Total	20,563	20,563	1,336	1,336

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xvi) YIELD/PROFIT RATE RISK

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

	<---Non-trading book						--->			Effective
Group	**Up to 1 month**	**>1 - 3 months**	**>3 - 6 months**	**>6 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non-yield / profit sensitive**	**Trading Book**	**Total**	**profit rate**
2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
ASSETS										
Cash and short-term funds	122,931	-	-	-	-	-	803	-	123,734	0.43
Other non-profit sensitive balances	-	-	-	-	-	-	11,052	-	11,052	-
TOTAL ASSETS	122,931	-	-	-	-	-	11,855	-	134,786	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Other non-profit sensitive balances	-	-	-	-	-	-	36,127	-	36,127	-
Total liabilities	-	-	-	-	-		36,127	-	36,127	
Islamic Banking Funds	-	-	-	-	-	-	98,659	-	98,659	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	-	-	-	-	-	-	134,786	-	134,786	
On-balance sheet yield/profit rate gap sensitivity	122,931	-	-	-	-	-	(122,931)	-	-	
Off-balance sheet yiled/profit rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total yield/profit rate sensitivity gap	122,931	-	-	-	-	-	(122,931)	-	-	
Cumulative yield/profit rate gap sensitivity	122,931	122,931	122,931	122,931	122,931	122,931	-			

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xvi) YIELD/PROFIT RATE RISK (CONTD.)

Group 2009	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-yield / profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective profit rate %
	<------	------	------	Non-trading book	------	------	------>			
ASSETS										
Cash and short-term funds	43,054	-	-	-	-	-	729	-	43,783	0.12
Other non-profit sensitive balances	-	-	-	-	-	-	3,466	-	3,466	-
TOTAL ASSETS	43,054	-	-	-	-	-	4,195	-	47,249	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits and placements of banks and other financial institutions	250	-	-	-	-	-	-	-	250	-
Other non-profit sensitive balances	-	-	-	-	-	-	10,042	-	10,042	-
Total liabilities	250	-	-	-	-	-	10,042	-	10,292	
Islamic Banking Funds	-	-	-	-	-	-	36,957	-	36,957	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	250	-	-	-	-	-	46,999	-	47,249	
On-balance sheet yield/profit rate gap sensitivity	42,804	-	-	-	-	-	(42,804)	-	-	
Off-balance sheet yiled/profit rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total yield/profit rate gap sensitivity	42,804	-	-	-	-	-	(42,804)	-	-	
Cumulative yield/profit rate gap sensitivity	42,804	42,804	42,804	42,804	42,804	42,804	-			

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xvi) YIELD/PROFIT RATE RISK (CONTD.)

	<------Non-trading book						------>			Effective
Bank	**Up to 1 month**	**>1 - 3 months**	**>3 - 6 months**	**>6 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non-yield / profit sensitive**	**Trading Book**	**Total**	**profit rate**
2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
ASSETS										
Cash and short-term funds	122,931	-	-	-	-	-	803	-	123,734	0.43
Other non-profit sensitive balances	-	-	-	-	-	-	11,052	-	11,052	-
TOTAL ASSETS	122,931	-	-	-	-	-	11,855	-	134,786	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Other non-profit sensitive balances	-	-	-	-	-	-	36,127	-	36,127	-
Total liabilities	-	-	-	-	-		36,127	-	36,127	
Islamic Banking Funds	-	-	-	-	-	-	98,659	-	98,659	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	-	-	-	-	-	-	134,786	-	134,786	
On-balance sheet yield/profit rate gap sensitivity	122,931	-	-	-	-	-	(122,931)	-	-	
Off-balance sheet yiled/profit rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total yield/profit rate sensitivity gap	122,931	-	-	-	-	-	(122,931)	-	-	
Cumulative yield/profit rate gap sensitivity	122,931	122,931	122,931	122,931	122,931	122,931	-			

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xvi) YIELD/PROFIT RATE RISK (CONTD.)

Bank 2009	<----- Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	Non-trading book >6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	-----> Non-yield / profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective profit rate %
ASSETS										
Cash and short-term funds	43,054	-	-	-	-	-	729		43,783	0.12
Other non-profit sensitive balances	-	-	-	-	-	-	3,466	-	3,466	-
TOTAL ASSETS	43,054	-	-	-	-	-	4,195	-	47,249	
LIABILITIES AND ISLAMIC BANKING FUNDS										
Deposits and placements of banks and other financial institutions	250	-	-	-	-	-	-	-	250	-
Other non-profit sensitive balances	-	-	-	-	-	-	10,042	-	10,042	-
Total liabilities	250	-	-	-	-		10,042	-	10,292	
Islamic Banking Funds	-	-	-	-	-	-	36,957	-	36,957	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	250	-	-	-	-	-	46,999	-	47,249	
On-balance sheet yield/profit rate gap sensitivity	42,804	-	-	-	-	-	(42,804)	-	-	
Off-balance sheet yiled/profit rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total yield/profit rate sensitivity gap	42,804	-	-	-	-	-	(42,804)	-	-	
Cumulative yield/profit rate gap sensitivity	42,804	42,804	42,804	42,804	42,804	42,804	-			

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xvii) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

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

2010	Group Carrying Value RM'000	Group Fair Value RM'000	Bank Carrying Value RM'000	Bank Fair Value RM'000
Financial Assets				
Cash and short-term funds	123,734	123,734	123,734	123,734
	123,734	123,734	123,734	123,734
Non-financial assets	11,052		11,052	
TOTAL ASSETS	134,786		134,786	
Financial Liabilities				
Other financial liabilities	36,127	36,127	36,127	36,127
	36,127	36,127	36,127	36,127
Non-financial liabilities				
Islamic Banking Funds	98,659		98,659	
	98,659		98,659	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	134,786		134,786	

2009	Group Carrying Value RM'000	Group Fair Value RM'000	Bank Carrying Value RM'000	Bank Fair Value RM'000
Financial Assets				
Cash and short-term funds	43,783	43,783	43,783	43,783
	43,783	43,783	43,783	43,783
Non-financial assets	3,466		3,466	
TOTAL ASSETS	47,249		47,249	
Financial Liabilities				
Deposits and placements of banks and other financial institutions	250	-	250	-
Other financial liabilities	2,074	2,074	2,074	2,074
	2,324	2,074	2,324	2,074
Non-financial liabilities				
Other non-financial liabilities	7,968		7,968	
Islamic Banking Funds	36,957		36,957	
	44,925		44,925	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	47,249		47,249	

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xviii) NET INCOME FROM ISLAMIC BANKING BUSINESS

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Income derived from investment of depositors' funds	501	501	410	410
Less: Income attributable to depositors	(2,228)	(2,228)	(647)	(647)
Income attributable to the Group and the Bank	(1,727)	(1,727)	(237)	(237)
Income derived from Islamic banking funds	92,033	92,033	10,024	10,024
	90,306	90,306	9,787	9,787

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO

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

	2010		2009	
	Group	**Bank**	**Group**	**Bank**
Before deducting proposed dividends:				
Core capital ratio	38.49%	38.49%	20.68%	20.68%
Risk-weighted capital ratio	38.49%	38.49%	20.68%	20.68%
After deducting proposed dividend:				
Core capital ratio	38.49%	38.49%	20.68%	20.68%
Risk-weighted capital ratio	38.49%	38.49%	20.68%	20.68%

The capital adequacy ratio of the Group refers to the consolidated capital base as a ratio of the consolidated risk-weighted assets of AmInvestment Bank Berhad and its subsidiaries. The capital adequacy ratio of the Bank refers to the capital base as a ratio of the risk-weighted assets of AmInvestment Bank Berhad for the financial year.

The capital adequacy ratios of AmInvestment Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). AmInvestment Bank 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 8.0% for the risk-weighted capital ratio.

The detailed disclosures on the risk-weighted assets, as set out in Notes 51 (xix) (c), (d) and (e) are presented in accordance with para 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 are effective for financial reports for periods beginning on or after 1 January 2008.

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Tier 1 capital				
Islamic Banking funds	30,000	30,000	30,000	30,000
Unappropriated profit at end of year	68,659	68,659	6,957	6,957
Total	98,659	98,659	36,957	36,957
Less: Deferred tax asset - net	-	-	-	-
Capital base	98,659	98,659	36,957	36,957

The breakdown of risk-weighted assets of the Group and the Bank in the various risk categories are as follows:

	2010		2009	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Credit risk	160,320	160,320	160,243	160,243
Operational risk	95,971	95,971	18,456	18,456
	256,291	256,291	178,699	178,699

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

2010
Group

Exposure Class

		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks	23		23	-	-
	Public Sector Entities	-		-	-	-
	Banks, Development Financial Institutions & MDBs, Insurance Cos, Securities Firms & Fund Managers	122,938		122,938	24,588	1,967
	Corporates	-		-	-	-
	Regulatory Retail	-		-	-	-
	Residential Mortgages	-		-	-	-
	Higher Risk Assets	-		-	-	-
	Other Assets	11,825		11,825	11,242	899
	Specialised Financing/Investment					
	Equity Exposure	-		-	-	-
	Securitisation Exposures	-		-	-	-
	Defaulted Exposures	-		-	-	-
	Total for On-Balance Sheet Exposures	134,786		134,786	35,830	2,866
	Off-Balance Sheet Exposures					
	OTC Derivatives	-		-	-	-
	Credit Derivatives	-		-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives	137,895		124,490	124,490	9,959
	Defaulted Exposures	-		-	-	-
	Total for Off-Balance Sheet Exposures	137,895		124,490	124,490	9,959
	Total On and Off-Balance Sheet Exposures	272,681		259,276	160,320	12,825
2.	**Large Exposures Risk Requirement**	-		-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk	-	-	-	-	-
	Foreign Currency Risk	-	-	-	-	-
	Equity Risk	-	-	-	-	-
	Foreign Risk	-	-	-	-	-
	Option Risk	-	-	-	-	-
	Total	-	-	-	-	-
4.	Operational Risk				95,971	7,678
5.	Total RWA and Capital Requirements				256,291	20,503

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

2009
Group

Exposure Class

		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks	26		26	-	-
	Public Sector Entities	-		-	-	-
	Banks, Development Financial Institutions & MDBs, Insurance Cos, Securities Firms & Fund Managers	43,059		43,059	8,612	689
	Corporates	-		-	-	-
	Regulatory Retail	-		-	-	-
	Residential Mortgages	-		-	-	-
	Higher Risk Assets	-		-	-	-
	Other Assets	5,592		5,592	5,023	402
	Specialised Financing/Investment					
	Equity Exposure	-		-	-	-
	Securitisation Exposures	-		-	-	-
	Defaulted Exposures	-		-	-	-
	Total for On-Balance Sheet Exposures	48,677		48,677	13,635	1,091
	Off-Balance Sheet Exposures					
	OTC Derivatives	-		-	-	-
	Credit Derivatives	-		-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives	160,012		146,608	146,608	11,729
	Defaulted Exposures	-		-	-	-
	Total for Off-Balance Sheet Exposures	160,012		146,608	146,608	11,729
	Total On and Off-Balance Sheet Exposures	208,689		195,285	160,243	12,820
2.	**Large Exposures Risk Requirement**	-		-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk	-	-	-	-	-
	Foreign Currency Risk	-	-	-	-	-
	Equity Risk	-	-	-	-	-
	Foreign Risk	-	-	-	-	-
	Option Risk	-	-	-	-	-
	Total	-	-	-	-	-
4.	Operational Risk				18,456	1,476
5.	Total RWA and Capital Requirements				178,699	14,296

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

2010
Bank

Exposure Class

		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks	23		23	-	-
	Public Sector Entities	-		-	-	-
	Banks, Development Financial Institutions & MDBs, Insurance Cos, Securities Firms & Fund Managers	122,938		122,938	24,588	1,967
	Corporates	-		-	-	-
	Regulatory Retail	-		-	-	-
	Residential Mortgages	-		-	-	-
	Higher Risk Assets	-		-	-	-
	Other Assets	11,825		11,825	11,242	899
	Specialised Financing/Investment					
	Equity Exposure	-		-	-	-
	Securitisation Exposures	-		-	-	-
	Defaulted Exposures	-		-	-	-
	Total for On-Balance Sheet Exposures	134,786		134,786	35,830	2,866
	Off-Balance Sheet Exposures					
	OTC Derivatives	-		-	-	-
	Credit Derivatives	-		-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives	137,895		124,490	124,490	9,959
	Defaulted Exposures	-		-	-	-
	Total for Off-Balance Sheet Exposures	137,895		124,490	124,490	9,959
	Total On and Off-Balance Sheet Exposures	272,681		259,276	160,320	12,825
2.	**Large Exposures Risk Requirement**	-		-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk	-	-	-	-	-
	Foreign Currency Risk	-	-	-	-	-
	Equity Risk	-	-	-	-	-
	Foreign Risk	-	-	-	-	-
	Option Risk	-	-	-	-	-
	Total	-	-	-	-	-
4.	Operational Risk				95,971	7,678
5.	Total RWA and Capital Requirements				256,291	20,503

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

2009
Bank

Exposure Class

		Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks	26		26	-	-
	Public Sector Entities	-		-	-	-
	Banks, Development Financial Institutions & MDBs, Insurance Cos, Securities Firms & Fund Managers	43,059		43,059	8,612	689
	Corporates	-		-	-	-
	Regulatory Retail	-		-	-	-
	Residential Mortgages	-		-	-	-
	Higher Risk Assets	-		-	-	-
	Other Assets	5,592		5,592	5,023	402
	Specialised Financing/Investment					
	Equity Exposure	-		-	-	-
	Securitisation Exposures	-		-	-	-
	Defaulted Exposures	-		-	-	-
	Total for On-Balance Sheet Exposures	48,677		48,677	13,635	1,091
	Off-Balance Sheet Exposures					
	OTC Derivatives	-		-	-	-
	Credit Derivatives	-		-	-	-
	Off balance sheet exposures other than OTC derivatives or credit derivatives	160,012		146,608	146,608	11,729
	Defaulted Exposures	-		-	-	-
	Total for Off-Balance Sheet Exposures	160,012		146,608	146,608	11,729
	Total On and Off-Balance Sheet Exposures	208,689		195,285	160,243	12,820
2.	**Large Exposures Risk Requirement**	-		-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Interest Rate Risk	-	-	-	-	-
	Foreign Currency Risk	-	-	-	-	-
	Equity Risk	-	-	-	-	-
	Foreign Risk	-	-	-	-	-
	Option Risk	-	-	-	-	-
	Total	-	-	-	-	-
4.	Operational Risk				18,456	1,476
5.	Total RWA and Capital Requirements				178,699	14,296

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

2010
Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	23	-	-	-	-	-	-	-	-	-	-	-	23	-
20%	-	-	122,938	-	-	-	-	-	728	-	-	-	123,666	24,733
100%	-	-	-	-	124,490	-	-	-	11,097	-	-	-	135,587	135,587
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	23	-	122,938	-	124,490	-	-	-	11,825	-	-	-	259,276	160,320

ii) The breakdown of credit risk exposures by risk weights of the Bank for the current financial year are as follows:

2010
Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	23	-	-	-	-	-	-	-	-	-	-	-	23	-
20%	-	-	122,938	-	-	-	-	-	728	-	-	-	123,666	24,733
100%	-	-	-	-	124,490	-	-	-	11,097	-	-	-	135,587	135,587
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	23	-	122,938	-	124,490	-	-	-	11,825	-	-	-	259,276	160,320

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

2009
Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	26	-	-	-	-	-	-	-	-	-	-	-	26	-
20%	-	-	43,059	-	-	-	-	-	710	-	-	-	43,769	8,754
100%	-	-	-	-	146,608	-	-	-	4,882	-	-	-	151,490	151,489
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	26	-	43,059	-	146,608	-	-	-	5,592	-	-	-	195,285	160,243

iv) The breakdown of credit risk exposures by risk weights of the Bank for the current financial year are as follows:

2009
Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets	Specialised Financing /Investment	Securitisation	Equity		
0%	26	-	-	-	-	-	-	-	-	-	-	-	26	-
20%	-	-	43,059	-	-	-	-	-	710	-	-	-	43,769	8,754
100%	-	-	-	-	146,608	-	-	-	4,882	-	-	-	151,490	151,489
Average Risk Weight											-		-	-
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	26	-	43,059	-	146,608	-	-	-	5,592	-	-	-	195,285	160,243

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

2010
Group

	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
Credit-Related Exposures			
Al-Kafalah guarantees	137,895	124,490	124,490
Total	**137,895**	**124,490**	**124,490**
		<---------------Note xix(c)---------------->	

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

2010
Bank

	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
Credit-Related Exposures			
Al-Kafalah guarantees	137,895	124,490	124,490
Total	**137,895**	**124,490**	**124,490**
		<---------------Note xix(c)---------------->	

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xix) CAPITAL ADEQUACY RATIO (CONTD.)

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

2009
Group

	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
Credit-Related Exposures			
Al-Kafalah guarantees	160,012	146,608	146,608
Total	**160,012**	**146,608**	**146,608**
		<---------------Note xix(c)----------------->	

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

2009
Bank

	Principal Amount	Credit Equivalent Amount	Risk Weighted Assets
Credit-Related Exposures			
Al-Kafalah guarantees	160,012	146,608	146,608
Total	**160,012**	**146,608**	**146,608**
		<---------------Note xix(c)----------------->	