ERNST & YOUNG

AMBANK (M) BERHAD

(8515-D)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 March 2011

Ernst & Young
AF : 0039

Company No. 8515–D

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

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AmBank (M) Berhad
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DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2011.

PRINCIPAL ACTIVITIES

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

On 21 February 2011, following the approval from the Minister of Finance and Bank Negara Malaysia ("BNM"), the Bank entered into a sale and purchase agreement with AMMB Holdings Berhad ("AMMB") to dispose its entire shareholding in its wholly-owned Islamic banking subsidiary, AmIslamic Bank to AMMB for a sale consideration of RM1,337,698,000 ("The Disposal"). The Disposal was completed as at 28 February 2011. Arising from this, the results of operations of AmIslamic Bank are presented separately in the Income Statement and Statement of Comprehensive Income of the Group as discontinued operations.

The principal activities of its subsidiaries are disclosed in Note 16 to the financial statements.

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

SIGNIFICANT EVENT

The significant event during the financial year is as disclosed in Note 47 to the financial statements.

FINANCIAL RESULTS

	The Group RM'000	**The Bank RM'000**
Profit for the year from continuing operations	639,104	1,520,169
Profit for the year from discontinued operations	419,738	-
Profit for the year	1,058,842	1,520,169
Attributable to:		
For continuing operations:		
Equity holder of the Bank	639,075	1,520,169
Minority interests	29	-
Profit for the year	639,104	1,520,169
For discontinued operations:		
Equity holder of the Bank	419,738	-
Minority interests	-	-
Profit for the year	419,738	-

FINANCIAL RESULTS (CONTD.)

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

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of FRS 139 Financial Instruments: Recognition and Measurement which has resulted in a decrease in the Group and the Bank's profit for the year by RM387.1 million and RM340.5 million respectively as disclosed in Note 55 to the financial statements.

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

DIVIDENDS

During the financial year, the Bank paid:

a) a final single-tier cash dividend of approximately 42.26 sen per ordinary share amounting to RM283,325,000 in respect of the financial year ended 31 March 2010 on 7 September 2010;

b) a first interim single-tier cash dividend of approximately 56.81 sen per ordinary share amounting to RM380,833,653 in respect of the financial statement year ended 31 March 2011 on 22 November 2010;

c) second interim single-tier cash dividend of approximately 80.00 sen per ordinary share amounting to RM536,291,009 in respect of the financial statement year ended 31 March 2011 on 28 February 2011.

In respect of the current financial year, the Directors recommend a final single-tier cash dividend of approximately 37.00 sen per ordinary share on 670,363,762 ordinary shares amounting to RM248,034,592. The financial statements for the current financial year do not reflect this dividend. Such dividend, upon approval of the shareholder will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2012.

BUSINESS PLAN AND STRATEGY

The Group's Medium Term Aspirations ("MTA") is to be Malaysia's Preferred Banking Group with International Connectivity, as measured by customer satisfaction, sound financial performances, and well diversified and sustainable growth. For the financial year ending 2012 ("FY2012"), the Group's strategic priorities focus on profitable growth and rebalancing, diversification and new business development, non-interest income and deposit growth, and customer centricity. To achieve this, the Group will focus on leveraging international connectivity, investing to grow income, increasing customer share of wallet, capitalizing on the Economic Transformation Programme ("ETP"), and upgrading capability and productivity.

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

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

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

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

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

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

OUTLOOK FOR NEXT FINANCIAL YEAR

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

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

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

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

ISSUANCE OF SHARES AND DEBENTURES

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

SHARE OPTIONS

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

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

CURRENT ASSETS

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

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

DIRECTORS

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

Tan Sri Azman Hashim
Tun Mohammed Hanif Omar
Tan Sri Datuk Clifford Francis Herbert
Dato' Gan Nyap Liou @ Gan Nyap Liow
Cheah Tek Kuang
Ashok Ramamurthy
Chin Yuen Yin (appointed on 1 November 2010)
Tan Kheng Soon (retired on 23 August 2010)

In accordance with Article 87 of the Bank's Articles of Association, Dato' Gan Nyap Liou @ Gan Nyap Liow retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 95 of the Bank's Articles of Association, Mr Chin Yuen Yin who was appointed to the Board after the last Annual General Meeting, retires at the forthcoming Annual General meeting and, being eligible, offers himself for re-election.

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

DIRECTORS' INTERESTS

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

The interests in shares 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 ("AMMB")

	No. of ordinary shares of RM1.00 each ("shares")			
Shares	**Balance at 1.4.2010**	**Bought**	**Sold**	**Balance at 31.3.2011**
Cheah Tek Kuang	78,800	-	-	78,800
Ashok Ramamurthy	100,000	-	-	100,000

	No. of shares pursuant to AMMB Executives' Share Scheme			
Scheme Shares*	**Balance at 1.4.2010**	**Granted**	**Vested**	**Balance at 31.3.2011**
Cheah Tek Kuang	110,000	192,200	-	302,200
Ashok Ramamurthy	44,300	135,800	-	180,100

	No. of shares pursuant to AMMB Executives' Share Scheme			
Shares under Options*	**Balance at 1.4.2010**	**Granted**	**Vested**	**Balance at 31.3.2011**
Cheah Tek Kuang	672,400	227,300	-	899,700
Ashok Ramamurthy	264,800	181,900	-	446,700

* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of service condition and the performance targets of the Group, and all other conditions as set out in the By-Laws of AMMB 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 1.4.2010**	**Bought**	**Sold**	**Balance at 31.3.2011**
Tan Sri Azman Hashim	Amcorp Group Berhad	503,853,918	1,926,636	-	505,780,554

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

None of the directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 44 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, other than for the related party transactions as shown in Note 43 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB, the ultimate holding company.

CORPORATE GOVERNANCE

(a) Board Responsibility and Oversight

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Bank and its subsidiaries. The Board complies with the best practices in corporate governance as set out in the Malaysian Code on Corporate Governance.

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

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

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

There is a clear division between the roles of Chairman and the Chief Executive Officer of the Bank. The Senior Management team of the Bank are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

CORPORATE GOVERNANCE (CONTD.)

(b) Committees of the Board

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

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

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 2011 ("FY2011")					
	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Risk Management Committee
Tan Sri Azman Hashim	10 (Chairman)	3	4	N/A	N/A
Tun Mohammed Hanif Omar	9	3 (Chairman)	N/A	8	N/A
Tan Sri Datuk Clifford Francis Herbert	10	3	N/A	8 (Chairman)	6 (Chairman)
Dato' Gan Nyap Liou @ Gan Nyap Liow	9	N/A	N/A	8	6
Tan Kheng Soon*	4	N/A	N/A	N/A	3
Chin Yuen Yin**	3	N/A	N/A	3	2
Cheah Tek Kuang	9	N/A	N/A	N/A	N/A
Ashok Ramamurthy	9	N/A	N/A	N/A	N/A
Number of meetings held in FY2011	10	3	4	8	6

Notes:
1. All attendances reflect the number of meetings attended during the Directors' tenure of service.
2. N/A represents non-committee member
3 * Retired on 23.8.2010
4 ** Appointed on 1.11.2010

CORPORATE GOVERNANCE (CONTD.)

(b) Committees of the Board (Contd.)

Group Nomination Committee

Established at AMMB Holdings Berhad ("AMMB"), the Bank's ultimate holding company, the Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors. The Committee is responsible for regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Bank with regard to any changes that are deemed necessary. It also recommends the appointment of Directors to the Board and Committees of the Board as well as annually reviews the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.

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

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

Group Remuneration Committee

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

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

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

Audit and Examination Committee

The Committee comprises four (4) members, all of whom are Independent Non-Executive Directors. The Board has appointed the Audit and Examination Committee (“AEC”) to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Bank’s assets and shareholder’s investments.

The AEC met eight (8) times during the financial year 2011 to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The 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.)

(b) Committees of the Board (Contd.)

Risk Management Committee

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

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

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

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

Internal Audit and Internal Control Activities

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

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

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

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

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

CORPORATE GOVERNANCE (CONTD.)

MANAGEMENT INFORMATION

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

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

HOLDING AND ULTIMATE HOLDING COMPANY

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

RATING BY EXTERNAL AGENCIES

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

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

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

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

Company No. 8515–D

AUDITORS

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

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

TAN SRI AZMAN HASHIM
Chairman

CHEAH TEK KUANG
Chief Executive Officer

Kuala Lumpur, Malaysia
16 May 2011

Company No. 8515–D

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

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

We, **TAN SRI AZMAN HASHIM** and **CHEAH TEK KUANG**, being two of the directors of **AmBank (M) Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements as set out on pages 17 to 169 are drawn up in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2011 and of the results and the cash flows of the Group and of the Bank for the financial year then ended.

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

TAN SRI AZMAN HASHIM
Chairman

CHEAH TEK KUANG
Chief Executive Officer

Kuala Lumpur, Malaysia
16 May 2011

Company No. 8515–D

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

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

I, **LIM HOCK AUN**, being the Officer primarily responsible for the financial management of **AmBank (M) Berhad**, do solemnly and sincerely declare that the accompanying financial statements as set out on pages 17 to 169 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
LIM HOCK AUN at Kuala Lumpur
this 16 May 2011

LIM HOCK AUN

Before me,

PESURUHJAYA SUMPAH
W 325
TAN BOON CHUA
MALAYSIA

COMMISSIONER FOR OATHS
Lodged on behalf by:
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Independent auditors' report to the member of AmBank (M) Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AmBank (M) Berhad, which comprise the statements of financial position as at 31 March 2011 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 169.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls. 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.

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Independent auditors' report to the member of
AmBank (M) Berhad (cont'd.)
(Incorporated in Malaysia)

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 2011 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

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

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

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

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
16 May 2011

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011

		The Group		The Bank	
	Note	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
ASSETS					
Cash and short-term funds	5	8,740,986	11,632,433	8,375,879	7,447,516
Securities purchased under resale agreements	6	289,731	-	289,731	-
Deposits and placements with banks and other financial institutions	7	3,792,922	2,118,135	3,702,163	1,902,368
Derivative financial assets	8	396,673	343,643	396,673	340,182
Financial assets held-for -trading	9	4,167,002	1,679,658	4,167,002	1,328,725
Financial investments available -for-sale	10	6,331,969	7,814,492	6,557,696	7,405,684
Financial investments held -to-maturity	11	165,331	532,685	159,589	532,685
Loans, advances and financing	12	55,610,208	64,076,357	55,336,273	52,010,508
Other assets	13	1,034,503	1,042,969	1,029,891	964,567
Statutory deposit with Bank Negara Malaysia	14	143,811	167,623	143,811	135,544
Deferred tax assets	15	416,439	259,307	417,364	213,089
Investment in subsidiaries	16	-	-	65,800	849,870
Investment in associates	17	1,243	986	142	111
Property and equipment	18	201,112	187,738	176,868	162,464
Intangible assets	19	91,664	86,407	91,646	85,957
TOTAL ASSETS		81,383,594	89,942,433	80,910,528	73,379,270

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

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011 (CONTD.)

		The Group		The Bank	
	Note	**2011 RM'000**	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	20	4,625,853	5,253,129	4,950,589	4,384,868
Securities sold under repurchase agreements	6	30,465	-	30,465	-
Recourse obligation on loans sold to Cagamas Berhad	21	1,018,043	135,689	1,018,043	135,689
Derivative financial liabilities	8	432,932	392,510	432,932	389,052
Deposits from customers	22	59,506,659	69,371,802	58,878,167	55,347,520
Term funding	23	3,988,475	1,680,960	3,988,475	1,680,960
Bills and acceptances payable	24	988,389	1,399,573	988,389	1,004,586
Debt capital	25	3,367,860	4,385,779	3,367,860	3,985,779
Other liabilities	26	2,308,014	1,875,897	2,298,767	1,678,276
TOTAL LIABILITIES		76,266,690	84,495,339	75,953,687	68,606,730
Share capital	27	670,364	670,364	670,364	670,364
Reserves	28	4,446,494	4,776,713	4,286,477	4,102,176
Equity attributable to equity holder of the Bank		5,116,858	5,447,077	4,956,841	4,772,540
Minority interests	29	46	17	-	-
TOTAL EQUITY		5,116,904	5,447,094	4,956,841	4,772,540
TOTAL LIABILITIES AND EQUITY		81,383,594	89,942,433	80,910,528	73,379,270
COMMITMENTS AND CONTINGENCIES	51	92,223,251	61,638,618	92,220,904	57,477,383
NET ASSETS PER SHARE (RM)	40	7.63	8.13	7.39	7.12

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

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Bank 2011 RM'000	The Bank 2010 RM'000
Operating revenue		5,587,869	5,074,287	5,401,093	4,519,379
Interest income	30	4,014,312	3,575,568	4,030,902	3,567,901
Interest expense	31	(2,032,352)	(1,772,298)	(2,034,480)	(1,775,752)
Net interest income		1,981,960	1,803,270	1,996,422	1,792,149
Net income from Islamic banking business	32	201	176	-	-
Other operating income	33	483,960	465,013	1,370,191	951,478
Share in results of associates		257	181	-	-
Net income		2,466,378	2,268,640	3,366,613	2,743,627
Other operating expenses	34	(1,217,145)	(1,164,931)	(1,215,760)	(1,163,725)
Operating profit		1,249,233	1,103,709	2,150,853	1,579,902
Allowance for losses on loans and financing	35	(228,946)	(490,501)	(251,817)	(492,977)
Provision for commitments and contingencies		(17,764)	(16,579)	(17,764)	(16,579)
Impairment loss on other assets	36	(35,107)	(114,037)	(35,774)	(117,663)
Transfer from profit equalisation reserve		-	223	-	-
Profit before zakat and taxation		**967,416**	**482,815**	**1,845,498**	**952,683**
Taxation from continuing operations	37	(328,312)	(186,156)	(325,329)	(235,557)
Profit for the year from continuing operations		**639,104**	**296,659**	**1,520,169**	**717,126**
Profit for the year from discontinued operations	38	419,738	499,637	-	-
Profit for the year		1,058,842	796,296	1,520,169	717,126
Attributable to:					
For continuing operations:					
Equity holder of the Bank		639,075	296,670	1,520,169	717,126
Minority interests		29	(11)	-	-
Profit for the year		639,104	296,659	1,520,169	717,126
For discontinued operations:					
Equity holder of the Bank		419,738	499,637	-	-
Minority interests		-	-	-	-
Profit for the year		419,738	499,637	-	-
Earnings per share (sen)	39				
Basic					
From continuing operations		95.33	44.26	226.77	106.98
From discontinued operations		62.61	74.53	-	-
Total		157.95	118.79	226.77	106.98
Fully diluted					
From continuing operations		79.00	37.26	186.40	88.51
From discontinued operations		51.16	60.90	-	-
Total		130.16	98.16	186.40	88.51

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

AmBank (M) Berhad
(Incorporated in Malaysia)
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STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Bank 2011 RM'000	The Bank 2010 RM'000
Profit for the year from continuing operations		639,104	296,659	1,520,169	717,126
Profit for the year from discontinued operations		419,738	499,637	-	-
Other comprehensive income from continuing operations					
Exchange differences on translation of foreign operations		(10,180)	(11,843)	(687)	543
Net movement on cash flow hedges		39,319	127,183	39,319	127,183
Net gain on financial investments available-for-sale		15,346	125,922	6,037	125,842
Income tax relating to the components of other comprehensive income		(12,607)	(55,466)	(10,279)	(55,466)
Other comprehensive income, net of tax from continuing operations		31,878	185,796	34,390	198,102
Other comprehensive loss, net of tax from discontinued operations	38	(3,303)	(6,753)	-	-
Total comprehensive income, net of tax from continuing operations		670,982	482,455	1,554,559	915,228
Total comprehensive income, net of tax from discontinued operations		416,435	492,884	-	-
Total comprehensive income for the year, net of tax		1,087,417	975,339	1,554,559	915,228
Attributable to:					
Equity holder of the Bank		1,087,388	975,350	1,554,559	915,228
Minority interests		29	(11)	-	-
		1,087,417	975,339	1,554,559	915,228

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

AmBank (M) Berhad
(Incorporated in Malaysia)
And Its Subsidiary Companies

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

		<---------- Attributable to Equity Holder of the Bank ---------->								
			Non-distributable					Distributable		
The Group	**Note**	**Share Capital RM'000**	**Share Premium RM'000**	**Statutory Reserve RM'000**	**Merger Reserve RM'000**	**Capital Reserve RM'000**	**Other Reserves RM'000**	**Retained Earnings RM'000**	**Minority Interests RM'000**	**Total Equity RM'000**
Balance as at **1 April 2009**		670,364	942,844	849,232	397,566	377,492	(123,680)	1,357,909	28	4,471,755
Total comprehensive income		-	-	-	-	-	179,043	796,307	(11)	975,339
Transfer to statutory reserve		-	-	96,396	-	-	-	(96,396)	-	-
Balance as at **31 March 2010**		670,364	942,844	945,628	397,566	377,492	55,363	2,057,820	17	5,447,094
Balance as at **1 April 2010**										
As previously reported		670,364	942,844	945,628	397,566	377,492	55,363	2,057,820	17	5,447,094
Effect of adopting FRS 139		-	-	-	-	-	(45,703)	(171,258)	-	(216,961)
As restated		670,364	942,844	945,628	397,566	377,492	9,660	1,886,562	17	5,230,133
Total comprehensive income		-	-	-	-	-	28,575	1,058,813	29	1,087,417
Transfer to statutory reserve		-	-	31,770	-	-	-	(31,770)	-	-
Dividends on ordinary shares:	**41**									
- final, financial year ended 31 March 2010		-	-	-	-	-	-	(283,325)	-	(283,325)
- interim, financial year ended 31 March 2011		-	-	-	-	-	-	(917,125)	-	(917,125)
Transfer of ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	-	-	(196)	-	(196)
Arising from disposal of subsidiary		-	-	(296,939)	(349,050)	(377,492)	6,593	1,016,888	-	-
Balance as at **31 March 2011**		670,364	942,844	680,459	48,516	-	44,828	2,729,847	46	5,116,904

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

AmBank (M) Berhad
(Incorporated in Malaysia)
And Its Subsidiary Companies

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

		<---------- Attributable to Equity Holder of the Bank ---------->					
		Non-distributable				Distributable	
The Bank	**Note**	**Share Capital RM'000**	**Share Premium RM'000**	**Statutory Reserve RM'000**	**Other Reserves RM'000**	**Retained Earnings RM'000**	**Total Equity RM'000**
Balance as at **1 April 2009**		670,364	942,844	680,459	(144,648)	1,708,293	3,857,312
Total comprehensive income		-	-	-	198,102	717,126	915,228
Balance as at **31 March 2010**		670,364	942,844	680,459	53,454	2,425,419	4,772,540
Balance as at **1 April 2010**							
As previously reported		670,364	942,844	680,459	53,454	2,425,419	4,772,540
Effect of adopting FRS 139		-	-	-	(40,258)	(129,354)	(169,612)
As restated		670,364	942,844	680,459	13,196	2,296,065	4,602,928
Total comprehensive income		-	-	-	34,390	1,520,169	1,554,559
Dividends on ordinary shares:	**41**						
- final, financial year ended 31 March 2010		-	-	-	-	(283,325)	(283,325)
- interim, financial year ended 31 March 2011		-	-	-	-	(917,125)	(917,125)
Transfer of ESS shares recharged - difference on purchase price for shares vested		-	-	-	-	(196)	(196)
Balance as at **31 March 2011**		670,364	942,844	680,459	47,586	2,615,588	4,956,841

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax from continuing operations	967,416	482,815	1,845,498	952,683
Profit before zakat and tax from discontinued operations	474,519	594,902	-	-
Profit before zakat and taxation - total	1,441,935	1,077,717	1,845,498	952,683
Adjustments for:				
Loan and financing loss and allowances, net of write-back	877,219	971,900	606,527	844,349
Interest in suspense - net	-	103,458	-	90,442
Depreciation of property and equipment	45,448	46,010	44,722	45,347
Amortisation of intangible assets	31,627	28,875	31,468	28,711
Transfer from profit equalisation reserve	(30,119)	(12,858)	-	-
Amortisation of premium less accretion of discount	(77,858)	(7,015)	(92,536)	(5,757)
Property and equipment written off	15	47	15	46
Intangible assets written off	2,587	2	2,587	2
Share of results of associates	(257)	(181)	-	-
Gross dividend income from financial assets held-for-trading	(5,562)	(2,098)	(5,562)	(2,098)
Gross dividend income from financial investments available-for-sale	(6,224)	(4,564)	(6,073)	(4,564)
Gross dividend income from financial investments held-to-maturity	(2,902)	(6,151)	(2,902)	(6,151)
Gross dividend income from subsidiary	-	-	(39,901)	(250,020)
Net gain on sale of financial assets held-for-trading	(71,471)	(48,262)	(65,196)	(45,311)
Net gain on sale of financial investments available-for-sale	(50,251)	(45,495)	(43,769)	(40,830)
Net gain on redemption of financial investments held-to-maturity	(7,431)	(29,458)	(7,431)	(29,458)
Net gain on revaluation of financial assets held-for-trading	(19,240)	(3,848)	(19,449)	(4,564)
Net gain on revaluation of derivatives	(20,533)	(17,094)	(20,533)	(17,094)
Impairment loss on financial investments	1,975	90,697	6,860	90,145
Impairment loss on foreclosed properties	29,180	21,383	29,180	21,383
Gain on disposal of property and equipment	(1,164)	(204)	(652)	(204)
Gain on disposal of foreclosed properties	(438)	(2,047)	(438)	(2,047)

AmBank (M) Berhad
(Incorporated in Malaysia)
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011 (CONTD.)

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Impairment (write-back)/loss of sundry receivables	(266)	6,175	(235)	6,110
Provision for commitments and contingencies	24,692	3,866	17,764	16,578
Amortisation of issuance costs/Charge out of unamortised issuance costs	(4,761)	5,401	(4,761)	5,401
Unrealised gain on foreign exchange	(73,190)	(144,761)	(73,190)	(144,725)
Impairment (write-back)/loss of associates	-	-	(31)	26
Share and options granted under Executive Share Scheme	19,688	8,143	19,122	7,916
Loss/(Gain) on disposal of subsidiary	55,380	-	(553,628)	-
Operating profit before working capital changes	2,158,079	2,039,638	1,667,456	1,556,316
(Increase)/Decrease in operating assets:				
Deposits and placements with banks and other financial institutions	(2,222,051)	(1,697,085)	(1,799,795)	(1,475,225)
Securities purchased under resale agreements	(289,731)	-	(289,731)	-
Financial assets held-for-trading	(3,100,891)	(227,256)	(2,720,268)	(85,109)
Loans, advances and financing	(5,789,940)	(8,411,924)	(4,026,094)	(6,045,413)
Other assets	(104,398)	(85,067)	(158,705)	(111,160)
Statutory deposit with Bank Negara Malaysia	(16,267)	349,955	(8,267)	295,955

AmBank (M) Berhad
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011 (CONTD.)

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Increase/(decrease) in operating liabilities:				
Deposits and placements of banks and other financial institutions	53,318	(2,388,277)	565,721	(2,260,457)
Securities sold under repurchase agreements	30,465	-	30,465	-
Recourse obligation of loans sold to Cagamas Berhad	882,354	(19,348)	882,354	(19,348)
Deposits from customers	4,522,174	5,424,667	3,530,647	2,147,675
Term funding	2,881,214	1,558,875	2,331,214	1,558,875
Bills and acceptances payable	398,517	(720,676)	(16,197)	(503,094)
Other liabilities	440,031	529,876	404,398	525,342
Cash (used in)/generated from operations	(157,126)	(3,646,622)	393,198	(4,415,643)
Zakat paid	(1,227)	(1,174)	-	-
Net taxation paid	(374,649)	(185,229)	(317,864)	(157,700)
Net cash (used in)/generated from operating activities	(533,002)	(3,833,025)	75,334	(4,573,343)

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

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011 (CONTD.)

	The Group		The Bank	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
CASH FLOWS FROM INVESTING ACTIVITIES				
Net sale/(purchase) of financial investments available-for-sale	2,439,903	(2,091,405)	1,283,848	(2,225,519)
Net redemption of financial investments held-to-maturity	32,973	191,377	28,040	153,061
Net dividend received from financial assets held-for-trading	4,771	2,098	4,771	2,098
Net dividend received from financial investments available-for-sale	6,184	4,516	6,032	4,516
Net dividend received from financial investments held-to-maturity	2,893	5,319	2,893	5,319
Net dividend received from subsidiary	-	-	39,901	200,000
Proceeds from disposal of property and equipment	1,437	226	687	226
Purchase of intangible assets	(25,670)	(38,373)	(25,651)	(38,320)
Purchase of property and equipment	(73,905)	(69,541)	(73,269)	(69,435)
Proceeds from disposal of foreclosed properties	23,529	10,354	23,529	10,354
Disposal of subsidiary	(2,995,110)	-	1,337,698	-
Net cash (used in)/generated from investing activities	(582,995)	(1,985,429)	2,628,479	(1,957,700)

AmBank (M) Berhad
(Incorporated in Malaysia)
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011 (CONTD.)

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from Medium term notes	-	97,800	-	97,800
Proceeds from issuance of Innovative Tier 1 capital securities	-	485,000	-	485,000
Repayment of Exchangeable bonds	(575,000)	-	(575,000)	-
Dividends paid	(1,200,450)	-	(1,200,450)	-
Net cash (used in)/generated from financing activities	(1,775,450)	582,800	(1,775,450)	582,800
Net (decrease)/increase in cash and cash equivalents	(2,891,447)	(5,235,654)	928,363	(5,948,243)
Cash and cash equivalents at beginning of year	11,632,433	16,868,087	7,447,516	13,395,759
Cash and cash equivalents at end of year (Note 5)	8,740,986	11,632,433	8,375,879	7,447,516

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

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

On 21 February 2011, following the approval from the Minister of Finance and BNM, the Bank entered into a sale and purchase agreement with AMMB Holdings Berhad ("AMMB") to dispose its entire shareholding in its wholly-owned Islamic banking subsidiary, AmIslamic Bank to AMMB for a sale consideration of RM1,337,698,000 ("The Disposal"). The Disposal was completed on 28 February 2011.

The principal activities of its subsidiaries are disclosed in Note 16.

Other than disposal of AmIslamic Bank to AMMB, there have been no other significant changes in the nature of the activities of the Bank and its subsidiaries during the financial year.

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

The financial statements of the Group and of the Bank have been approved and authorised for issue by the Board of Directors on 25 April 2011.

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

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

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 8, Operating Segments
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 132, Financial Instruments: Presentation and FRS 101, Presentation of Financial Statements
  - Puttable Financial Instruments and Obligations Arising on Liquidation
  - Separation of Compound Instruments
- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
  - Reclassification of Financial Assets
  - Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
  - Collective Assessment of Impairment for Banking Institutions

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

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

- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
- TR i – 3, Presentation of Financial Statements of Islamic Financial Institutions

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

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

2.1a Standards affecting presentation and disclosure

2.1a(i) FRS 101, Presentation of Financial Statements (revised)

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

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

The revised FRS 101 also required the Group and Bank to make new disclosures to enable user of the financial statements to evaluate the Bank's objectives, policies and processes for managing capital (see Note 52).

The Group and the Bank has adopted FRS 101 (revised) retrospectively.

2.1a(ii) FRS 4, Insurance Contracts

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts (insurers). In particular, it requires disclosures that identify and explain the amounts in an insurer’s financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts. FRS 4 is not applicable to the Group and the Bank.

2.1a(iii) FRS 117, Leases

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

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

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

2.1a Standards affecting presentation and disclosure (Contd.)

2.1a(iv) FRS 7, Financial Instruments: Disclosures

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

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

2.1a(v) FRS 8, Operating Segments

FRS 8, which replaces FRS 114, Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. FRS 8 also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group and the Bank operates, and revenue from the Group and the Bank's major customers. The Group and the Bank concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group and the Bank has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 42.

2.1a(vi) IC Interpretation 13, Customer Loyalty Programmes

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

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

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

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

2.1b Standards and Interpretations affecting the reported results or financial position

FRS 139, Financial Instruments: Recognition and Measurement

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

(i) Impairment of Loans, Advances and Financing

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

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

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

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

The changes in accounting policies above have been accounted for prospectively, in line with the transitional provisions in paragraph 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting profit or loss as at the beginning of the current financial period being adjusted to opening retained earnings as tabulated in Note 2.1b(iv) below. Further details on the impact of FRS 139 are disclosed in Note 55(iv).

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

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

2.1b Standards and Interpretations affecting the reported results or financial position (Contd.)

FRS 139, Financial Instruments: Recognition and Measurement (Contd.)

(ii) Interest Income Recognition

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

This change in accounting policy has been accounted for prospectively in line with the transitional provisions in paragraph 103AA of FRS 139 and the resulting opening retained earnings adjustment is tabulated in Note 2.1b(iv) below.

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. On adoption of FRS 139, once a loan has been written down for impairment loss, subsequent interest income thereafter is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The opening retained earnings adjustment as a result of this change in accounting policy is presented in Note 2.1b(iv) below.

(iii) Recognition of Embedded Derivatives

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

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

(iv) Opening Retained Earnings Adjustments

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

	As previously reported RM'000	Effect of adoption of FRS 139 RM'000	As restated RM'000
The Group			
Effect on retained earnings:	2,057,820	(171,258)	1,886,562
Effect on other reserves:	55,363	(45,703)	9,660
The Bank			
Effect on retained earnings:	2,425,419	(129,354)	2,296,065
Effect on other reserves:	53,454	(40,258)	13,196

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

2.2 Standards and interpretations in issue but not yet adopted

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

2.2a FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

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

2.2b Technical Release effective for annual periods ending on or after 31 December 2010

TR 3, Guidance on Disclosures of Transition to IFRSs

2.2c FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

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

2.2d FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

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

2.2 Standards and interpretations in issue but not yet adopted (Contd.)

2.2e FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- Amendment to IC Interpretation 15, Agreements for the Construction of Real Estate

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

2.2f FRS 3, Business Combinations (revised)

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

- FRS 3 (revised) allows a choice on a transaction-by-transaction basis for the measurement of minority interests either at fair value or at the minority interests' share of the fair value of the identifiable net assets of the acquiree.

  Consequently, the goodwill arising from the acquisition reflects the impact of the difference between the fair value of the minority interests and their share of the fair value of the identifiable net assets of the acquiree;

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

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

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

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

2.2 Standards and interpretations in issue but not yet adopted (Contd.)

2.2g Amendments to FRS 127, Consolidated and Separate Financial Statements

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

3.2 Basis of preparation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Basis of consolidation

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

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

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

3.3a Investment in subsidiaries

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

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

3.3b Investment in associates

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Basis of consolidation (Contd.)

3.3c Changes in group composition

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

3.3d Minority interests

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

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

3.3e Transactions eliminated on consolidation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.4 Business combinations

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

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

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

3.5 Foreign currency

3.5a Functional and presentation currency

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

3.5b Foreign currency transactions

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

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

- exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Please refer to the note on foreign operations below.

- exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income and accumulated in equity under exchange fluctuation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.5 Foreign currency (Contd.)

3.5c Foreign operations

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

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

3.6 Property and equipment

3.6a Recognition and measurement

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

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

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

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

3.6b Subsequent costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.6 Property and equipment (Contd.)

3.6c Depreciation

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

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

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

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

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

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

3.7 Investment properties

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.8 Leases

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

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

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

3.9 Intangible assets

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

3.9a Computer software

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.10 Financial assets and financial liabilities

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

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

Financial liabilities are classified as either held:

a) at fair value through profit or loss, or
b) at amortised cost i.e., included as other financial liabilities.

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

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

3.10a Financial assets and liabilities held at fair value through profit or loss

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

3.10a(i) Financial assets held for trading

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

3.10a(ii) Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities may be designated at fair value through profit or loss when the following criteria are met, and designation is determined on an instrument by instrument basis:

- the application of the fair value option eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- the financial assets and/or liabilities are part of a portfolio of financial instruments which is managed and its performance evaluated on a fair value basis; or
- the assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.10 Financial assets and financial liabilities (Contd.)

3.10b Loans and receivables

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

3.10c Held-to-maturity investments

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

3.10d Available-for-sale investments

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

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

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

3.10e Initial recognition

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.10 Financial assets and financial liabilities (Contd.)

3.10f Subsequent measurement

3.10f(i) Fair value through profit or loss

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

3.10f(ii) Loans and receivables

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

3.10f(iii) Held-to-maturity investments

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

3.10f(iv) Available-for-sale investments

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

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

3.10g 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 financial assets held-for-trading.

3.10h Other financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.10 Financial assets and financial liabilities (Contd.)

3.10i Determination of fair value

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.10 Financial assets and financial liabilities (Contd.)

3.10i Determination of fair value (Contd.)

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

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

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

3.10j Recognition of day-one profit or loss

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

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

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

3.10k Reclassifications

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.10 Financial assets and financial liabilities (Contd.)

3.10k Reclassifications (Contd.)

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

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

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

3.11 Renegotiated loans

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

3.12 Derecognition

3.12a Financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.12 Derecognition (Contd.)

3.12b Securitisation

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

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

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

3.12c Financial liabilities

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

3.13 Impairment of financial assets

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

The following factors are considered in assessing objective evidence of impairment:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.13 Impairment of financial assets

3.13a Assets carried at amortised cost

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.13 Impairment of financial assets (Contd.)

3.13b Available-for-sale investments

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

3.13c Trade and other receivables

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.14 Impairment of other non-financial assets

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

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

3.15 Derivative financial instruments and hedge accounting

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.15 Derivative financial instruments and hedge accounting (contd.)

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

The Group and the Bank designates certain derivatives as either:

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

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

3.15a Fair value hedge

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

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

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

3.15b Cash flow hedge

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.15 Derivative financial instruments and hedge accounting (contd.)

3.15c Net investment hedge

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

3.15d Derivatives that do not qualify for hedge accounting

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

3.16 Repurchase and resale agreements

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.17 Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment losses. The policy for the measurement of impairment is in accordance with Note 3.14 on impairment of non-financial assets.

3.18 Cash and cash equivalents

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

3.19 Hybrid capital

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

3.20 Provisions

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

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

3.21 Provision 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.

3.22 Contingent liabilities and contingent assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.23 Financial guarantees

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

Any increase in the liability relating to financial guarantees is recorded in profit or loss in provision for commitment and contingencies. The premium received is recognised in profit or loss in other operating income on a straight line basis over the life of the guarantee.

3.24 Profit equalisation reserve

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

3.25 Revenue

3.25a Interest and financing income and expense

Interest and financing income and expense are recognised in income statements using the effective interest method.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.25 Revenue (contd.)

3.25a Interest and financing income and expense (Contd.)

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

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

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

3.25b Fees and commissions

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

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

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

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

3.25c Dividend income

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

3.25d Rental income

Rental of properties are recognised on an accrual basis.

3.25e Investment and trading income

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.25 Revenue (contd.)

3.25f Customer loyalty programmes

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

3.26 Employee benefits

3.26a Short-term benefits

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

3.26b Defined contribution pension plan

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

3.26c Termination benefits

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

3.26d Share-based payment transactions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.27 Borrowing costs

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

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

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

3.28 Dividends on ordinary shares

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

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

3.29 Income taxes

3.29a Current tax

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

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

3.29b Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.29 Income taxes (Contd.)

3.29b Deferred tax (Contd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and tax losses, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

3.30 Segment reporting

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.31 Share capital and share issuance expenses

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

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

3.32 Equity reserves

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

3.32a "Share premium" is used to record premium arising from new shares issued in the Bank.

3.32b "Statutory reserve" is maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and the Islamic Banking Act 1983. The statutory reserve is not distributable as cash dividends.

3.32c "Available-for-sale reserve" comprises changes in fair value of available-for-sale investments.

3.32d "Cash flow hedging reserve" comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

3.32e "Exchange fluctuation reserve" is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

3.32f The capital reserve and merger reserve of the Group represents reserve arising from the acquisition of AmIslamic Bank Berhad and AmInternational (L) Ltd. which is accounted for using the merger accounting method.

3.33 Non-current assets held for sale and discontinued operations

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

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant use of judgement and estimates are for the following:

a. Impairment losses on loans, advances and financing

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

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

b. 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 sometime later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the difference will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

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

c. Fair value of financial assets determined using valuation techniques

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

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

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

The valuation techniques described above are calibrated annually.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS(CONTD.)

d. Consolidation of SPV

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

5. CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and balances with banks and other financial institutions	533,539	511,790	529,870	498,269
Money at call and deposit placements maturing within one month	8,207,447	11,120,643	7,846,009	6,949,247
	8,740,986	11,632,433	8,375,879	7,447,516

Included in the above are interbank lending by the Group and the Bank of RM8,203,077,000 (2010: RM11,120,643,000) and RM7,846,009,000 (2010: RM6,949,247,000) respectively.

As at 31 March 2011, the net interbank lending of the Group and of the Bank are as follows:

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interbank lending				
Cash and short term funds	8,203,077	11,120,643	7,846,009	6,949,247
Deposits with banks and other financial institutions (Note 7)	3,790,186	2,118,135	3,699,427	1,899,632
	11,993,263	13,238,778	11,545,436	8,848,879
Interbank borrowing (Note 20)	(2,135,074)	(665,461)	(2,468,062)	(799,914)
Net interbank lending	9,858,189	12,573,317	9,077,374	8,048,965

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

As part of the securities purchased under resale agreements, the Group and the Bank received securities that it is allowed to sell or repledge in the absence of default by their owner. At 31 March 2011, the Group and the Bank held securities with a fair value of RM289,731,000 (2010: Nil) on such terms. Of these, securities with a fair value of RM296,214,000 (2010: Nil) have been pledged or otherwise transferred to satisfy commitments under short sale transactions. The Group and the Bank has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group and the Bank may, in certain circumstances, require additional collateral.

The carrying amount of securities sold under repurchase agreements at 31 March 2011 was RM30,465,000 (2010: Nil) of which securities with a fair value of RM30,258,000 (2010: Nil) were classified as held-for-trading (Note 9). The counterparty is allowed to sell or repledge those securities in the absence of default by the Group or the Bank.

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,187,036	228,503	1,096,277	12,736
Licensed investment banks	605,886	389,632	605,886	389,632
Bank Negara Malaysia	2,000,000	1,500,000	2,000,000	1,500,000
	3,792,922	2,118,135	3,702,163	1,902,368

Included in the above are interbank lending by the Group and the Bank of RM3,790,186 (2010: RM2,118,135,000) and RM3,699,427,000 (2010: RM1,899,632,000) respectively.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Bank and its customers to transfer, modify or reduce their foreign exchange and interest rate risks via hedge relationships. The Bank also transacts in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the hedge effectiveness criteria. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 50.

The table below shows the Group's and Bank's derivative financial instruments as at the reporting 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 the reporting date are analysed below:

	2011			2010		
The Group	**Contract/ Notional Amount RM'000**	**Positive Fair Value RM'000**	**Negative Fair Value RM'000**	**Contract/ Notional Amount RM'000**	**Positive Fair Value RM'000**	**Negative Fair Value RM'000**
Trading Derivatives						
Foreign exchange related contracts	29,665,380	107,056	145,051	4,273,584	47,108	87,311
Equity related contracts	1,123,058	34,863	123,944	493,841	9,348	35,941
Commodity related contracts	-	-	-	151,000	3,461	3,458
Interest rate related contracts	26,102,681	127,097	135,045	21,600,650	177,020	188,058
Credit related contracts	328,906	5,496	5,496	-	-	-
Hedging Derivatives						
Interest rate related contracts						
- Interest rate swaps						
Cash flow hedge	10,020,000	52,290	22,776	9,080,000	42,422	77,742
Fair value hedge	905,060	69,871	620	652,400	64,284	-
Total	68,145,085	396,673	432,932	36,251,475	343,643	392,510

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

The Bank	2011 Contract/ Notional Amount RM'000	2011 Positive Fair Value RM'000	2011 Negative Fair Value RM'000	2010 Contract/ Notional Amount RM'000	2010 Positive Fair Value RM'000	2010 Negative Fair Value RM'000
Trading Derivatives						
Foreign exchange related contracts	29,665,380	107,056	145,051	4,273,584	47,108	87,311
Equity related contracts	1,123,058	34,863	123,944	493,841	9,348	35,941
Interest rate related contracts	26,102,681	127,097	135,045	21,600,650	177,020	188,058
Credit related contracts	328,906	5,496	5,496	-	-	-
Hedging Derivatives						
Interest rate related contracts						
- Interest rate swaps						
Cash flow hedge	10,020,000	52,290	22,776	9,080,000	42,422	77,742
Fair value hedge	905,060	69,871	620	652,400	64,284	-
Total	68,145,085	396,673	432,932	36,100,475	340,182	389,052

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.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

Fair value hedges

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

The gain/(loss) arising from fair value hedges is as follows:

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

Cash flow hedges

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

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

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

9. FINANCIAL ASSETS HELD-FOR-TRADING

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At fair value				
Money Market Securities:				
In Malaysia				
Treasury Bills	49,046	19,551	49,046	19,551
Islamic Treasury Bills	5,358	39,141	5,358	-
Malaysian Government Securities	160,285	154,746	160,285	154,746
Malaysian Government Investment Certificate	221,650	452,188	221,650	262,278
Sukuk Bank Negara Malaysia	-	14,990	-	-
Bank Negara Monetary Notes	2,270,387	306,008	2,270,387	257,292
	2,706,726	986,624	2,706,726	693,867
Quoted Securities:				
In Malaysia				
Shares	288,337	55,770	288,337	55,770
Unit trusts	74,137	2,655	74,137	2,655
Warrants	2,835	1,935	2,835	1,935
Outside Malaysia				
Shares	4,744	4,186	4,744	4,186
	370,053	64,546	370,053	64,546
Unquoted Securities:				
In Malaysia				
Debt securities	1,090,223	613,857	1,090,223	555,681
Outside Malaysia				
Debt securities	-	14,631	-	14,631
	1,090,223	628,488	1,090,223	570,312
Total financial assets held-for-trading	4,167,002	1,679,658	4,167,002	1,328,725

As at the end of the financial year, securities with carrying value of RM30,258,000 (2010: Nil) relates to securities sold under repurchase agreements (Note 6).

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At fair value, or cost less impairment losses for certain unquoted instruments				
Money Market Securities:				
In Malaysia				
Islamic Khazanah Bonds	-	37,890	-	37,890
Negotiable instruments of deposit	2,523,145	2,511,332	2,523,145	2,733,280
Malaysian Government Securities	255,789	348,635	255,789	348,635
Islamic negotiable instruments of deposit	785,855	577,330	785,855	-
Malaysian Government Investment Certificate	94,734	76,005	94,734	-
	3,659,523	3,551,192	3,659,523	3,119,805
Quoted Securities:				
In Malaysia				
Shares	11,926	42,379	11,809	42,259
Unit trust	39,400	800,000	39,400	800,000
Debt securities	-	2,658	-	2,658
Debt securities with options and/or collateral	55,881	-	55,881	-
	107,207	845,037	107,090	844,917
Outside Malaysia:				
Shares	93	104	40	39
	93	104	40	39
Unquoted Securities In Malaysia:				
Shares	86,804	-	86,804	-
Debt securities	2,452,181	3,103,155	2,678,929	3,126,836
Guaranteed debt securities	-	288,546	-	288,546
	2,538,985	3,391,701	2,765,733	3,415,382
Unquoted Securities Outside Malaysia:				
Shares	84	917	84	-
Debt securities	26,077	25,541	25,226	25,541
	26,161	26,458	25,310	25,541
Total financial investments available-for-sale	6,331,969	7,814,492	6,557,696	7,405,684

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTD.)

The Bank and its previously wholly-owned subsidiary, AmIslamic Bank Berhad was appointed as Principal Dealer ("PD") and Islamic Principal Dealer ("i-PD"), respectively by Bank Negara Malaysia ("BNM") for Government /Islamic Government, BNM and BNM Sukuk Berhad issuances with effect from 1 July 2010 until 31 December 2012.

As PD and i-PD, the Group and the Bank are required to undertake certain obligations as well as accorded certain incentives in the appointment period. One of the incentives accorded is the eligibility to maintain 1% Statutory Reserve Requirement ("SRR") in the form of Malaysian Government Securities ("MGS") and/or Government Investment Certificate ("GIC") holdings instead of cash. As at 31 March 2011 and 31 March 2010, the nominal values of MGS and GIC holdings of the Group and the Bank maintained for SRR purposes amount to RM350,000,000 (The Group 2010: RM 425,260,000)

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At amortised cost				
Quoted In Malaysia:				
Shares	-	40	-	40
Debt securities with options and/or collateral	-	75,087	-	75,087
	-	75,127	-	75,127
Unquoted:				
In Malaysia				
Shares	-	93,105	-	91,329
Debt securities	106,254	256,524	98,726	245,172
Debt securities with options and/or collateral	266,852	463,479	265,882	462,507
	373,106	813,108	364,608	799,008
Outside Malaysia				
Shares	-	86	-	86
	-	86	-	86
Total	373,106	888,321	364,608	874,221
Less: Accumulated impairment losses	(207,775)	(355,636)	(205,019)	(341,536)
Total financial investments held-to-maturity	165,331	532,685	159,589	532,685

Impairment allowance

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 April 2010/2009	355,636	382,075	341,536	358,886
Effect of adopting of FRS139				
- Reclassification	(142,586)	-	(142,586)	-
- Remeasurement	(2,328)	-	6,195	-
As restated	210,722	382,075	205,145	358,886
Charge for the year - net	7,119	34,593	7,786	38,260
Recoveries/reversal	(10,136)	(61,032)	(7,912)	(55,610)
Exchange differences	70	-	-	-
At 31 March	207,775	355,636	205,019	341,536

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTD.)

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Market value				
Quoted Securities:				
Shares	-	22	-	22
Debt securities with options and/or collateral	-	99,777	-	99,777
Debt securities	-	9,890	-	9,890
	-	109,689	-	109,689

12. LOANS, ADVANCES AND FINANCING

		The Group		The Bank	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(i)	**By type of loans/financing**				
	At amortised cost:				
	Overdrafts	1,988,963	1,934,446	1,988,963	1,681,940
	Term loans facilities:				
	Housing loans/financing	11,551,536	11,405,564	11,231,830	10,632,740
	Hire-purchase receivables	21,521,483	30,875,449	21,521,483	22,927,857
	Other loans/financing*	15,807,340	18,861,467	15,802,232	13,758,591
	Card receivables	1,491,939	1,782,020	1,491,939	1,489,177
	Bills receivables	390,546	115,140	390,546	115,140
	Trust receipts	569,084	387,310	569,084	317,070
	Claims on customers under acceptance credits	2,217,959	2,788,013	2,217,959	1,870,194
	Revolving credits	5,028,403	5,010,638	5,074,217	4,279,548
	Staff loans	155,263	153,816	154,770	153,317
	Block discount receivables	60,293	57,928	60,293	57,928
	Factoring receivables	51,018	57,143	51,018	57,143
	Total	60,833,827	73,428,934	60,554,334	57,340,645
	Unearned interest and unearned income	(3,235,158)	(7,161,205)	(3,235,158)	(3,738,869)
		57,598,669	66,267,729	57,319,176	53,601,776
	Less: Islamic financing sold to Cagamas Berhad	-	(345,738)	-	-
	Gross loans, advances and financing	57,598,669	65,921,991	57,319,176	53,601,776
	Allowance for bad and doubtful debts and financing:				
	- Collective allowance Note 12 (x)	(1,647,390)	-	(1,641,832)	-
	- Individual allowance Note 12 (x)	(341,071)	-	(341,071)	-
	General Note 12 (xi)	-	(997,741)	-	(808,165)
	Specific Note 12 (xi)	-	(847,893)	-	(783,103)
	Net loans, advances and financing	55,610,208	64,076,357	55,336,273	52,010,508

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

12. LOANS, ADVANCES AND FINANCING (CONTD.)

(ii) By type of customer

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Domestic non-bank financial institutions	2,383,193	1,252,571	2,459,268	1,257,423
Domestic business enterprises				
- Small medium enterprises	6,038,799	7,219,082	6,038,799	6,068,885
- Others	16,977,426	17,511,501	16,972,319	15,441,147
Government and statutory bodies	72,789	253,528	72,789	42,909
Individuals	31,623,468	39,143,013	31,303,271	30,278,636
Other domestic entities	1,862	3,021	1,862	943
Foreign entities	501,132	539,275	470,868	511,833
Gross loans, advances and financing	57,598,669	65,921,991	57,319,176	53,601,776

(iii) By geographical distribution

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
In Malaysia	57,178,942	65,481,939	56,929,714	53,184,594
Outside Malaysia	419,727	440,052	389,462	417,182
Gross loans, advances and financing	57,598,669	65,921,991	57,319,176	53,601,776

(iv) By interest/profit rate sensitivity

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fixed rate				
- Housing loans/financing	1,946,773	2,008,656	1,626,688	1,682,433
- Hire purchase receivables	17,370,545	25,475,809	17,370,433	19,204,007
- Other fixed rate loan/financing	5,104,309	9,297,212	5,104,309	4,592,199
Variable rate				
- Base lending rate plus	20,076,576	17,513,147	20,076,576	17,430,068
- Cost plus	11,078,192	10,303,658	11,124,003	9,376,443
- Other variable rates	2,022,274	1,323,509	2,017,167	1,316,626
Gross loans, advances and financing	57,598,669	65,921,991	57,319,176	53,601,776

12. LOANS, ADVANCES AND FINANCING (CONTD.)

(v) By sector

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Primary Agriculture	2,038,342	1,542,566	2,038,342	1,430,213
Mining and quarrying	707,170	441,170	707,170	428,424
Manufacturing	4,613,983	4,965,474	4,608,876	4,010,107
Electricity, gas and water	2,187,525	2,292,627	2,187,525	2,089,365
Construction	2,519,714	3,759,983	2,519,714	3,448,632
Wholesale, retail, restaurant and hotel	3,193,202	3,594,540	3,193,202	3,116,020
Transport, storage and communication	2,275,303	3,012,306	2,275,303	2,712,318
Finance, insurance, real estate and business activities	6,733,747	5,400,271	6,703,483	4,881,099
Education and health	597,548	819,295	597,548	501,265
Household	31,562,303	39,537,407	31,318,181	30,385,585
of which:				
Purchase of residential properties	11,441,728	11,361,622	11,197,718	10,703,064
Purchase of transport vehicles	16,684,955	23,501,665	16,684,843	17,358,531
Others	3,435,620	4,674,120	3,435,620	2,323,990
Others	1,169,832	902,090	1,169,832	598,748
	57,598,669	66,267,729	57,319,176	53,601,776
Islamic financing sold to Cagamas Berhad	-	(345,738)	-	-
	57,598,669	65,921,991	57,319,176	53,601,776

(vi) By residual contractual maturity

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Maturing within one year	12,048,701	11,436,948	12,093,193	9,494,938
One year to three years	6,864,279	6,873,234	6,846,265	6,061,422
Three years to five years	8,767,663	11,202,770	8,743,674	9,128,099
Over five years	29,918,026	36,409,039	29,636,044	28,917,317
Gross loans, advances and financing	57,598,669	65,921,991	57,319,176	53,601,776

(vii) Impaired loans/financing by geographical distribution

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
In Malaysia	2,123,247	1,859,762	2,122,976	1,676,942

12. LOANS, ADVANCES AND FINANCING (CONTD.)

(viii) Impaired loans/financing by sector

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Primary Agriculture	38,356	2,747	38,356	2,250
Mining and quarrying	355	1,028	355	1,008
Manufacturing	244,898	101,638	244,898	92,280
Electricity, gas and water	288,508	649	288,508	581
Construction	284,056	296,615	284,056	292,123
Wholesale, retail, restaurant and hotel	58,724	63,010	58,724	54,333
Transport, storage and communication	19,562	19,278	19,562	18,439
Finance, insurance, real estate and business activities	116,756	124,633	116,756	123,383
Education and health	41,337	46,244	41,337	45,705
Household	1,018,435	1,192,289	1,018,164	1,035,209
of which:				
Purchase of residential properties	628,715	633,995	628,444	595,535
Purchase of transport vehicles	282,368	399,828	282,368	295,354
Others	107,352	158,466	107,352	144,320
Others	12,260	11,631	12,260	11,631
	2,123,247	1,859,762	2,122,976	1,676,942

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Gross				
At 1 April 2010/2009				
- as previously stated	1,859,762	2,419,726	1,676,942	2,180,089
- effect of adopting FRS 139	672,171	-	662,485	-
As restated	2,531,933	2,419,726	2,339,427	2,180,089
Impaired during the year	1,324,479	1,030,266	1,001,196	874,543
Reclassification as non-impaired	(382,239)	(452,389)	(327,582)	(397,579)
Amount recovered	(335,855)	(197,803)	(302,239)	(176,652)
Amount written off	(673,685)	(940,038)	(591,968)	(803,459)
Repurchase of loan	4,142	-	4,142	-
Arising from disposal of subsidiary	(345,528)	-	-	-
At 31 March	2,123,247	1,859,762	2,122,976	1,676,942
Gross loans, advances and financing	57,598,669	65,921,991	57,319,176	53,601,776
Add: Islamic financing sold to Cagamas Berhad	-	345,738	-	-
Loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	57,598,669	66,267,729	57,319,176	53,601,776
Ratio of gross impaired loans advances and financing to gross loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	3.7%	2.8%	3.7%	3.1%

12. LOANS, ADVANCES AND FINANCING (CONTD.)

(x) Movements in allowance for impaired accounts are as follows:

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Collective allowance				
At 1 April 2010/2009				
As previously stated	-	-	-	-
Effect of adopting FRS 139	1,797,171	-	1,502,269	-
As restated	1,797,171	-	1,502,269	-
Charge for the year - net	784,839	-	526,591	-
Amount written-off	(472,658)	-	(390,699)	-
Repurchase of loan	4,142	-	4,142	-
Arising from disposal of subsidiary	(465,603)	-	-	-
Exchange differences	(501)	-	(471)	-
At 31 March	1,647,390	-	1,641,832	-
As % of gross financing and advances less individual allowance	2.9%	-	2.9%	-
Individual allowance				
At 1 April 2010/2009				
As previously stated	-	-	-	-
Effect of adopting FRS 139	452,386	-	451,278	-
As restated	452,386	-	451,278	-
Charge for the year - net	92,381	-	79,936	-
Transfer from debt converted instrument	12,356	-	12,356	-
Amount written-off	(202,499)	-	(202,499)	-
Arising from disposal of subsidiary	(13,553)	-	-	-
At 31 March	341,071	-	341,071	-

12. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
General Allowance				
At 1 April 2010/2009				
As previously stated	997,741	895,655	808,165	728,700
Effect of adopting FRS 139	(997,741)	-	(808,165)	-
As restated	-	895,655	-	728,700
Allowance made during the year	-	103,054	-	80,376
Exchange fluctuation adjustments	-	(968)	-	(911)
At 31 March	-	997,741	-	808,165
As % of total loans, advances and financing including Islamic financing sold to Cagamas Berhad less financing exempted from general allowance by BNM and specific allowance	-	1.5%	-	1.5%
Specific Allowance				
At 1 April 2010/2009				
As previously stated	847,893	914,985	783,103	815,933
Effect of adopting FRS 139	(847,893)	-	(783,103)	-
As restated	-	914,985	-	815,933
Allowance made during the year	-	1,205,018	-	1,055,246
Amount written back in respect of recoveries during the year	-	(336,172)	-	(291,273)
Net charge to income statements	-	868,846	-	763,973
Amount written off	-	(936,525)	-	(796,867)
Adjustment to Asset Deficiency Account	-	587	-	64
At 31 March	-	847,893	-	783,103

13. OTHER ASSETS

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Bank 2011 RM'000	The Bank 2010 RM'000
Deferred assets	(a)	34,744	34,744	34,744	34,744
Interest/profit receivable (net)		345,049	271,679	345,055	262,196
Other receivables, deposits and prepayments (net)	(c)	352,537	323,692	347,919	308,287
Deferred charges		171,597	239,529	171,597	186,015
Amount due from Originators	(d)	19,583	22,793	19,583	22,793
Foreclosed properties net of impairment loss of RM136,800,000 (2010: RM115,556,000)	(e)	110,993	150,532	110,993	150,532
		1,034,503	1,042,969	1,029,891	964,567

	The Group and The Bank 2011 RM'000	The Group and The Bank 2010 RM'000
(a) Deferred Assets		
Arising from takeover of Kewangan Usahasama Makmur Berhad	34,744	34,744

In 1988, the Bank took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co-operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434 million; subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from deposit taking co-operatives. The tax benefit is a fixed monetary sum and is not dependent on any changes in tax rates.

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

(b) Interest/profit receivable are net of allowance for doubtful debt/collectibility of the Group and Bank which amounted to RM4,008,000 (2010: RM2,435,000).

13. OTHER ASSETS (CONTD.)

(c) Included under the gross amount of other receivables, deposits and prepayments of the Group and Bank are outstanding balances totalling RM16,996,000 (2010: RM25,436,000) and RM14,184,000 (2010: RM30,174,000) respectively owing by other related companies.

Other receivables, deposits and prepayments are net of allowance for doubtful debts of the Group and Bank which amounted to RM19,982,000 (2010: RM26,455,000) and RM7,567,000 (2010: RM13,974,000) respectively.

The movement in allowance for impairment of interest/profit receivable and other receivable, deposits and prepayments is as follows:

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 April 2010/2009	28,890	22,625	16,409	8,284
Charge for the year - net	2,583	8,170	2,568	8,130
Amount reversed/written-off	(7,444)	(1,899)	(7,399)	-
Arising from disposal of subsidiary	(37)	-	-	-
Exchange differences	(2)	(6)	(3)	(5)
At 31 March	23,990	28,890	11,575	16,409

(d) Amount due from Originators represents loans, hire purchase and leasing receivables acquired from Originators for onward sale to Cagamas Berhad as mentioned in Note 21.

(e) The movement in allowance for impairment of foreclosed properties is as follows:

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 April 2010/2009	115,556	97,950	115,556	97,950
Charge for the year - net	29,180	21,383	29,180	21,383
Amount reversed/written-off	(7,936)	(3,777)	(7,936)	(3,777)
At 31 March	136,800	115,556	136,800	115,556

14. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities. As at 31 March 2011 and 31 March 2010, certain MGS and GIC holdings classified as Financial investments available-for-sale were maintained for SRR purposes as mentioned in Note 10.

15. DEFERRED TAX ASSETS

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At 1 April 2010/2009	259,307	344,230	213,089	241,639
Effect of adopting FRS 139	77,535	-	59,059	-
As restated	336,842	344,230	272,148	241,639
Recognised in equity	(11,506)	(53,214)	(10,279)	(55,466)
Transfer from/(to) income statement	191,126	(31,709)	155,495	26,916
Arising from disposal of subsidary	(100,023)	-	-	-
At 31 March	416,439	259,307	417,364	213,089

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Arising from:				
Difference between depreciation and tax allowances on property and equipment	(38,416)	(38,561)	(38,416)	(38,414)
Impairment loss on foreclosed properties	36,184	28,889	36,184	28,889
Collective/General allowance for bad and doubtful debts and financing	508,617	249,561	507,215	202,042
Deferred charges	(38,755)	(43,244)	(38,755)	(43,244)
Temporary difference recognised in equity	(17,224)	(18,717)	(14,897)	(18,001)
Other temporary differences	(33,967)	81,379	(33,967)	81,817
	416,439	259,307	417,364	213,089

15. DEFERRED TAX ASSETS (CONTD.)

Deferred tax assets/(liabilities) recognised directly in equity:

	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Total RM'000
The Group			
Balance at 1 April 2009	4,000	30,497	34,497
Recognised in equity	(21,417)	(31,797)	(53,214)
Balance at 31 March 2010	(17,417)	(1,300)	(18,717)
Balance at 1 April 2010			
- as previously reported	(17,417)	(1,300)	(18,717)
- effect of adopting FRS 139	15,197	-	15,197
- as restated	(2,220)	(1,300)	(3,520)
Recognised in equity	(1,677)	(9,829)	(11,506)
Arising from disposal of subsidiary	(2,198)	-	(2,198)
Balance at 31 March 2011	(6,095)	(11,129)	(17,224)
The Bank			
Balance at 1 April 2009	6,968	30,497	37,465
Recognised in equity	(23,669)	(31,797)	(55,466)
Balance at 31 March 2010	(16,701)	(1,300)	(18,001)
Balance at 1 April 2010			
- as previously reported	(16,701)	(1,300)	(18,001)
- effect of adopting FRS 139	13,383	-	13,383
- as restated	(3,318)	(1,300)	(4,618)
Recognised in equity	(450)	(9,829)	(10,279)
Balance at 31 March 2011	(3,768)	(11,129)	(14,897)

16. INVESTMENT IN SUBSIDIARIES

	The Bank	
	2011 RM'000	2010 RM'000
Unquoted shares at cost	93,711	949,290
Accumulated Impairment losses	(27,911)	(99,420)
Net	65,800	849,870

During the current financial year,

a) Natprop Sdn Bhd, a wholly-owned subsidiary of the Bank was struck off from the register of the Companies Commission of Malaysia pursuant to Section 308 of the Companies Act, 1965. This subsidiary is dormant and its dissolution has no material financial impact to the Bank's or the Group's results.

b) the Bank entered into a sale and purchase agreement with AMMB to dispose its entire shareholding in AmIslamic Bank for a sale consideration of RM1,337,698,000 ("The Disposal"). The Disposal was completed as at 28 February 2011.

16. INVESTMENT IN SUBSIDIARIES (CONTD.)

Details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest 2011 %	Effective Equity Interest 2010 %
AmIslamic Bank Berhad ^	Malaysia	Islamic Banking	-	100.0
AmTrade Services Limited *	Hong Kong	Trade finance services	100.0	100.0
AmInternational (L) Ltd	Labuan, Malaysia	Offshore banking	100.0	100.0
AMBB Capital (L) Ltd	Labuan, Malaysia	Issue of Hybrid Capital securities	100.0	100.0
AmCapital (L) Inc	Labuan, Malaysia	Dormant	100.0	100.0
AmPremier Capital Berhad	Malaysia	Issue of subordinated securities	100.0	100.0
AmMortgage One Berhad	Malaysia	Securitisation of Mortgage Loans	100.0	100.0
AmProperty Holdings Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
Bougainvillaea Development Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
MBf Information Services Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
MBf Trustees Berhad	Malaysia	Trustee services	60.0	60.0
MBf Nominees (Tempatan) Sdn. Bhd.	Malaysia	Nominee services	100.0	100.0
Natprop Sdn. Bhd. @	Malaysia	Dormant	-	100.0
Teras Oak Pembangunan Sendirian Berhad	Malaysia	Dormant	100.0	100.0
Komuda Credit & Leasing Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
AmCredit & Leasing Sdn Bhd	Malaysia	Dormant	100.0	100.0
Malco Properties Sdn. Bhd.	Malaysia	Dormant	81.5	81.5
Economical Enterprises Sendirian Berhad	Malaysia	Dormant	100.0	100.0

^ Ceased to be a wholly-owned subsidiary during the financial year.

* Audited by an affiliate of Ernst & Young

@ 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.

17. INVESTMENT IN ASSOCIATES

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unquoted shares, at cost	100	100	150	150
Less: Impairment loss	-	-	(8)	(39)
	100	100	142	111
Share of post-acquisition results, net of tax	1,143	886	-	-
	1,243	986	142	111

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

	Principal Activity
AmTrustee Berhad	Trustee Services
MBf Trustees Berhad	Trustee Services

The effective equity interests are as follows:

	The Group Effective Equity Interest		The Bank Effective Equity Interest	
	2011	2010	2011	2010
AmTrustee Berhad	20%	20%	20%	20%
MBf Trustees Berhad	60%	60%	20%	20%

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

The summarised financial information of the associate are as follows:

	The Group	
	2011 RM'000	2010 RM'000
Gross assets and liabilities		
Current assets	21,659	8,921
Non-current assets	501	697
Total assets	22,160	9,618
Total liabilities	14,238	2,982
Gross results		
Revenue	5,676	4,725
Profit for the year	1,286	904

18. PROPERTY AND EQUIPMENT

The Group

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST										
At 1 April 2010	12,726	22,804	16,689	4,906	534	91,958	126,022	418,310	8,123	702,072
Additions	-	-	-	-	-	7,730	6,105	58,175	1,880	73,890
Transfer from related company (net)	-	-	-	-	-	-	3	46	-	49
Reclassified from/(to) Intangible Assets (Note 19)	-	-	-	-	-	251	(5)	(146,450)	-	(146,204)
Disposals	(103)	(207)	-	-	-	-	(341)	(6,664)	(2,373)	(9,688)
Reclassification	-	(213)	213	-	-	757	(35,773)	35,016	-	-
Exchange differences	-	(31)	-	-	-	-	(102)	(24)	(20)	(177)
Arising from disposal of subsidiary	-	-	-	-	-	(323)	(90)	(397)	(455)	(1,265)
Written-off	-	-	-	-	-	-	(439)	(4)	-	(443)
At 31 March 2011	12,623	22,353	16,902	4,906	534	100,373	95,380	358,008	7,155	618,234
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES										
At 1 April 2010	1,350	7,904	5,089	1,369	256	66,928	110,192	315,533	5,713	514,334
Depreciation for the year	-	476	322	101	11	12,267	6,249	25,353	669	45,448
Transfer from/(to) related company (net)	-	-	-	-	-	-	(1)	35	-	34
Reclassified from/(to) Intangible Assets (Note 19)	-	-	-	-	-	146	(5)	(132,252)	-	(132,111)
Disposals	-	(72)	-	-	-	-	(335)	(6,635)	(2,373)	(9,415)
Reclassification	-	(44)	44	-	-	72	(33,686)	33,614	-	-
Exchange differences	-	(9)	-	-	-	-	(96)	(24)	(19)	(148)
Arising from disposal of subsidiary	-	-	-	-	-	(204)	(82)	(269)	(37)	(592)
Written-off	-	-	-	-	-	-	(424)	(4)	-	(428)
At 31 March 2011	1,350	8,255	5,455	1,470	267	79,209	81,812	235,351	3,953	417,122
Analysed as:										
Accumulated depreciation	-	8,255	4,569	1,216	267	79,209	81,812	235,351	3,953	414,632
Accumulated impairment loss	1,350	-	886	254	-	-	-	-	-	2,490
	1,350	8,255	5,455	1,470	267	79,209	81,812	235,351	3,953	417,122
NET BOOK VALUE										
At 31 March 2011	11,273	14,098	11,447	3,436	267	21,164	13,568	122,657	3,202	201,112

18. PROPERTY AND EQUIPMENT (CONTD.)

The Group

COST	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
At 1 April 2009										
As previously reported	12,726	22,853	17,016	-	-	186,856	136,422	437,685	8,224	821,782
Effect of adopting amendments to FRS 117	-	-	-	5,068	534	-	-	-	-	5,602
As restated	12,726	22,853	17,016	5,068	534	186,856	136,422	437,685	8,224	827,384
Additions	-	-	-	-	-	5,688	6,082	50,079	780	62,629
Transfer from related company	-	-	-	-	-	12,022	11,460	32,129	674	56,285
Reclassified to intangible assets (Note 19)	-	-	-	-	-	-	-	(10,504)	-	(10,504)
Disposals			-		-	(5)	(2,354)	(2,781)	(561)	(5,701)
Reclassification	-	-	(327)	(162)	-	126	-	(126)	-	(489)
Exchange differences	-	(49)	-	-	-	-	(161)	(39)	(32)	(281)
Written-off	-	-	-	-	-	(112,729)	(25,427)	(88,133)	(962)	(227,251)
At 31 March 2010	12,726	22,804	16,689	4,906	534	91,958	126,022	418,310	8,123	702,072
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES										
At 1 April 2009										
As previously reported	1,350	7,462	4,828	-	-	156,218	119,359	355,300	6,069	650,586
Effect of adopting amendments to FRS 117	-	-	-	1,312	239	-	-	-	-	1,551
As restated	1,350	7,462	4,828	1,312	239	156,218	119,359	355,300	6,069	652,137
Depreciation for the year	-	455	310	82	17	12,996	9,211	22,341	598	46,010
Transfer from related company	-	-	-	-	-	10,433	9,574	28,770	596	49,373
Disposals	-					(5)	(2,336)	(2,777)	(561)	(5,679)
Reclassification		-	(49)	(25)	-	(1)	(61)	62	-	(74)
Exchange differences	-	(13)	-	-	-	-	(154)	(35)	(27)	(229)
Written-off	-	-	-	-	-	(112,713)	(25,401)	(88,128)	(962)	(227,204)
At 31 March 2010	1,350	7,904	5,089	1,369	256	66,928	110,192	315,533	5,713	514,334
Analysed as:										
Accumulated depreciation	-	7,904	4,203	1,115	256	66,928	110,192	315,533	5,713	511,844
Accumulated impairment loss	1,350	-	886	254	-	-	-	-	-	2,490
	1,350	7,904	5,089	1,369	256	66,928	110,192	315,533	5,713	514,334
NET BOOK VALUE										
At 31 March 2010	11,376	14,900	11,600	3,537	278	25,030	15,830	102,777	2,410	187,738

18. PROPERTY AND EQUIPMENT (CONTD.)

The Bank

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST										
At 1 April 2010	3,582	3,055	13,778	3,806	303	91,663	124,523	417,597	7,849	666,156
Additions	-	-	-	-	-	7,669	6,022	58,138	1,425	73,254
Transfer from related company (net)	-	-	-	-	-	-	3	46	-	49
Reclassified from/(to) Intangible Assets (Note 19)	-	-	-	-	-	251	(5)	(146,450)	-	(146,204)
Disposals	-	-	-	-	-		(341)	(6,651)	(2,373)	(9,365)
Reclassification	-	-	-	-	-	757	(35,773)	35,016	-	-
Written-off	-	-	-	-	-	-	(439)	-	-	(439)
At 31 March 2011	3,582	3,055	13,778	3,806	303	100,340	93,990	357,696	6,901	583,451
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES										
At 1 April 2010	1,350	654	4,321	1,158	170	66,749	108,802	315,016	5,472	503,692
Depreciation for the year	-	72	274	73	6	12,208	6,209	25,276	604	44,722
Transfer from/(to) related company (net)	-	-	-	-	-	-	(1)	35	-	34
Reclassified from/(to) Intangible Assets (Note 19)	-	-	-	-	-	146	(5)	(132,252)	-	(132,111)
Disposals	-	-	-	-	-	-	(335)	(6,622)	(2,373)	(9,330)
Reclassification	-	-	-	-	-	72	(33,686)	33,614	-	-
Written-off	-	-	-	-	-	-	(424)	-	-	(424)
At 31 March 2011	1,350	726	4,595	1,231	176	79,175	80,560	235,067	3,703	406,583
Analysed as:										
Accumulated depreciation	-	726	3,709	977	176	79,175	80,560	235,067	3,703	404,093
Accumulated impairment loss	1,350	-	886	254	-	-	-	-	-	2,490
	1,350	726	4,595	1,231	176	79,175	80,560	235,067	3,703	406,583
NET BOOK VALUE										
At 31 March 2011	2,232	2,329	9,183	2,575	127	21,165	13,430	122,629	3,198	176,868

18. PROPERTY AND EQUIPMENT (CONTD.)

The Bank

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Leasehold improve-ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST										
At 1 April 2009										
As previously reported	3,582	3,055	13,778	-	-	186,607	134,796	436,951	7,918	786,687
Effect of adopting amendments to FRS 117	-	-	-	3,806	303	-	-	-	-	4,109
As restated	3,582	3,055	13,778	3,806	303	186,607	134,796	436,951	7,918	790,796
Additions	-	-	-	-	-	5,642	6,044	50,057	780	62,523
Transfer from related company	-	-	-	-	-	12,022	11,460	32,129	674	56,285
Reclassified to Intangible Assets (Note 19)	-	-	-	-	-	-	-	(10,504)	-	(10,504)
Disposals	-	-	-	-	-	(5)	(2,354)	(2,781)	(561)	(5,701)
Reclassification	-	-	-	-	-	126	-	(126)	-	-
Written-off	-	-	-	-	-	(112,729)	(25,423)	(88,129)	(962)	(227,243)
At 31 March 2010	3,582	3,055	13,778	3,806	303	91,663	124,523	417,597	7,849	666,156
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES										
At 1 April 2009										
As previously reported	1,350	607	4,048	-	-	156,082	117,795	354,886	5,831	640,599
Effect of adopting amendments to FRS 117	-	-	-	1,085	164	-	-	-	-	1,249
As restated	1,350	607	4,048	1,085	164	156,082	117,795	354,886	5,831	641,848
Depreciation for the year	-	47	273	73	6	12,952	9,167	22,261	568	45,347
Transfer from related company	-	-	-	-	-	10,433	9,574	28,770	596	49,373
Disposals	-	-	-	-	-	(5)	(2,336)	(2,777)	(561)	(5,679)
Written-off	-	-	-	-	-	(112,713)	(25,398)	(88,124)	(962)	(227,197)
At 31 March 2010	1,350	654	4,321	1,158	170	66,749	108,802	315,016	5,472	503,692
Analysed as:										
Accumulated depreciation	-	654	3,435	904	170	66,749	108,802	315,016	5,472	501,202
Accumulated impairment loss	1,350	-	886	254	-	-	-	-	-	2,490
	1,350	654	4,321	1,158	170	66,749	108,802	315,016	5,472	503,692
NET BOOK VALUE										
At 31 March 2010	2,232	2,401	9,457	2,648	133	24,914	15,721	102,581	2,377	162,464

18. PROPERTY AND EQUIPMENT (CONTD.)

(a) Included in the net book value of computer equipment are capital work-in-progress of the Group and of the Bank of RM50,823,000 (2010: RM28,794,000).

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

	The Group		The Bank	
	2011	2010	2011	2010
Cost	RM'000	RM'000	RM'000	RM'000
Freehold building	75	75	75	75
Leasehold building	102	102	102	102
Leasehold improvements	40,809	34,359	40,808	33,803
Office equipment, furniture and fittings	66,191	87,447	66,191	86,956
Computer equipment	174,781	274,852	174,781	274,547
Motor vehicles	2,068	4,398	2,068	4,296
	284,026	401,233	284,025	399,779

19. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	The Group		The Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Computer Software				
Cost				
At 1 April 2010/2009	250,306	196,874	249,421	196,039
Additions	25,670	32,609	25,651	32,556
Transfer from related company	11	30,777	11	30,777
Reclassified from property and equipment (Note 18) - net	146,204	10,504	146,204	10,504
Written-off	(2,587)	(20,455)	(2,587)	(20,455)
Arising from disposal of subsidiary	(864)	-	-	-
Exchange differences	1	(3)	-	-
At 31 March	418,741	250,306	418,700	249,421
Accumulated Amortisation				
At 1 April 2010/2009	163,899	130,467	163,464	130,193
Amortisation for the year	31,627	28,875	31,468	28,711
Transfer from related company	11	25,013	11	25,013
Reclassified from property and equipment (Note 18) - net	132,111	-	132,111	-
Written-off	-	(20,453)	-	(20,453)
Arising from disposal of subsidiary	(572)	-	-	-
Exchange differences	1	(3)	-	-
At 31 March	327,077	163,899	327,054	163,464
Net Book Value at 31 March	91,664	86,407	91,646	85,957

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks	263,639	416,941	596,413	327,385
Licensed investment banks	1,171,960	1,250,381	1,171,960	1,127,005
Other financial Institutions	958,193	2,683,230	950,155	2,030,724
Bank Negara Malaysia ("BNM")	2,232,061	902,577	2,232,061	899,754
	4,625,853	5,253,129	4,950,589	4,384,868

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Negotiable instruments of deposits	495,715	908,591	495,715	519,922
Interbank borrowing (Note 5)	2,135,074	665,461	2,468,062	799,914
	2,630,789	1,574,052	2,963,777	1,319,836

Included under deposits from BNM are deposits and interest-free loans placed with the Group and the Bank in connection with the transfer of certain assets and liabilities of Kewangan Usahasama Makmur Berhad ("KUMB") to the Bank as mentioned in Note 13.

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Soft deposit	135,000	135,000	135,000	135,000
Soft loans	493,000	493,000	493,000	493,000
	628,000	628,000	628,000	628,000

The soft deposit of RM135,000,000 bears an interest of 1% (2010: 1%) per annum and the soft loans are interest free. The soft loans and soft deposit are repayable when the deferred assets relating to KUMB referred to in Note 13(a) are fully utilised.

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

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

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

22. DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Demand deposits	4,494,670	4,386,833	4,494,980	3,476,074
Savings deposits	2,923,609	3,985,055	2,923,609	2,830,642
Fixed/Investment/Term deposits	51,442,097	60,394,724	50,813,295	48,600,941
Negotiable instruments of deposits	224,130	433,840	224,130	278,058
Other deposits	422,153	171,350	422,153	161,805
	59,506,659	69,371,802	58,878,167	55,347,520

Included in deposits from customers of the Group and the Bank are deposits of RM1,308,000,000 and RM1,304,000,000 respectively (2010: RM1,288,000,000 and RM1,121,000,000) held as collateral for loans, advances and financing.

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(i) The maturity structure of deposits from customers is as follows:				
Due within six months	49,519,725	58,432,441	48,891,233	45,115,112
Six months to one year	6,471,725	7,116,698	6,471,725	6,705,044
One year to three years	1,783,750	2,204,106	1,783,750	1,966,319
Three years to five years	1,731,459	1,618,557	1,731,459	1,561,045
	59,506,659	69,371,802	58,878,167	55,347,520
(ii) The deposits are sourced from the following types of customers:				
Individuals	27,171,911	26,828,735	27,171,175	24,655,440
Business enterprises	21,019,180	30,086,207	20,391,660	23,297,798
Government and other statutory bodies	10,393,190	11,240,282	10,393,191	6,494,652
Others	922,378	1,216,578	922,141	899,630
	59,506,659	69,371,802	58,878,167	55,347,520
(iii) The maturity structure of fixed/investment/term deposits and negotiable instruments of deposits is as follows:				
Due within six months	41,679,293	49,889,203	41,050,491	38,646,590
Six months to one year	6,471,725	7,116,697	6,471,725	6,705,044
One year to three years	1,783,750	2,199,287	1,783,750	1,966,319
Three years to five years	1,731,459	1,623,377	1,731,459	1,561,046
	51,666,227	60,828,564	51,037,425	48,878,999

23. TERM FUNDING

	Note	The Group		The Bank	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Term loans/revolving credit (net of unamortised issuance expense of RM4,761,000; Nil in 2010)	(a)	902,829	260,960	902,829	260,960
Senior Notes	(b)	2,910,527	1,420,000	2,910,527	1,420,000
Credit-Linked Note	(c)	175,119	-	175,119	-
		3,988,475	1,680,960	3,988,475	1,680,960

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

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

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

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

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

(v) USD 30 million term loan was drawn on 10 June 2010 for working capital purpose. This term loan bears interest at 1.10% per annum above LIBOR. This term loan shall be due and payable in full 2 years after the drawdown date.

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

23. TERM FUNDING (CONTD.)

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

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

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

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

24. BILLS AND ACCEPTANCES PAYABLE

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

25. DEBT CAPITAL

		The Group		The Bank	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Subordinated term loan	(a)	-	-	675,060	717,979
Non-cumulative Non-Voting Guaranteed Preference Shares	(b)	675,060	717,979	-	-
Medium Term Notes	(c)	1,557,800	1,557,800	1,557,800	1,557,800
Subordinated Sukuk Musyarakah	(d)	-	400,000	-	-
Exchangeable Bonds	(e)	-	575,000	-	575,000
Non-Innovative Tier 1 capital securities	(f)	500,000	500,000	500,000	500,000
Innovative Tier 1 capital securities	(g)	485,000	485,000	485,000	485,000
Irredeemable Non-Cumulative Convertible Preference Shares	(h)	150,000	150,000	150,000	150,000
		3,367,860	4,385,779	3,367,860	3,985,779

25. DEBT CAPITAL (CONTD.)

(a) Subordinated term loan

The subordinated term loan (USD200 million) which was on-lent from a wholly-owned subsidiary of the Bank, AMBB Capital (L) Ltd, from the proceeds of the issue of the Hybrid Securities as explained in Note 25(b), is for a period of 50 years to mature on 27 January 2056 with an option to make a first call on 27 January 2016.

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

The Bank has undertaken a fair value hedge on the interest rate risk of the subordinated term loan using interest rate swap. As at 31 March 2011, the unrealised fair value loss on the loan arising from the fair value hedge amounted to RM70,000,000 (2010: RM65,579,000).

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

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

The salient features of the Hybrid Securities are as follows:

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

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

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia. The Hybrid Securities qualify as Tier 1 capital under BNM's capital adequacy framework.

(c) Medium Term Notes

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

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

The MTNs issued under the MTN Programme was included as Tier 2 capital under BNM's capital adequacy framework.

The salient features of the MTNs issued are as follows:

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

25. DEBT CAPITAL (CONTD.)

(c) Medium Term Notes (Contd.)

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

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

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

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

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

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

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

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

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

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

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

(d) Subordinated Sukuk Musyarakah

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

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

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

In the prior year, the Subordinated Sukuk Musyarakah qualify as Tier 2 capital under BNM's capital adequacy framework.

25. DEBT CAPITAL (CONTD.)

(e) Exchangeable Bonds

In the financial year 2008, the Bank issued RM575,000,000 Exchangeable Bonds ("EB") to ANZ Funds Pty Ltd ("ANZ Funds"). The EB will mature on the 10th anniversary from the date of issue. Interest will accrue on the EB at a rate of 5% per annum for the first five years and 5.5% for the next five years. The EB are exchangeable into 188,524,590 new ordinary shares in the ultimate holding company, AMMB Holdings Berhad ("AMMB") at an exchange price of RM3.05 per share. Pursuant to the completion of AMMB's Rights Issue on 15 January 2008, the EB conversion price was adjusted from RM3.05 per share to RM2.95 per share. Bank Negara Malaysia has approved the Exchangeable Bonds as Tier 2 capital of the Bank under BNM's capital adequacy framework.

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

On 28 February 2011, following the approval by the Minister of Finance and BNM, the Bank early redeemed the entire EB.

(f) Non-Innovative Tier 1 capital securities

In financial year 2009, the Bank issued up to RM500 million Non-Innovative Tier 1 Capital ("NIT1") under its programme of up to RM500 million in nominal value comprising :

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

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

(collectively known as "Stapled Capital Securities")

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

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

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments.

(g) Innovative Tier 1 capital securities

On 18 August 2009, the Bank issued up to RM485 million Innovative Tier 1 Capital Securities under its RM500 million Innovative Tier 1 Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25% per annum) and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via the issuance of the Bank's ordinary shares. Upon BNM's approval, the Bank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

25. DEBT CAPITAL (CONTD.)

(h) Irredeemable Non-Cumulative Convertible Preference Shares

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

26. OTHER LIABILITIES

		The Group		The Bank	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Interest/profit payable		657,874	538,745	657,201	489,546
Other creditors and accruals		1,256,717	1,138,320	1,248,203	1,063,014
Profit equalisation reserve	(a)	-	49,298	-	-
Lease deposits and advance rentals		45,736	64,720	45,736	54,365
Provision for commitments and contingencies	(b)	131,051	16,915	131,051	16,578
Provision for zakat		-	1,226	-	-
Provision for taxation		216,636	66,673	216,576	54,773
		2,308,014	1,875,897	2,298,767	1,678,276

Included under other creditors and accruals of the Group and of the Bank are outstanding balances totalling RM70,482,000 (2010: RM9,499,000) and RM70,479,000 (2010: RM9,021,000) respectively owing to other related companies.

The movements in provisions/reserves during the financial year were as follows:

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a) **Profit equalisation reserve**				
At 1 April 2010/2009	49,298	62,162	-	-
Transfer to income statement	(30,119)	(12,858)	-	-
Exchange differences	-	(6)	-	-
Arising from disposal of subsidiary	(19,179)	-	-	-
Balance at 31 March	-	49,298	-	-
(b) **Provision for commitments and contingencies**				
At 1 April 2010/2009	16,915	-	16,578	-
Effect of adoption of FRS 139	109,000	-	97,000	-
As restated	125,915	-	113,578	-
Charge to income statement	24,401	16,915	17,473	16,578
Arising from disposal of subsidiary	(19,265)	-	-	-
Balance at 31 March	131,051	16,915	131,051	16,578

27. SHARE CAPITAL

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Authorised				
Balance at 1 April 2010/2009/ 31 March				
Ordinary shares of RM1.00 each	1,386,250	1,386,250	1,386,250	1,386,250
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each	2,500,000	2,500,000	2,500,000	2,500,000
	3,886,250	3,886,250	3,886,250	3,886,250
Issued and fully paid				
Ordinary shares of RM1.00 each				
Balance at 1 April 2010/2009/ 31 March	670,364	610,364	670,364	610,364
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each				
Balance at 1 April 2010/2009/31 March (Note 25 (h))	150,000	150,000	150,000	150,000
	150,000	150,000	150,000	150,000

28. RESERVES

	Note	The Group 2011 RM'000	The Group 2010 RM'000	The Bank 2011 RM'000	The Bank 2010 RM'000
Non-distributable Reserves:					
Share premium		942,844	942,844	942,844	942,844
Statutory reserve		680,459	945,628	680,459	680,459
Merger reserve		48,516	397,566	-	-
Capital reserve		-	377,492	-	-
Other reserves	(a)	44,828	55,363	47,586	53,454
Total non-distributable reserves		1,716,647	2,718,893	1,670,889	1,676,757
Distributable Reserve:					
Retained earnings	(b)	2,729,847	2,057,820	2,615,588	2,425,419
Total reserves		4,446,494	4,776,713	4,286,477	4,102,176

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

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

	Available-for-sale reserve RM'000	Cash Flow Hedging reserve RM'000	Exchange Fluctuation Reserve RM'000	Total RM'000
The Group				
At 1 April 2009	(44,099)	(91,485)	11,904	(123,680)
Net unrealised gain on change in fair value of financial investments available-for-sale	162,412	-	-	162,412
Net gain on financial investments available-for-sale reclassified to the income statement	(45,495)	-	-	(45,495)
Net unrealised gain on change in fair value of derivatives designated as cash flow hedges	-	120,768	-	120,768
Net loss on cash flow hedges reclassified to the income statement	-	6,415	-	6,415
Currency translation differences in respect of foreign operations	-		(11,843)	(11,843)
Deferred tax	(21,417)	(31,797)	-	(53,214)
At 31 March 2010	51,401	3,901	61	55,363

28. RESERVES (CONTD.)

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

	Available-for-sale reserve RM'000	Cash Flow Hedging reserve RM'000	Exchange Fluctuation Reserve RM'000	Total RM'000
The Group				
At 1 April 2010				
- as previously stated	51,401	3,901	61	55,363
- effect of adopting FRS 139	(45,703)	-	-	(45,703)
As restated	5,698	3,901	61	9,660
Net unrealised gain on change in fair value of financial investments available-for-sale	61,193	-	-	61,193
Net gain on financial investments available-for-sale reclassified to the income statement	(50,251)	-	-	(50,251)
Net unrealised gain on change in fair value of derivatives designated as cash flow hedges	-	61,572	-	61,572
Net gain on cash flow hedges reclassified to the income statement	-	(22,253)	-	(22,253)
Currency translation differences in respect of foreign operations			(10,180)	(10,180)
Arising from disposal of subsidiary	6,593	-	-	6,593
Deferred tax	(1,677)	(9,829)	-	(11,506)
At 31 March 2011	21,556	33,391	(10,119)	44,828

28. RESERVES (CONTD.)

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

	Available-for-sale reserve RM'000	Cash Flow Hedging reserve RM'000	Exchange Fluctuation Reserve RM'000	Total RM'000
The Bank				
At 1 April 2009	(52,975)	(91,485)	(188)	(144,648)
Net unrealised gain on change in fair value of financial investments available-for-sale	166,672	-	-	166,672
Net gain on financial investments available-for-sale reclassified to the income statement	(40,830)	-	-	(40,830)
Net unrealised gain on change in fair value of derivatives designated as cash flow hedges	-	120,768	-	120,768
Net loss on cash flow hedges reclassified to the income statement	-	6,415	-	6,415
Currency translation differences in respect of foreign operations	-	-	543	543
Deferred tax	(23,669)	(31,797)	-	(55,466)
At 31 March 2010	49,198	3,901	355	53,454

28. RESERVES (CONTD.)

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

The Bank	Available-for-sale reserve RM'000	Cash Flow Hedging reserve RM'000	Exchange Fluctuation Reserve RM'000	Total RM'000
At 1 April 2010				
- as previously stated	49,198	3,901	355	53,454
- effect of adopting FRS 139	(40,258)	-	-	(40,258)
As restated	8,940	3,901	355	13,196
Net unrealised gain on change in fair value of financial investment available-for-sale	49,806	-	-	49,806
Net gain on financial investments available-for-sale reclassified to the income statement	(43,769)	-	-	(43,769)
Net unrealised gain on change in fair value of derivatives designated as cash flow hedges	-	61,572	-	61,572
Net gain on cash flow hedges reclassified to the income statement	-	(22,253)	-	(22,253)
Currency translation differences in respect of foreign operations	-	-	(687)	(687)
Deferred tax	(450)	(9,829)	-	(10,279)
At 31 March 2011	14,527	33,391	(332)	47,586

(b) Retained earnings are those reserves available for distribution by way of dividends. Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank has elected for the irrevocable option to disregard the Section 108 balance. Hence, the Bank will be able distribute dividends out of its entire retained earnings under the single tier system.

29. MINORITY INTERESTS

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

The movements in minority interests in subsidiaries are as follows:

	The Group	
	2011	2010
	RM'000	RM'000
At 1 April 2010/2009	17	28
Share in net results of subsidiaries	29	(11)
At 31 March	46	17

30. INTEREST INCOME

	The Group		The Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits with financial institutions	246,174	213,710	245,199	213,457
Financial assets held-for-trading	98,393	42,835	98,393	42,835
Financial investments available-for-sale	237,534	242,261	279,682	253,882
Financial investments held-to-maturity	14,971	18,149	13,455	18,149
Loans and advances	3,397,728	3,058,373	3,374,661	3,039,346
Interest accrued on impaired loans and advances	13,156	-	13,156	-
Others	6,356	240	6,356	232
	4,014,312	3,575,568	4,030,902	3,567,901

31. INTEREST EXPENSE

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposit from customers	1,459,110	1,259,859	1,456,984	1,259,159
Deposits and placements of banks and other financial institutions	83,447	123,401	87,850	127,771
Recourse obligation on loans sold to Cagamas Berhad	19,802	4,379	19,802	4,379
Term funding	141,027	5,766	141,027	5,766
Debt capital:				
Subordinated term loan	-	-	42,514	52,320
Hybrid Securities	42,509	52,257	-	-
Medium term notes	88,293	84,396	88,293	84,396
Exchangeable bonds	22,594	30,015	22,594	30,015
Non-Innovative Tier 1 capital securities	45,000	45,000	45,000	45,000
Innovative Tier 1 capital securities	40,012	28,082	40,012	28,082
Irredeemable Non-Cumulative Convertible Preference Shares	9,000	9,000	9,000	9,000
Others	81,558	130,143	81,404	129,864
	2,032,352	1,772,298	2,034,480	1,775,752

32. NET INCOME FROM ISLAMIC BANKING BUSINESS

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Income derived from investment of depositors' funds and others	60	612	-	-
Income derived from investment of shareholders' funds	217	95	-	-
Income attributable to the depositors	(76)	(531)	-	-
	201	176	-	-

33. OTHER OPERATING INCOME

		The Group		The Bank	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
(a)	**Fee Income:**				
	Commission	62,639	63,067	62,639	63,067
	Guarantee fees	37,715	35,102	36,783	33,994
	Other fee income	170,441	145,035	171,665	145,718
		270,795	243,204	271,087	242,779
(b)	**Investment income:**				
	Net gain on sale/redemption of:				
	Financial assets held-for-trading	65,196	45,311	65,196	45,311
	Financial investments available-for-sale	43,769	40,830	43,769	40,830
	Financial investments held-to-maturity	7,431	29,458	7,431	29,458
	Net gain on revaluation of Financial assets held-for-trading	19,449	4,564	19,449	4,564
	Foreign exchange*	65,507	41,835	65,507	41,835
	Net gain on derivatives:				
	Fair value hedge	2,305	1,035	2,305	1,035
	Others	18,003	16,059	18,003	16,059
	Gross dividend income from:				
	Financial assets held-for-trading	5,562	2,098	5,562	2,098
	Financial investments available-for-sale	6,224	4,564	6,073	4,564
	Financial investments held-to-maturity	2,902	6,151	2,902	6,151
	Subsidiary	-	-	39,901	250,020
	(Loss)/Gain on disposal of subsidiary (Note 38)	(55,380)	-	553,628	-
	Others	(27,642)	5	(27,642)	5
		153,326	191,910	802,084	441,930
(c)	**Other Income/(Charge):**				
	Gain on disposal of foreclosed properties	438	2,047	438	2,047
	Rental income	3,273	3,415	2,598	2,688
	Gain on disposal of property and equipment	1,164	204	652	204
	Non trading foreign exchange	3,435	2,520	3,429	2,455
	Service transfer pricing income	45,304	17,770	283,811	256,128
	Other operating income	6,225	3,943	6,092	3,247
		59,839	29,899	297,020	266,769
		483,960	465,013	1,370,191	951,478

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

34. OTHER OPERATING EXPENSES

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Personnel costs				
Salaries, allowances and bonuses	522,544	517,334	521,148	516,322
Share and options granted under Executive Share Sheme	19,257	7,953	19,122	7,916
Others	139,490	144,622	139,161	144,435
Establishment costs				
Depreciation (Note 18)	45,266	45,874	44,722	45,347
Rental of premises	64,861	60,172	66,676	61,868
Cleaning, maintenance and security	21,709	19,686	20,970	19,074
Computerisation cost	105,792	84,669	105,764	84,638
Amortisation of intangible assets (Note 19)	31,469	28,711	31,468	28,711
Others	23,292	26,281	22,323	25,407
Marketing and communication expenses				
Commission	9,856	10,767	9,856	10,767
Advertising and marketing expenses	36,545	43,076	36,545	43,076
Communication	42,637	39,985	42,584	39,940
Others	8,242	6,915	8,205	6,895
Administration and general expenses				
Professional services	70,163	72,442	70,060	72,154
Others	25,990	25,678	25,623	25,230
Service transfer pricing expense	50,032	30,766	51,533	31,945
	1,217,145	1,164,931	1,215,760	1,163,725

The above expenditure includes the following statutory disclosure:

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Directors' remuneration (Note 44)	766	769	766	769
Rental of premises				
- subsidiaries	-	-	2,072	1,895
- others	64,861	60,172	64,604	59,973
Hire of equipment	6,897	8,283	6,897	8,283
Auditors' remuneration:				
Audit	1,322	1,067	1,250	990
Assurance related	1,157	3,067	1,157	3,067
Others	15	1,901	15	1,901
Operating lease	24,672	6,186	24,672	6,186
Property and equipment written off	15	47	15	46
Intangible assets written off	-	2	-	2

34. OTHER OPERATING EXPENSES (CONTD.)

Personnel costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund, a substantial shareholder of the ultimate holding company, of the Group and the Bank amounted to RM82,873,000 (2010: RM79,421,000) and RM82,642,000 (2010: RM79,261,000), respectively.

35. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Allowance for bad and doubtful debts and financing:				
Individual allowance	79,936	-	79,936	-
Collective allowance	525,282	-	526,591	-
Specific allowance (net)				
- made in the financial year (Note 12(xi))	-	1,055,254	-	1,055,246
- written back (Note 12(xi))	-	(291,274)	-	(291,273)
General allowance (Note 12(xi))	-	84,758	-	80,376
Bad debts and financing recovered-net	(374,248)	(353,807)	(352,686)	(346,942)
Recovery from loans sold to Danaharta	(2,024)	(4,430)	(2,024)	(4,430)
	228,946	490,501	251,817	492,977

36. IMPAIRMENT LOSS ON OTHER ASSETS

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Impairment - loss/(written back):				
Securities	6,193	86,479	6,860	90,145
Associates	-	-	(31)	26
Foreclosed properties	29,180	21,383	29,180	21,383
Sundry receivables	(266)	6,175	(235)	6,109
	35,107	114,037	35,774	117,663

37. TAXATION

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Current income tax:				
Estimated tax payable	484,245	214,406	481,590	262,493
Overprovision in prior years	(766)	(20)	(766)	(20)
Deferred tax				
- relating to origination and reversal of temporary differences	(154,433)	(10,366)	(154,761)	(9,052)
- Under provision of deferred tax asset in prior years	(734)	(17,864)	(734)	(17,864)
Taxation	328,312	186,156	325,329	235,557

Total taxation comprise income tax expense recognised in the income statement:

From continuing operations	328,312	186,156	325,329	235,557
From discontinued operations (Note 38)	54,238	93,995	-	-
	382,550	280,151	325,329	235,557

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before tax from:				
Continuing operations	967,416	482,815	1,845,498	952,683
Discontinued operations (Note 38)	474,519	594,902	-	-
Profit before taxation - total	1,441,935	1,077,717	1,845,498	952,683
Taxation at Malaysian statutory tax rate of 25% (2010: 25%)	360,484	269,429	461,375	238,171
Effect of different tax rates in Labuan	(11,840)	(4,927)	(5,257)	(1,139)
Income not subject to tax	(3,634)	(2,558)	(150,698)	(15,043)
Expenses not deductible for tax purposes	39,040	33,475	21,409	31,452
Deferred tax assets under recognised in prior years	(734)	(15,248)	(734)	(17,864)
Overprovision of income tax expense in prior years	(766)	(20)	(766)	(20)
Total taxation	382,550	280,151	325,329	235,557

38. DISCONTINUED OPERATIONS

On 21 February 2011, following the approval from the Minister of Finance and Bank Negara Malaysia ("BNM"), the Bank entered into a sale and purchase agreement with AMMB Holdings Berhad ("AMMB") to dispose its entire shareholding in its wholly-owned Islamic banking subsidiary, AmIslamic Bank to AMMB for a sale consideration of RM1,337,698,000 ("The Disposal"). The Disposal was completed on 28 February 2011. Arising from this, the results of 11 months operations of AmIslamic Bank are presented separately in the Income Statement and Statement of Comprehensive Income of the Group as discontinued operations.

The effects of the disposal on the financial position of the Group and the Bank as at 31 March 2011 are as follows:

	The Group RM'000	The Bank RM'000
Cash and short-term funds	(4,332,808)	-
Deposits and placements with banks and other financial institutions	(550,000)	-
Derivative financial assets	(3,314)	-
Financial assets held-for-trading	(744,767)	-
Financial investments available-for-sale	(252,004)	-
Financing and advances	(13,205,225)	-
Other assets	(84,362)	-
Statutory deposit with Bank Negara Malaysia	(40,079)	-
Deferred tax asset	(96,623)	-
Investment in subsidiaries	-	(784,070)
Property and equipment	(673)	-
Intangible assets	(292)	-
Deposits and placements of banks and other financial institutions	1,468,513	-
Derivative financial liabilities	3,311	-
Deposits from customers	14,387,317	-
Term funding	550,000	-
Bills and acceptances payable	809,701	-
Subordinated Sukuk Musyarakah	400,000	-
Other liabilities	297,685	-
Provision for zakat	542	-
Identifiable net assets disposed/Cost of investment	(1,393,078)	(784,070)
Cash received from the disposal	1,337,698	1,337,698
(Loss)/Gain from disposal before and after taxation	(55,380)	553,628

38. DISCONTINUED OPERATIONS (CONTD.)

The analysis of the results of the discontinued operations are as follows:

(a) Income Statement

	The Group	
	11 Months Ended 28 February 2011 RM'000	**Year Ended 31 March 2010 RM'000**
Revenue	1,089,320	1,032,999
Net income from Islamic Banking Business	657,023	685,027
Other operating expenses	(256,401)	(259,250)
Operating profit	400,622	425,777
Allowances for losses on loans and financing:		
Individual allowance	(12,445)	-
Collective allowance	(259,557)	-
Specific allowance (net)		
- made in the financial year	-	(149,764)
- written back	-	44,898
General allowance	-	(18,296)
Bad debts and financing recovered (net)	51,075	32,865
(Provision)/writeback for commitments and contingencies	(6,928)	12,713
Impairment writeback/(loss)	4,218	(4,218)
Transfer from/(to) profit equalisation reserve	30,119	12,635
Profit before zakat and taxation	207,104	356,610
Zakat	(543)	(1,270)
Taxation	(54,238)	(93,995)
Profit for the period	152,323	261,345
Intercompany transactions eliminated on consolidation:		
Income attributable to depositors	29,189	-
Other operating expenses	238,226	238,292
Profit for the period as reported in the Income Statement	419,738	499,637

(b) Statement of Comprehensive Income

Profit for the period	419,738	499,637
Other comprehensive income/(loss):		
Net loss on financial investments available-for-sale	(4,404)	(9,005)
Income tax relating to the components of other comprehensive income	1,101	2,252
Other comprehensive income for the period, net of tax	(3,303)	(6,753)
Total comprehensive income for the period as reported in the Income Statement	416,435	492,884

38. DISCONTINUED OPERATIONS (CONTD.)

		The Group	
		11 Months Ended 28 February 2011 RM'000	**Year Ended 31 March 2010 RM'000**
The above expenditure includes the following:			
Directors' remuneration	**Note 38**	448	490
Rental of premises		679	664
Depreciation of property and equipment		182	136
Amortisation of intangible assets		158	164
Auditors' remuneration:			
Audit		164	164
Assurance related		45	95

Personnel costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund for the discontinued operations amounted to RM959,000 (2010: RM829,000).

(c) Cash Flows

	The Group	
	11 Months Ended 28 February 2011 RM'000	**Year Ended 31 March 2010 RM'000**
Cash Flows from Operating activities	(179,466)	1,204,230
Cash Flows from Investing activities	665,722	(335,687)
Cash Flows from Financing activities	(39,901)	(200,000)
Net cash inflow /(outflow)	446,355	668,543

39. EARNINGS PER SHARE

(a) Basic

Continuing operations

Basic earnings per share amounts are calculated by dividing profit for the year from continuing operations, net of tax attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding during the financial year.

Discontinued operations

Basic earnings per share amounts are calculated by dividing profit for the year from discontinued operations, net of tax attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding during the financial year.

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
Continuing operations				
Net profit attributable to shareholder of the Bank (RM'000)	639,075	296,670	1,520,169	717,126
Number of ordinary shares at beginning and end of year representing weighted average number of ordinary shares in issue ('000)	670,364	670,364	670,364	670,364
Basic earnings per share (sen)	95.33	44.26	226.77	106.98
Discontinued operations				
Net profit attributable to shareholder of the Bank (RM'000)	419,738	499,637		
Number of ordinary shares at beginning and end of year representing weighted average number of ordinary shares in issue ('000)	670,364	670,364		
Basic earnings per share (sen)	62.61	74.53		

39. EARNINGS PER SHARE(CONTD.)

(b) Fully Diluted

Continuing operations

Fully diluted earnings per share amounts are calculated by dividing profit for the year from continuing operations, net of tax (after adjusting for dividend on convertible preference shares) attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding and issuable during the financial year.

Discontinued operations

Fully diluted earnings per share amounts are calculated by dividing profit for the year from discontinued operations, net of tax (after adjusting for dividend on convertible preference shares) attributable to equity holder of the Bank by the weighted average number of ordinary shares outstanding and issuable during the financial year.

The Bank has one category of dilutive potential ordinary shares:

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

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
Continuing operations				
Net profit attributable to shareholder of the Bank (as in (a) above) (RM'000)	639,075	296,670	1,520,169	717,126
Effect of savings on dividend on INCPS (RM'000)	9,000	9,000	9,000	9,000
	648,075	305,670	1,529,169	726,126
Weighted average number of ordinary shares in issue (as in (a) above) ('000)	670,364	670,364	670,364	670,364
Adjusted for the effect of INCPS ('000)	150,000	150,000	150,000	150,000
Adjusted weighted average number of ordinary shares in issue ('000)	820,364	820,364	820,364	820,364
Fully diluted earnings per share (sen)	79.00	37.26	186.40	88.51
Discontinued operations				
Net profit attributable to shareholder of the Bank (as in (a) above) (RM'000)	419,738	499,637		
Weighted average number of ordinary shares in issue (as in (a) above) ('000)	670,364	670,364		
Adjusted for the effect of INCPS ('000)	150,000	150,000		
Adjusted weighted average number of ordinary shares in issue ('000)	820,364	820,364		
Fully diluted earnings per share (sen)	51.16	60.90		

40. NET ASSETS PER SHARE (RM)

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

Net assets per share is calculated as follows:

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total assets	81,383,594	89,942,433	80,910,528	73,379,270
Less:				
Total liabilities	(76,266,690)	(84,495,339)	(75,953,687)	(68,606,730)
Minority interests	(46)	(17)	-	-
	(76,266,736)	(84,495,356)	(75,953,687)	(68,606,730)
Net assets	5,116,858	5,447,077	4,956,841	4,772,540
Issued and fully paid up ordinary shares of RM1.00 each ('000)	670,364	670,364	670,364	670,364
Net assets per share (RM)	7.63	8.13	7.39	7.12

41. DIVIDENDS

	The Group and Bank 31 March 2011 RM'000
Recognised during the financial year	
In respect of financial year ended 31 March 2011:	
Interim single tier cash dividend of approximately 56.81 sen per ordinary share	380,834
Interim single tier cash dividend of approximately 80.00 sen per ordinary share	536,291
In respect of financial year ended 31 March 2010:	
Final single tier cash dividend of approximately 42.26 sen per ordinary share	283,325
	1,200,450
Proposed but not recognised as a liability as at 31 March 2011	
Final single tier cash dividend of approximately 37.00 sen per ordinary share	248,035

In respect of the current financial year, the Directors recommend a final single tier cash dividend of approximately 37.00 sen per ordinary share on 670,363,762 ordinary shares amounting to RM248,034,592. The financial statements for the current financial year do not reflect this dividend. Such dividend, upon approval of the shareholder will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2012.

42. BUSINESS SEGMENT ANALYSIS

Business Segment Analysis

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

The Group comprises the following main business segments:

(a) Retail Banking

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

(b) Business Banking

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

(c) Corporate and Institutional Banking

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.

(d) 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.

(e) Group Functions and Others

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

Measurement of segment performance

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

Operating Revenue

Operating revenue of the Group comprises all type of revenue derived from the business segments but after elimination of all related companies transactions.

Major customers

No revenues from one single customer amounted to greater than 10% of the Group's revenue for the current and previous financial year.

42. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group 2011	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Total operating revenue						
Continuing operations	2,322,827	557,753	920,546	320,458	376,965	4,498,549
Discontinued operations	522,082	93,767	210,978	25,097	237,396	1,089,320
	2,844,909	**651,520**	**1,131,524**	**345,555**	**614,361**	**5,587,869**
Income	**2,023,414**	**514,305**	**287,291**	**297,915**	**29,665**	**3,152,590**
Continuing operations	*1,587,773*	*452,552*	*260,658*	*275,553*	*(110,158)*	*2,466,378*
Discontinued operations	*435,641*	*61,753*	*26,633*	*22,362*	*139,823*	*686,212*
Expenses	**(783,942)**	**(117,575)**	**(42,497)**	**(59,529)**	**(231,777)**	**(1,235,320)**
Continuing operations	*(609,351)*	*(94,077)*	*(41,844)*	*(56,408)*	*(415,465)*	*(1,217,145)*
Discontinued operations	*(174,591)*	*(23,498)*	*(653)*	*(3,121)*	*183,688*	*(18,175)*
Profit/(Loss) before provision	**1,239,472**	**396,730**	**244,794**	**238,386**	**(202,112)**	**1,917,270**
Continuing operations	*978,422*	*358,475*	*218,814*	*219,145*	*(525,623)*	*1,249,233*
Discontinued operations	*261,050*	*38,255*	*25,980*	*19,241*	*323,511*	*668,037*
Provision	**(341,153)**	**(122,274)**	**5,144**	**(4,991)**	**(12,061)**	(475,335)
Continuing operations	*(201,608)*	*(92,171)*	*12,069*	*(9,119)*	*9,012*	(281,817)
Discontinued operations	*(139,545)*	*(30,103)*	*(6,925)*	*4,128*	*(21,073)*	(193,518)
Profit/(Loss) before zakat and taxation	**898,319**	**274,456**	**249,938**	**233,395**	**(214,173)**	**1,441,935**
Continuing operations	*776,814*	*266,304*	*230,883*	*210,026*	*(516,611)*	967,416
Discontinued operations	*121,505*	*8,152*	*19,055*	*23,369*	*302,438*	474,519
Zakat and Taxation	**(200,275)**	**(65,756)**	**(50,900)**	**(55,301)**	**(10,861)**	**(383,093)**
Continuing operations	*(169,899)*	*(63,728)*	*(46,207)*	*(49,458)*	*980*	*(328,312)*
Discontinued operations	*(30,376)*	*(2,028)*	*(4,693)*	*(5,843)*	*(11,841)*	*(54,781)*
Profit/(Loss) for the year from continuing operations	606,915	202,576	184,676	160,568	(515,631)	639,104
Profit for the year from discontinued operations	91,129	6,124	14,362	17,526	290,597	419,738
Profit/(Loss) for the year	**698,044**	**208,700**	**199,038**	**178,094**	**(225,034)**	**1,058,842**
Other information						
Cost to income ratio	38.7%	22.9%	14.8%	20.0%	>100.0%	39.2%
Net loans	33,860,468	11,162,314	10,394,496	-	192,930	55,610,208
Impaired loans	1,135,185	202,887			785,175	2,123,247
Deposits	30,164,988	5,592,234	24,558,439	193,540	3,623,311	64,132,512

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

42. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group 2010	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Total operating revenue						
Continuing operations	2,121,267	439,236	858,074	327,812	294,899	4,041,288
Discontinued operations	610,835	76,474	135,111	17,761	192,818	1,032,999
	2,732,102	**515,710**	**993,185**	**345,573**	**487,717**	**5,074,287**
Income	**2,006,518**	**392,373**	**263,096**	**274,285**	**17,395**	**2,953,667**
Continuing operations	*1,516,006*	*339,838*	*256,833*	*258,608*	*(102,645)*	*2,268,640*
Discontinued operations	*490,512*	*52,535*	*6,263*	*15,677*	*120,040*	*685,027*
Expenses	**(806,946)**	**(99,786)**	**(22,336)**	**(38,884)**	**(217,937)**	**(1,185,889)**
Continuing operations	*(625,890)*	*(80,985)*	*(22,233)*	*(34,576)*	*(401,247)*	*(1,164,931)*
Discontinued operations	*(181,056)*	*(18,801)*	*(103)*	*(4,308)*	*183,310*	*(20,958)*
Profit/(Loss) before provision	**1,199,572**	**292,587**	**240,760**	**235,401**	**(200,542)**	**1,767,778**
Continuing operations	*890,116*	*258,853*	*234,600*	*224,032*	*(503,892)*	*1,103,709*
Discontinued operations	*309,456*	*33,734*	*6,160*	*11,369*	*303,350*	*664,069*
Provision	**(406,515)**	**(70,425)**	**(19,014)**	**(25,621)**	**(168,486)**	(690,061)
Continuing operations	*(332,786)*	*(55,782)*	*(15,526)*	*(34,398)*	*(182,402)*	(620,894)
Discontinued operations	*(73,729)*	*(14,643)*	*(3,488)*	*8,777*	*13,916*	(69,167)
Profit/(Loss) before zakat and taxation	**793,057**	**222,162**	**221,746**	**209,780**	**(369,028)**	**1,077,717**
Continuing operations	*557,330*	*203,071*	*219,074*	*189,634*	*(686,294)*	482,815
Discontinued operations	*235,727*	*19,091*	*2,672*	*20,146*	*317,266*	594,902
Zakat and Taxation	**(175,830)**	**(53,426)**	**(49,776)**	**(52,555)**	**50,166**	**(281,421)**
Continuing operations	*(116,898)*	*(48,672)*	*(49,218)*	*(47,519)*	*76,151*	*(186,156)*
Discontinued operations	*(58,932)*	*(4,754)*	*(558)*	*(5,036)*	*(25,985)*	*(95,265)*
Profit/(Loss) for the year from continuing operations	440,432	154,399	169,856	142,115	(610,143)	296,659
Profit for the year from discontinued operations	176,795	14,337	2,114	15,110	291,281	499,637
Profit/(Loss) for the year	**617,227**	**168,736**	**171,970**	**157,225**	**(318,862)**	**796,296**
Other information						
Cost to income ratio	40.2%	25.4%	8.5%	14.2%	>100.0%	40.1%
Net loans/financing	42,991,841	11,306,538	9,284,720	-	493,258	64,076,357
Impaired loans/financing	1,400,040	98,501	-	-	361,221	1,859,762
Deposits	30,721,122	7,470,128	33,785,017	2,437,574	211,090	74,624,931

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Income earned				
Related companies				
Interest on deposits and placement	19,562	14,657	19,539	14,649
Discount on financial investments available-for-sale	3,081	-	3,081	-
Interest on loans, advances and financing	438	523	36	142
Fee income	39	-	-	-
Service transfer pricing income	45,304	17,755	45,304	17,755
Subsidiaries				
Interest on deposits and placement	-	-	224	259
Interest on financial investments available-for-sale	-	-	42,148	11,621
Interest on loans, advances and financing			3,565	1,128
Service fees	-	-	1,396	1,049
Service transfer pricing income	-	-	238,507	238,373
Key management personnel				
Interest on loans, advances and financing	43	47	43	47
Fees on loans, advances and financing	5	-	5	-
Expenditure incurred				
Ultimate holding company				
Interest on deposits and placements	5,678	7,877	5,678	7,877
Interest on Exchangeable Bonds	22,594	19,818	22,594	19,818

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Expenditure incurred (contd.)				
Immediate holding company				
Dividend expense	9,000	9,000	9,000	9,000
Related companies				
Interest on deposits and placements	18,838	24,235	15,064	22,043
Issuance expenses on debt capital	-	5,055	-	5,055
Property and equipment under control transfer expensed off	-	31	-	31
Service transfer pricing expense	51,787	32,247	51,533	31,945
Professional fees	42	3,132	-	3,132
Profit sharing arrangement expense	27,783	-	27,783	-
Subsidiaries				
Interest on subordinated loans	-	-	42,514	46,919
Interest on deposits and placements	-	-	5,432	5,147
Associates				
Interest on deposits and placements	148	79	7	81
Management fees	157	30	155	30
Substantial shareholder of ultimate holding company				
Interest on Exchangeable Bonds	-	10,197	-	10,197
Issuance expense on term funding	1,138	-	1,138	-
Professional fees	3,981	3,516	3,981	3,481
Key management personnel				
Interest on deposits and placements	574	458	533	422
Information service provider	413	667	377	624
Training	383	719	381	715
Interbank GIRO expenses	622	473	622	473
Other expenses	-	2	-	2
Short term employee benefits:				
Salary and other remuneration including meeting allowances	11,863	9,577	10,810	9,101
Estimated money value of benefits	582	353	482	271
Gratuity	-	58	-	-

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Amount due from				
Related companies				
Loans, advances and financing	30,264	7	-	7
Cash and short - term funds	276,710	219,497	272,339	219,497
Deposits and placements	608,621	389,633	608,621	389,633
Interest receivable	5,802	1,718	5,802	1,718
Financial investments available-for-sale	784,117	-	784,117	-
Subsidiaries				
Loans, advances and financing	-	-	76,076	63,091
Cash and short - term funds	-	-	92,574	128,139
Deposits and placements	-	-	-	2,736
Financial investments available-for-sale	-	-	226,747	500,224
Interest receivable	-	-	3	7
Key management personnel				
Loans, advances and financing	535	1,400	535	1,395
Amount due to				
Ultimate holding company				
Deposits and placements	104,894	404,681	104,894	404,681
Interest payable	50	560	50	560
Related companies				
Deposits and placements	891,511	1,039,838	891,511	881,836
Interest payable	1,278	898	1,278	779
Subsidiaries				
Deposits and placements	-	-	379,066	366,211
Subordinated term loan	-	-	675,060	717,979
Interest payable	-	-	7,356	11,421
Associates				
Deposits and placements	250	3,486	350	3,586
Interest payable	-	7	2	9
Key Management Personnel				
Deposits and placements	23,216	18,197	23,216	13,507

Included in deposits from customers in financial year 2010 was an amount of RM800,000,000 placed by a unit trust fund managed by a related company.

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

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

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

Supplier	Types of transactions	2011 RM'000	2010 RM'000
MCM Systems Sdn Bhd	Purchase of computer hardware, software, maintenance and related consultancy services	6,586	5,217
MCM Horizon Sdn Bhd	Computer maintenance and consultancy services	481	490
Dion Realties Sdn Bhd	Rental of premises and car park	5,061	4,978
Troost Sdn Bhd	Rental of premises	332	310
Modular Corp. (M) Sdn Bhd	EMV card personalization and fulfillment services	556	2,251
Unigaya Protection Systems Sdn Bhd	Provision of security services	75	161
MCM Consulting Sdn Bhd	Purchase of computer hardware and related consultancy services	2,365	1,351
Cuscapi Malaysia Sdn Bhd	Purchase of computer hardware, software and related consultancy services	23	267

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Supplier (Types of transactions)				
Melawangi Sdn Bhd (Rental-Amcorp Mall ATM, Roadshow Booth Rental and monthly license fee)	458	440	423	440
Harpers Travel (M) Sdn Bhd (Provision of airline ticketing services)	2,532	895	2,445	868

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

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Supplier (Types of transactions)				
Islamic Banking and Finance Institute Malaysia Sdn Bhd (Seminar attendance fee)	-	22	-	13
AmFirst Real Estate Investment Trust (Rental of premises, management fee and charges)	31,863	28,984	31,149	28,344
AON Insurance Brokers (Malaysia) Sdn Bhd	8,095	6,282	7,970	6,163
Gubahan Impian (Flower arrangement and hampers)	7	70	6	69
Bursa Malaysia Bhd (Training attendance fee)	19	71	19	69
Restoran Seri Melayu Sdn Bhd (Food and beverage)	164	15	162	13
Financial Park (L) Sdn Bhd (Office rental and maintenance)	206	211	-	-
Asia Smart Cards Centre (M) Sdn Bhd (Embossing credit cards)	658	-	640	-
LittleDrops Sdn Bhd (Food and beverage)	4	-	2	-

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

44. DIRECTORS' REMUNERATION

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

2011	Fees RM'000	Other Emoluments RM'000	Total RM'000
Executive Directors:			
Cheah Tek Kuang*	-	26	26
	-	26	26
Non-Executive Directors:			
Tan Sri Azman Hashim	-	532	532
Tun Mohammed Hanif Omar	115	87	202
Tan Sri Datuk Clifford Francis Herbert	115	95	210
Dato' Gan Nyap Liou @ Gan Nyap Liow	115	61	176
Tan Kheng Soon	24	7	31
Chin Yuen Yin	25	12	37
Ashok Ramamurthy*	-	-	-
	394	794	1,188
Total Directors' remuneration	394	820	1,214

2010			
Executive Directors:			
Cheah Tek Kuang*	-	24	24
	-	24	24
Non-Executive Directors:			
Tan Sri Azman Hashim	-	541	541
Tun Mohammed Hanif Omar	120	96	216
Tan Sri Datuk Clifford Francis Herbert	120	106	226
Dato' Gan Nyap Liou @ Gan Nyap Liow	120	56	176
Tan Kheng Soon	60	16	76
Ashok Ramamurthy*	-	-	-
	420	815	1,235
Total Directors' remuneration	420	839	1,259

* Directors' fees for directors who are executives of the subsidiaries of AMMB Holdings Berhad are paid to their respective companies.

45. CAPITAL COMMITMENTS

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

	The Group and the Bank	
	2011	2010
	RM'000	RM'000
Authorised and contracted for:		
Purchase of computer equipment and software	18,310	53,926
Leasehold improvements	2,185	4,830
	20,495	58,756
Authorised but not contracted for:		
Purchase of computer equipment and software	83,709	63,271
	104,204	122,027

46. LEASE COMMITMENTS

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

	The Group		The Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Within one year	109,272	72,889	109,084	71,485
Between one and five years	135,727	169,306	135,507	166,351
More than five years	31,908	60,580	31,908	59,824
	276,907	302,775	276,499	297,660

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

47. SIGNIFICANT EVENT

On 21 February 2011, following the approval from the Minister of Finance and Bank Negara Malaysia ("BNM"), the Bank entered into a sale and purchase agreement with AMMB Holdings Berhad ("AMMB") to dispose its entire shareholding in its wholly-owned Islamic banking subsidiary, AmIslamic Bank to AMMB for a sale consideration of RM1,337,698,000 ("The Disposal"). The Disposal was completed on 28 February 2011.

48. SUBSEQUENT EVENTS

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

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
The Group			
2011			
ASSETS			
Cash and short-term funds	8,740,986	-	8,740,986
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,792,922	-	3,792,922
Derivative financial assets	115,664	281,009	396,673
Financial assets held-for-trading	4,167,002	-	4,167,002
Financial investments available-for-sale	2,947,674	3,384,295	6,331,969
Financial investments held-to-maturity	17,929	147,402	165,331
Loans, advances and financing	11,446,732	44,163,476	55,610,208
Other assets	762,024	272,479	1,034,503
Statutory deposit with Bank Negara Malaysia	-	143,811	143,811
Deferred tax assets	-	416,439	416,439
Investment in associates	-	1,243	1,243
Property and equipment	-	201,112	201,112
Intangible assets	-	91,664	91,664
TOTAL ASSETS	32,280,664	49,102,930	81,383,594
LIABILITIES			
Deposits and placement of banks and other financial institutions	3,652,980	972,873	4,625,853
Securities sold under repurchase agreements	30,465	-	30,465
Recourse obligation on loans sold to Cagamas Berhad	18,197	999,846	1,018,043
Derivative financial liabilities	212,743	220,189	432,932
Deposits from customers	55,991,450	3,515,209	59,506,659
Term funding	242,268	3,746,207	3,988,475
Bills and acceptances payable	988,389	-	988,389
Debt capital	-	3,367,860	3,367,860
Other liabilities	2,198,815	109,199	2,308,014
TOTAL LIABILITIES	63,335,307	12,931,383	76,266,690

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (Contd.).

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
The Group			
2010			
ASSETS			
Cash and short-term funds	11,632,433	-	11,632,433
Deposits and placements with banks and other financial institutions	2,118,135	-	2,118,135
Derivative financial assets	46,565	297,078	343,643
Financial assets held-for-trading	1,679,658	-	1,679,658
Financial investments available-for-sale	4,109,120	3,705,372	7,814,492
Financial investments held-to-maturity	68,180	464,505	532,685
Loans, advances and financing	11,057,370	53,018,987	64,076,357
Other assets	663,884	379,085	1,042,969
Statutory deposit with Bank Negara Malaysia	-	167,623	167,623
Deferred tax assets	-	259,307	259,307
Investment in associates	-	986	986
Property and equipment	-	187,738	187,738
Intangible assets	-	86,407	86,407
TOTAL ASSETS	31,375,345	58,567,088	89,942,433
LIABILITIES			
Deposits and placement of banks and other financial institutions	4,206,247	1,046,882	5,253,129
Recourse obligation on loans sold to Cagamas Berhad	114,861	20,828	135,689
Derivative financial liabilities	68,871	323,639	392,510
Deposits from customers	65,549,387	3,822,415	69,371,802
Term funding	362,210	1,318,750	1,680,960
Bills and acceptances payable	1,399,573	-	1,399,573
Debt capital	-	4,385,779	4,385,779
Other liabilities	1,695,799	180,098	1,875,897
TOTAL LIABILITIES	73,396,948	11,098,391	84,495,339

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (Contd.).

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
The Bank			
2011			
ASSETS			
Cash and short-term funds	8,375,879	-	8,375,879
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,702,163	-	3,702,163
Derivative financial assets	115,664	281,009	396,673
Financial assets held-for-trading	4,167,002	-	4,167,002
Financial investments available-for-sale	2,947,674	3,610,022	6,557,696
Financial investments held-to-maturity	12,187	147,402	159,589
Loans, advances and financing	11,413,483	43,922,790	55,336,273
Other assets	758,297	271,594	1,029,891
Statutory deposit with Bank Negara Malaysia	-	143,811	143,811
Deferred tax assets	-	417,364	417,364
Investment in subsidiaries	-	65,800	65,800
Investment in associates	-	142	142
Property and equipment	-	176,868	176,868
Intangible assets	-	91,646	91,646
TOTAL ASSETS	31,782,080	49,128,448	80,910,528
LIABILITIES			
Deposits and placement of banks and other financial institutions	3,977,715	972,874	4,950,589
Securities sold under repurchase agreements	30,465	-	30,465
Recourse obligation on loans sold to Cagamas Berhad	18,197	999,846	1,018,043
Derivative financial liabilities	212,743	220,189	432,932
Deposits from customers	55,362,957	3,515,210	58,878,167
Term funding	242,268	3,746,207	3,988,475
Bills and acceptances payable	988,389	-	988,389
Debt capital	-	3,367,860	3,367,860
Other liabilities	2,190,411	108,356	2,298,767
TOTAL LIABILITIES	63,023,145	12,930,542	75,953,687

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled (Contd.).

	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
The Bank			
2010			
ASSETS			
Cash and short-term funds	7,447,516	-	7,447,516
Deposits and placements with banks and other financial institutions	1,902,368	-	1,902,368
Derivative financial assets	46,565	293,617	340,182
Financial assets held-for-trading	1,328,725	-	1,328,725
Financial investments available-for-sale	3,517,679	3,888,005	7,405,684
Financial investments held-to-maturity	68,180	464,505	532,685
Loans, advances and financing	9,100,052	42,910,456	52,010,508
Other assets	633,430	331,137	964,567
Statutory deposit with Bank Negara Malaysia	-	135,544	135,544
Deferred tax assets	-	213,089	213,089
Investment in subsidiaries	-	849,870	849,870
Investment in associates	-	111	111
Property and equipment	-	162,464	162,464
Intangible assets	-	85,957	85,957
TOTAL ASSETS	24,044,515	49,334,755	73,379,270
LIABILITIES			
Deposits and placement of banks and other financial institutions	3,406,801	978,067	4,384,868
Recourse obligation on loans sold to Cagamas Berhad	114,861	20,828	135,689
Derivative financial liabilities	68,871	320,181	389,052
Deposits from customers	51,820,155	3,527,365	55,347,520
Term funding	362,210	1,318,750	1,680,960
Bills and acceptances payable	1,004,586	-	1,004,586
Debt capital	-	3,985,779	3,985,779
Other liabilities	1,554,149	124,127	1,678,276
TOTAL LIABILITIES	58,331,633	10,275,097	68,606,730

50. RISK MANAGEMENT

50.1 GENERAL RISK MANAGEMENT DISCLOSURE

Risk Management Framework

The Risk Management Framework takes its lead from the Board of Directors' Approved Risk Appetite Framework which provides the catalyst to setting the risk/reward profile required by the Board of Directors, together with the related business strategies, limit framework and policies required to enable successful execution.

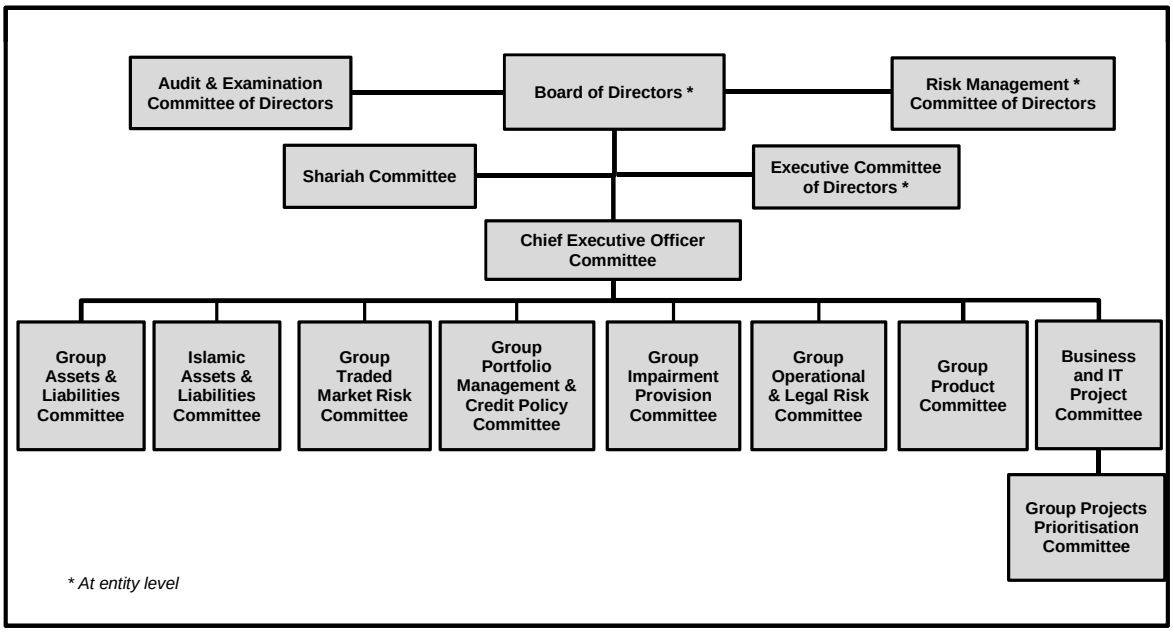
The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Bank's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors to consider any fine tuning/ amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Risk Management Governance

The Board of Directors is ultimately responsible for the management of risks within the Bank. The Risk Management Committee of Directors is formed to assist the Board of Directors in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board of Directors has also established various Management Committees to assist it in managing the risks and businesses of the Bank. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities:



50. RISK MANAGEMENT (CONTD.)

50.1 GENERAL RISK MANAGEMENT (CONTD.)

Committee	Roles and Responsibilities
Risk Management Committee of Directors (“RMCD”)	- Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal, regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. - Report and advise the Board of Directors on risk issues.
Audit & Examination Committee of Directors (“AEC”)	- Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Bank. - Provide assistance to Board of Directors in ensuring the Islamic Banking operations of the Bank are Shariah compliant.
Shariah Committee	- Responsible and accountable on matters related to Shariah, which includes advising Board of Directors and management on Shariah matters and endorsing and validating products and services, and the relevant documentations in relation to Islamic Banking operations of the Bank.
Executive Committee of Directors ("EXCO")	- Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. - Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee (“CEO Committee”)	- Responsible for overall day to day operations of the Bank such as oversee management’s activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. - Report and advise the Board of Directors on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) (“GALCO”)	- Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing is effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	- Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing is effective and fair and capital is managed.
Group Traded Market Risk Committee (“GTMRC”)	- Responsible for development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with the internal and regulatory requirements throughout the Bank.

50. RISK MANAGEMENT (CONTD.)

50.1 GENERAL RISK MANAGEMENT (CONTD.)

Committee	Roles and Responsibilities
Group Portfolio Management and Credit Policy Committee ("GPMCP")	- Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with the internal and regulatory requirements throughout the Bank.
Group Impairment Provision Committee	- Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with Board approved policies and FRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk Committe ("GOLRC")	- Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.
Group Product Committee ("GPC")	- Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product and review post implementation activities and product performance.
Business and IT Project Committee ("BITPC")	- Responsible to review and approve (or where required recommend for approval) requests relating to the Bank's major Business and Information Technology ("IT") investments. - To ensure all projects are aligned to the Business and IT plans, appropriate prioritisation of Business and IT projects, and the allocation of resources.
Group Projects Prioritisation Committee	- Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Bank.

50.2 CREDIT RISK MANAGEMENT

The credit risk management process is depicted in the table below:

Identification	• Accurate identification/recognition of credit risk on transactions and/ or positions • Selection of asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral and tailored facility structures
Monitoring/ Review	• Monitoring of portfolio and reporting • Watchlist review • Post mortem review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank's transactions and/or positions.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Bank's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores that are then translated into a rating grade, ranging from "AAA" (representing the lowest risk grade) to "C" (that is, the highest risk grade). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank's credit exposures.

To support credit risk management's observation of disciplines governed by the Basel II Framework and Financial Reporting Standards ("FRS"), our rating models pertaining to credit risk (obligor's probability-of-default ("PD"), loss-given-default ("LGD") and exposure-at-default ("EAD")) are in the process of being upgraded. These new models are scheduled to be operational during 2012 and will:

- improve the accuracy of individual obligor risk ratings and calculation of expected loss
- enhance pricing models;
- facilitate loan loss provision calculation;
- automate stress-testing; and
- enhance portfolio management.

For retail credits, third generation credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes. New LGD and EAD models have also been recently developed which will also become operational during 2012.

Lending activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. The Bank's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Bank's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- concentration limits:
  - single counterparty credit;
  - industry sector;
  - country; and
  - portfolio composition (by risk grade).
- Asset writing strategies for industry sectors and individual customers;
- Setting Loan to Value limits for asset backed loans (that is, property exposures and other collateral);
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Bank requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO. Portfolio credit risk is reported to the relevant management and board committees.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

The GPMCP regularly meets to review the quality and diversification of the Bank's loan portfolio, approve new and amended credit risk policy, review watchlist reports and post mortem review of loans/financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Bank applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

Credit Risk Exposure and Concentration

The Bank's concentration of risk is managed by industry sector, risk grade asset quality and single customer limit. The Bank applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognized on the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking account of any collateral held or other credit enhancements.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis

2011	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant, and Hotel	Transport, Storage and Communication	Finance, Insurance Real Estate and Business Activities*	Education, and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group												
Cash and short-term funds	-	-	-	-	-	-	-	8,740,986	-	-	-	8,740,986
Securities purchased under resale agreements	-	-	-	-	-	-	-	289,731	-	-	-	289,731
Deposit and placement with banks and other financial institutions	-	-	-	-	-	-	-	3,792,922	-	-	-	3,792,922
Derivative financial assets	24	667	2,818	231	31	3,120	6,507	339,803	-	-	43,472	396,673
Financial assets held-for-trading												
Money Market Securities	-	-	-	-	-	-	-	2,706,726	-	-	-	2,706,726
Unquoted Debt Securities	70,035	-	29,994	100,409	207,197	-	31,665	470,296	-	-	180,627	1,090,223
Total financial assets held-for-trading	70,035	-	29,994	100,409	207,197	-	31,665	3,177,022	-	-	180,627	3,796,949
Financial investments available-for-sale												
Money Market Securities	-	-	-	-	-	-	-	3,659,523	-	-	-	3,659,523
Quoted Debt Equity Converted Securities	-	-	-	-	155	-	-	55,726	-	-	-	55,881
Unquoted Debt Equity Converted Securities	-	15,365	78	-	3,048	-	-	40,072	-	-	-	58,563
Unquoted Debt Securities	77,502	380,416	116,803	564,797	271,511	-	164,134	576,937	-	-	266,745	2,418,845
Total financial investments available-for-sale	77,502	395,781	116,881	564,797	274,714	-	164,134	4,332,258	-	-	266,745	6,192,812
Financial investments held-to-maturity												
Unquoted Debt Equity Converted Securities	-	-	-	-	9,411	-	26,695	103,952	-	-	-	140,058
Unquoted Debt Securities	-	-	-	-	-	-	-	25,273	-	-	-	25,273
Total financial investments held-to-maturity	-	-	-	-	9,411	-	26,695	129,225	-	-	-	165,331
Gross loans and advances **												
Hire purchase	27,178	4,183	69,726	7,459	123,825	167,202	245,501	167,736	105,711	16,428,968	600	17,348,089
Housing loans	19,746	1,953	84,099	3,483	88,085	138,794	8,619	490,048	156,024	12,842,291	712	13,833,854
Credit card	-	-	-	-	-	-	-	-	-	1,491,939	-	1,491,939
Other loans and financing	179,168	28,016	502,335	9,391	304,189	442,943	173,583	289,627	126,735	111,699	11,253	2,178,939
Corporate loans and financing	1,812,250	673,018	3,957,823	2,167,192	2,003,615	2,444,263	1,847,600	6,029,966	209,078	443,776	1,157,267	22,745,848
Total gross loans and advances	2,038,342	707,170	4,613,983	2,187,525	2,519,714	3,193,202	2,275,303	6,977,377	597,548	31,318,673	1,169,832	57,598,669
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	143,811	-	-	-	143,811
Contingent liabilities	5,771	53,443	479,038	199,267	1,510,970	249,286	356,397	1,754,691	23,501	3,000	401,690	5,037,054
Commitments	645,462	310,369	2,270,219	366,684	2,329,780	1,736,976	671,806	4,240,195	120,347	3,477,405	2,871,869	19,041,112
Total commitments and contingent liabilities	651,233	363,812	2,749,257	565,951	3,840,750	1,986,262	1,028,203	5,994,886	143,848	3,480,405	3,273,559	24,078,166

* Including government, government related agencies and Bank Negara Malaysia.

** The amounts presented for loans and advances are gross of impairment allowances.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

2011	Primary Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail Trade, Restaurant, and Hotel	Transport, Storage and Communication	Finance, Insurance Real Estate and Business Activities*	Education, and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Bank												
Cash and short-term funds	-	-	-	-	-	-	-	8,375,879	-	-	-	8,375,879
Securities purchased under resale agreements	-	-	-	-	-	-	-	289,731	-	-	-	289,731
Deposit and placement with banks and other financial institutions	-	-	-	-	-	-	-	3,702,163	-	-	-	3,702,163
Derivative financial assets	24	667	2,818	231	31	3,120	6,507	339,803	-	-	43,472	396,673
Financial assets held-for-trading												
Money Market Securities	-	-	-	-	-	-	-	2,706,726	-	-	-	2,706,726
Unquoted Debt Securities	70,035	-	29,994	100,409	207,197	-	31,665	470,296	-	-	180,627	1,090,223
Total financial assets held-for-trading	70,035	-	29,994	100,409	207,197	-	31,665	3,177,022	-	-	180,627	3,796,949
Financial investments available-for-sale												
Money Market Securities	-	-	-	-	-	-	-	3,659,523	-	-	-	3,659,523
Quoted Debt Equity Converted Securities	-	-	-	-	155	-	-	55,726	-	-	-	55,881
Unquoted Debt Equity Converted Securities	-	15,365	78	-	3,048	-	-	40,072	-	-	-	58,563
Unquoted Debt Securities	77,502	380,416	116,803	564,797	271,511	-	164,134	803,684	-	-	266,745	2,645,592
Total financial investments available-for-sale	77,502	395,781	116,881	564,797	274,714	-	164,134	4,559,005	-	-	266,745	6,419,559
Financial investments held-to-maturity												
Unquoted Debt Equity Converted Securities	-	-	-	-	9,411	-	26,695	103,952	-	-	-	140,058
Unquoted Debt Securities	-	-	-	-	-	-	-	19,531	-	-	-	19,531
Total financial investments held-to-maturity	-	-	-	-	9,411	-	26,695	123,483	-	-	-	159,589
Gross loans and advances **												
Hire purchase	27,178	4,183	69,726	7,459	123,825	167,202	245,501	167,736	105,711	16,428,855	600	17,347,976
Housing loans	19,746	1,953	84,099	3,483	88,085	138,794	8,619	170,343	156,024	12,841,911	712	13,513,769
Credit card	-	-	-	-	-	-	-	-	-	1,491,939	-	1,491,939
Other loans and financing	179,168	28,016	502,335	9,391	304,189	442,943	173,583	289,627	126,735	111,699	11,253	2,178,939
Corporate loans and financing	1,812,250	673,018	3,952,716	2,167,192	2,003,615	2,444,263	1,847,600	6,075,778	209,078	443,776	1,157,267	22,786,553
Total gross loans and advances	2,038,342	707,170	4,608,876	2,187,525	2,519,714	3,193,202	2,275,303	6,703,484	597,548	31,318,180	1,169,832	57,319,176
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	143,811	-	-	-	143,811
Contingent liabilities	5,771	53,443	478,100	153,713	1,510,970	249,286	356,397	1,754,692	23,501	3,000	401,588	4,990,461
Commitments	645,462	310,369	2,270,219	366,684	2,329,780	1,736,976	671,806	4,284,441	120,347	3,477,405	2,871,869	19,085,358
Total commitments and contingent liabilities	651,233	363,812	2,748,319	520,397	3,840,750	1,986,262	1,028,203	6,039,133	143,848	3,480,405	3,273,457	24,075,819

* Including government, government related agencies and Bank Negara Malaysia.
** The amounts presented for loans and advances are gross of impairment allowances.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Maximum Credit Exposure by Geographical Location

2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
The Group			
Cash and short-term funds	7,757,026	983,960	8,740,986
Securities purchased under resale agreements	289,731	-	289,731
Deposit and placement with banks and other financial institutions	3,429,886	363,036	3,792,922
Derivative financial assets	295,619	101,054	396,673
Financial assets held-for-trading			
Money Market Securities	2,706,726	-	2,706,726
Unquoted Debt Securities	1,090,223	-	1,090,223
Total financial assets held-for-trading	3,796,949	-	3,796,949
Financial investments available-for-sale			
Money Market Securities	3,659,523	-	3,659,523
Quoted Debt Equity Converted Securities	55,881	-	55,881
Unquoted Debt Equity Converted Securities	58,563	-	58,563
Unquoted Debt Securities	2,393,619	25,226	2,418,845
Total financial investments available-for-sale	6,167,586	25,226	6,192,812
Financial investments held-to-maturity			
Unquoted Debt Equity Converted Securities	140,058	-	140,058
Unquoted Debt Securities	25,273	-	25,273
Total financial investments held-to-maturity	165,331	-	165,331
Gross loans and advances *			
Hire purchase	17,348,089	-	17,348,089
Housing loans	13,833,854	-	13,833,854
Credit card	1,491,939	-	1,491,939
Other loans and financing	2,178,939	-	2,178,939
Corporate loans and financing	22,326,122	419,726	22,745,848
Total gross loans and advances	57,178,943	419,726	57,598,669
Statutory deposit with Bank Negara Malaysia	143,811	-	143,811
Contingent liabilities	5,009,304	27,750	5,037,054
Commitments	18,952,166	88,946	19,041,112
Total commitments and contingent liabilities	23,961,470	116,696	24,078,166

* The amounts presented for loans and advances are gross of impairment allowances.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Maximum Credit Exposure by Geographical Location (Contd.)

2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
The Bank			
Cash and short-term funds	7,659,647	716,232	8,375,879
Securities purchased under resale agreements	289,731	-	289,731
Deposit and placement with banks and other financial institutions	3,369,380	332,783	3,702,163
Derivative financial assets	295,619	101,054	396,673
Financial assets held-for-trading			
Money Market Securities	2,706,726	-	2,706,726
Unquoted Debt Securities	1,090,223	-	1,090,223
Total financial assets held-for-trading	3,796,949	-	3,796,949
Financial investments available-for-sale			
Money Market Securities	3,659,523	-	3,659,523
Quoted Debt Equity Converted Securities	55,881	-	55,881
Unquoted Debt Equity Converted Securities	58,563	-	58,563
Unquoted Debt Securities	2,620,366	25,226	2,645,592
Total financial investments available-for-sale	6,394,333	25,226	6,419,559
Financial investments held-to-maturity			
Unquoted Debt Equity Converted Securities	140,058	-	140,058
Unquoted Debt Securities	19,531	-	19,531
Total financial investments held-to-maturity	159,589	-	159,589
Gross loans and advances *			
Hire purchase	17,347,976	-	17,347,976
Housing loans	13,513,769	-	13,513,769
Credit card	1,491,939	-	1,491,939
Other loans and financing	2,178,939	-	2,178,939
Corporate loans and financing	22,397,091	389,462	22,786,553
Total gross loans and advances	56,929,714	389,462	57,319,176
Statutory deposit with Bank Negara Malaysia	143,811	-	143,811
Contingent liabilities	4,962,711	27,750	4,990,461
Commitments	18,996,412	88,946	19,085,358
Total commitments and contingent liabilities	23,959,123	116,696	24,075,819

* The amounts presented for loans and advances are gross of impairment allowances.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Main Types of Collateral Taken by the Bank

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Bank include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities
- Non-exchange traded debt securities/sukuk
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an “unsecured” basis, that is, not be supported by collateral.

In addition to rating customer’s probability of default via an internal risk rating system, the Bank uses Security Indicators (“SIs”) in its non-retail portfolio to assess the strength of collateral supporting its exposures. Thus both the PD and LGD estimates are used in assessing and monitoring exposures.

Processes for Collateral Management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Bank has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for lending proposals are an integral component in transaction structuring for the Bank. The guarantee of a financially strong party can help improve the Probability of Default of a transaction through its explicit support of the borrower, where borrower’s risk grade will be replaced with guarantor’s risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the borrower is not recognised as part of the risk grade enhancement.

Use of Credit Derivatives and netting for risk mitigation

Currently, the Bank does not use credit derivatives and netting for risk mitigation.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Transaction Structuring to Mitigate Credit Risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan is extended, amortisation schedules and loan covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan covenants be breached, the Bank and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

The main types of collateral undertaken by the Bank are properties, motor vehicles and exchange traded shares.

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are mapped to the following categories based on the definitions appended below.

Definition of the Categories

Credit Quality Classification	Definition
Strong	Strong capacity to meet financial commitments, minimal sensitivity to long term adverse external events or market conditions.
Satisfactory	Adequate capacity to meet financial commitments. While it exhibits adequate protection, adverse economic conditions or changing environments are more likely to lead to a weakened capacity.
Sub-standard but not impaired	Exposures that have a higher default risk. Capacity to meet financial commitments remains marginally acceptable but more susceptible to changes in external market conditions.
Unrated	Exposures that are not rated.
Past due but not impaired	Exposures considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed one or more days after the contractual due date.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

The table below provides the External Credit Assessment Institutions (ECAIs) rating that broadly corresponds to the broad internal credit quality categories.

Credit Quality Classification	Moody's	S & P	Fitch IBCA	RAM and MARC
Strong	Aaa to Ba2	AAA to BB+	AAA to BB	AAA to A
Satisfactory	Ba3 to B2	BB to B+	BB- to B-	BBB to B
Sub-Standard	B3 to C	B to C	CCC to C	CCC to C

Impairment

Definition of Past Due and Impaired Loans

All loans, financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or interest) due under the contractual terms are received late or missed.

A loan is classified as impaired under the following circumstances:

(a) where the principal or interest or both[1] is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the loan exhibits weaknesses that render a classification appropriate to the Bank's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Bank's Watchlist Policy.

(c) for loans with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default[2] occurs, unless it does not exhibit any weakness that would render it classified according to the Bank's Credit Risk Rating Framework. Notwithstanding that, these loans shall be classified as impaired when the principal or interest or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/R") facilities, these loans are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

[1] For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.

[2] "Default" is defined for loans with repayment schedules on a quarterly basis or longer as 1 day past due + 30 days.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	Neither past due nor impaired									
	Strong Credit Profile	Satisfactory Risk	Sub-standard	Unrated	Past due but not impaired	Impaired	Total	Gross amount individually impaired	Individual allowance	Fair value of collateral for past due and impaired account
2011	**RM'000**	**RM'000**	**RM'000**		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
The Group										
Securities purchased under resale agreements	289,731	-	-	-	-	-	289,731	-	-	-
Derivative financial assets	385,706	8,650	23	2,294			396,673	-	-	-
Financial assets held-for-trading										
Money Market Securities	2,706,726	-	-	-	-	-	2,706,726	-	-	-
Unquoted Debt Securities	1,060,229	29,994	-	-	-	-	1,090,223	-	-	-
Total financial assets held-for-trading	3,766,955	29,994	-	-	-	-	3,796,949	-	-	-
Financial investments available-for-sale										
Money Market Securities	3,659,523	-	-	-	-	-	3,659,523	-	-	-
Quoted Debt Equity Converted Securities	-	47,431	-	-	-	8,450	55,881	9,583	(1,133)	-
Unquoted Debt Equity Converted Securities	-	35,019	2,587	-	-	20,957	58,563	127,895	(106,938)	-
Unquoted Debt Securities	2,391,456	-	-	-	-	27,389	2,418,845	29,698	(2,309)	-
Total financial investments available-for-sale	6,050,979	82,450	2,587	-	-	56,796	6,192,812	167,176	(110,380)	-
Financial investments held-to-maturity										
Unquoted Debt Equity Converted Securities		51,973		45,339		42,746	140,058	236,766	(194,020)	
Unquoted Debt Securities	-	-	-	859	-	24,414	25,273	38,170	(13,755)	-
Total financial investments held-to-maturity	-	51,973	-	46,198	-	67,160	165,331	274,936	(207,775)	-
Gross loans and advances *										
Hire purchase	3,769,997	3,988,493	1,835,346	113	7,447,291	306,849	17,348,089	-	-	7,993,397
Housing loans	2,918,391	5,821,546	1,707,652	380	2,704,772	681,113	13,833,854	-	-	5,605,863
Credit card	301,568	765,779	172,230	-	201,442	50,920	1,491,939	-	-	1,301
Other loans and financing	353,259	1,196,361	112,340	72,109	348,479	96,391	2,178,939	13,448	(10,733)	394,287
Corporate loans and financing	9,810,070	10,247,497	1,120,302	362,721	217,284	987,974	22,745,848	766,564	(330,338)	1,876,023
Total gross loans and advances	17,153,285	22,019,676	4,947,870	435,323	10,919,268	2,123,247	57,598,669	780,012	(341,071)	15,870,871
Statutory deposit with Bank Negara Malaysia	143,811	-	-	-	-	-	143,811	-	-	-
Contingent liabilities	2,610,728	1,830,794	197,945	397,587	-	-	5,037,054	-	-	-
Commitments	9,527,098	8,307,781	795,886	410,347	-	-	19,041,112	-	-	-
Total commitments and contingent liabilities	12,137,826	10,138,575	993,831	807,934	-	-	24,078,166	-	-	-

* The amounts presented for loans and advances are gross of impairment allowances.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets (Contd.)

	Neither past due nor impaired									
	Strong Credit Profile	Satisfactory Risk	Sub-standard	Unrated	Past due but not impaired	Impaired	Total	Gross amount individually impaired	Individual allowance	Fair value of collateral for past due and impaired account
2011	**RM'000**	**RM'000**	**RM'000**		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
The Bank										
Securities purchased under resale agreements	289,731	-	-	-	-	-	289,731	-	-	-
Derivatives financial assets	385,706	8,650	23	2,294			396,673	-	-	-
Financial assets held-for-trading										
Money Market Securities	2,706,726	-	-	-	-	-	2,706,726	-	-	-
Unquoted Debt Securities	1,060,229	29,994	-	-	-	-	1,090,223	-	-	-
Total financial assets held-for-trading	3,766,955	29,994	-	-	-	-	3,796,949	-	-	-
Financial investments available-for-sale										
Money Market Securities	3,659,523	-	-	-	-	-	3,659,523	-	-	-
Quoted Debt Equity Converted Securities	-	47,431	-	-	-	8,450	55,881	9,583	(1,133)	-
Unquoted Debt Equity Converted Securities	-	35,019	2,587	-	-	20,957	58,563	127,895	(106,938)	-
Unquoted Debt Securities	2,618,203	-	-	-	-	27,389	2,645,592	29,698	(2,309)	-
Total financial investments available-for-sale	6,277,726	82,450	2,587	-	-	56,796	6,419,559	167,176	(110,380)	-
Financial investments held-to-maturity										
Unquoted Debt Equity Converted Securities	-	51,973	-	45,339	-	42,746	140,058	236,766	(194,019)	
Unquoted Debt Securities	-	-	-	859	-	18,672	19,531	29,672	(11,000)	-
Total financial investments held-to-maturity	-	51,973	-	46,198	-	61,418	159,589	266,438	(205,019)	-
Gross loans and advances *										
Hire purchase	3,769,997	3,988,493	1,835,346	-	7,447,291	306,849	17,347,976	-	-	7,993,397
Housing loans	2,902,485	5,626,116	1,601,155	-	2,703,171	680,842	13,513,769	-	-	5,602,795
Credit card	301,568	765,779	172,230	-	201,442	50,920	1,491,939	-	-	1,301
Other loans and financing	353,259	1,196,361	112,340	72,109	348,479	96,391	2,178,939	13,448	(10,733)	394,287
Corporate loans and financing	9,804,963	10,217,233	1,120,302	438,797	217,284	987,974	22,786,553	766,564	(330,338)	1,876,023
Total gross loans and advances	17,132,272	21,793,982	4,841,373	510,906	10,917,667	2,122,976	57,319,176	780,012	(341,071)	15,867,803
Statutory deposit with Bank Negara Malaysia	143,811	-	-	-	-	-	143,811	-	-	-
Contingent liabilities	2,564,237	1,830,794	197,945	397,485	-	-	4,990,461	-	-	-
Commitments	9,571,343	8,307,781	795,886	410,348	-	-	19,085,358	-	-	-
Total commitments and contingent liabilities	12,135,580	10,138,575	993,831	807,833	-	-	24,075,819	-	-	-

* The amounts presented for loans and advances are gross of impairment allowances.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Aging Analysis of Past Due But Not Impaired Financial Assets

2011	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
The Group			
Gross loans and advances			
Hire purchase	4,164,883	3,282,408	7,447,291
Housing loans	1,444,957	1,259,815	2,704,772
Credit card	126,128	75,314	201,442
Other loans and financing	243,768	104,711	348,479
Corporate loans and financing	142,539	74,745	217,284
Total gross loans and advances	6,122,275	4,796,993	10,919,268
The Bank			
Gross loans and advances			
Hire purchase	4,164,883	3,282,408	7,447,291
Housing loans	1,443,867	1,259,304	2,703,171
Credit card	126,128	75,314	201,442
Other loans and financing	243,768	104,711	348,479
Corporate loans and financing	142,539	74,745	217,284
Total gross loans and advances	6,121,185	4,796,482	10,917,667

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Carrying amount by class of financial assets whose terms have been renegotiated

The Group has policy and processes in place for restructured and rescheduled credit facilities. Restructured/rescheduled loans is to assist the counterparty to overcome its shorter term financial difficulties particularly where the longer term prospect of the business or project is deemed to be viable.

	The Group 2011 RM'000	The Bank 2011 RM'000
Restructured		
Financial investments - held-to-maturity	5,742	-
Gross loans and advances	803,802	803,802
	809,544	803,802

	The Group 2011 RM'000	The Bank 2011 RM'000
Rescheduled		
Financial investments - available-for-sale	9,233	9,233
Financial investments - held-to-maturity	53,685	53,685
Gross loans and advances	1,450,799	1,450,799
	1,513,717	1,513,717

Collateral Repossessed

As at the end of the financial year, assets held as collateral for loans, advances and financing obtained are as follows:

	The Group and the Bank	
	2011 RM'000	2010 RM'000
Properties:		
Residential	1,445	10,157
Non-residential	109,548	140,375
	110,993	150,532

The above assets are accounted for as foreclosed properties under Other Assets (Note 13(e)). There were no new assets obtained for the financial year ended 2011 and 2010.

50. RISK MANAGEMENT (CONTD.)

50.2 CREDIT RISK MANAGEMENT (CONTD.)

Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

(a) Trigger management

In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets

Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment that is, estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

All financial assets below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly.

As a transitional arrangement up to 2012, BNM has given banking institutions the choice of applying either one of the following approaches in computing the required collective assessment:

(a) Transitional approach – where, banking institutions may maintain an allowance of at least 1.5 per cent of total outstanding loans net of individual impairment allowance; or

(b) Full FRS 139 compliance approach – where collective allowances are computed using models based on the banking institutions' historical experience.

The Bank has opted for the transitional approach and has modified it to reflect its historical loss experience.

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the organization either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments.

The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honor all financial commitments when they fall due. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

50. RISK MANAGEMENT (CONTD.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The Group Asset & Liability Committee ("GALCO") is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management division and Group Risk functions propose and oversee the implementation of policies and other controls relating to the above risks.

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

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's contingence funding plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of customer deposit accounts, together with term funding with a remaining term to maturity in excess of one year.

Liquidity Metrics

The Group monitors key liquidity metrics on a regular basis. Liquidity is managed on an entity basis and in aggregate across the Group. The key metrics is:

Adjusted Customer Loans to Deposits Ratio ("LDR")

This is defined as the ratio of total outstanding loans, advances and financing to customers (before deduction of Islamic financing sold to Cagamas), net of allowance for impairment on loans, advances and financing, relative to total customer deposits (inclusive of loans and financing sold to Cagamas and term funding with original maturity of 3 years and above). This ratio reflects the percentage of customer loans, advances and financing that are funded by customer deposits. A ratio below 100 percent indicates that our loan portfolio is completely funded by deposits. A low LDR demonstrates that customer deposits exceed customer loans resulting from emphasis placed on generating a high level of stable funding from customers.

	The Group 2011	The Bank 2011
Year-end	86.9%	87.3%
Maximum	92.7%	93.0%
Minimum	86.9%	87.1%
Average	88.5%	89.6%

50. RISK MANAGEMENT (CONTD.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities as at 31 March. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

2011	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group								
Financial Assets								
Cash and short-term funds	8,240,209	-	-	-	-	-	530,787	8,770,996
Securities purchased under resale agreements	291,584	-	-	-	-	-	-	291,584
Deposit and placement with banks and other financial institutions	-	3,536,516	296,827	-	-	-	-	3,833,343
Derivative financial assets	42,491	31,002	12,706	29,465	241,127	39,882	-	396,673
Financial assets held-for-trading	96,672	1,391,406	800,215	451,589	876,722	457,727	292,300	4,366,631
Financial investments available-for-sale	1,538,477	1,269,666	149,455	197,917	2,394,566	1,369,705	124,768	7,044,554
Financial investments held-to-maturity	1,060	-	3,584	20,454	138,185	25,777	-	189,060
Loan and advances	6,884,155	2,553,836	2,515,268	2,998,385	25,225,879	44,940,775	-	85,118,298
Amount due from originators	-	-	18,720	-	1,426	-	-	20,146
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	143,811	143,811
Total Undiscounted Financial Assets	17,094,648	8,782,426	3,796,775	3,697,810	28,877,905	46,833,866	1,091,666	110,175,096
Financial Liabilities								
Deposits and placements of banks and other financial institutions	2,621,904	315,001	74,419	674,962	991,473	37,567	-	4,715,326
Securities sold under repurchase agreements	30,409	-	-	-	-	-	-	30,409
Recourse obligation on loans sold to Cagamas Berhad	-	-	18,246	-	1,657	1,236,199	-	1,256,102
Derivative financial liabilities	42,098	31,343	29,975	109,327	159,701	60,488	-	432,932
Deposits from customers	30,288,128	10,019,141	10,029,836	6,590,895	3,826,683	-	-	60,754,683
Term funding	91,187	-	41,136	112,701	4,158,821	273,018	-	4,676,863
Bills and acceptances payable	239,753	594,075	162,098	-	-	-	-	995,926
Debt capital	-	-	-	-	-	4,417,997	-	4,417,997
Total Undiscounted Financial Liabilities	33,313,479	10,959,560	10,355,710	7,487,885	9,138,335	6,025,269	-	77,280,238
Net Undiscounted Financial Assets/(Liabilities)	(16,218,831)	(2,177,134)	(6,558,935)	(3,790,075)	19,739,570	40,808,597	1,091,666	32,894,858

50. RISK MANAGEMENT (CONTD.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Group's commitments and contingent liabilities.* Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

2011	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group								
Contingent Liabilities								
Direct credit substitutes	292,357	473,177	389,392	452,170	542,849	109,805	-	2,259,750
Certain transaction-related contingent items	115,701	132,320	192,413	358,499	940,018	130,848	-	1,869,799
Short-term self liquidating trade-related contingencies	238,275	307,400	39,145	18,831	12,348	-	-	615,999
Obligations under underwriting agreements	-	-	-	-	260,000	-	-	260,000
Others	22,558	8,000	375	323	-	250	-	31,506
Commitments								
Irrevocable commitments to extend credit	3,105,107	1,544,813	1,702,161	4,561,354	787,135	3,593,930	-	15,294,500
Unutilised credit card lines	3,322,322	-	-	-	-	-	-	3,322,322
Forward asset purchase	424,290	-	-	-	-	-	-	424,290
	7,520,610	2,465,710	2,323,486	5,391,177	2,542,350	3,834,833	-	24,078,166

* It should be noted that this is not how the Group manages its liquidity risk for off-balance sheet exposures.

50. RISK MANAGEMENT (CONTD.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)

The table below summarises the maturity profile of the Bank's financial assets and liabilities as at 31 March. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

2011	**Up to 1 month**	**>1 to 3 months**	**>3 to 6 months**	**>6 to 12 months**	**>1 to 5 years**	**Over 5 years**	**No maturity specified**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
The Bank								
Financial Assets								
Cash and short-term funds	7,875,096	-	-	-	-	-	530,787	8,405,883
Securities purchased under resale agreements	291,584	-	-	-	-	-	-	291,584
Deposit and placement with banks and other financial institutions	-	3,445,756	296,828	-	-	-	-	3,742,584
Derivative financial assets	42,491	31,002	12,706	29,465	241,127	39,882	-	396,673
Financial assets held-for-trading	96,673	1,391,406	800,216	451,589	876,722	457,727	292,300	4,366,633
Financial investments available-for-sale	1,538,477	1,269,665	149,455	197,918	2,394,566	1,596,451	123,748	7,270,280
Financial investments held-to-maturity	-	-	3,583	15,770	138,185	25,777	-	183,315
Loan and advances	6,884,144	2,523,873	2,513,529	2,996,628	25,224,064	44,701,526	-	84,843,764
Amount due from originators	-	-	18,720	-	1,426	-	-	20,146
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	143,811	143,811
Total Undiscounted Financial Assets	16,728,465	8,661,702	3,795,037	3,691,370	28,876,090	46,821,363	1,090,646	109,664,673
Financial Liabilities								
Deposits and placements of banks and other financial institutions	2,946,634	315,002	74,419	674,962	991,473	37,568	-	5,040,058
Securities sold under repurchase agreements	30,409	-	-	-	-	-	-	30,409
Recourse obligation on loans sold to Cagamas Berhad	-	-	18,246	-	1,657	1,236,199		1,256,102
Derivative financial liabilities	42,098	31,343	29,975	109,327	159,701	60,488	-	432,932
Deposits from customers	30,175,045	9,823,355	9,710,185	6,590,895	3,826,684	-	-	60,126,164
Term funding	91,187	-	41,136	112,701	4,158,821	273,018	-	4,676,863
Bills and acceptances payable	239,753	594,075	162,098	-	-	-	-	995,926
Debt capital	-	-	-	-	-	4,417,997	-	4,417,997
Total Undiscounted Financial Liabilities	33,525,126	10,763,775	10,036,059	7,487,885	9,138,336	6,025,270	-	76,976,451
Net Undiscounted Financial Assets/(Liabilities)	(16,796,661)	(2,102,073)	(6,241,022)	(3,796,515)	19,737,754	40,796,093	1,090,646	32,688,222

50. RISK MANAGEMENT (CONTD.)

50.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities.* Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

2011	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	No maturity specified	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Bank								
Contingent Liabilities								
Direct credit substitutes	292,357	473,177	389,392	452,170	520,072	86,089	-	2,213,257
Certain transaction-related contingent items	115,701	132,320	192,413	358,499	940,018	130,848	-	1,869,799
Short-term self liquidating trade-related contingencies	238,275	307,400	39,145	18,831	12,348	-	-	615,999
Obligations under underwriting agreements	-	-	-	-	260,000	-	-	260,000
Others	22,558	8,000	375	323	-	150	-	31,406
Commitments								
Irrevocable commitments to extend credit	3,105,107	1,544,813	1,702,161	4,561,354	787,135	3,638,176	-	15,338,746
Unutilised credit card lines	3,322,322	-	-	-	-	-	-	3,322,322
Forward asset purchase	424,290	-	-	-	-	-	-	424,290
	7,520,610	2,465,710	2,323,486	5,391,177	2,519,573	3,855,263	-	24,075,819

* It should be noted that this is not how the Bank manages its liquidity risk for off-balance sheet exposures.

50. RISK MANAGEMENT (CONTD.)

50.4 MARKET RISK MANAGEMENT

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Bank differentiates between two types of market risk: Traded Market Risk (“TMR”) and Interest Rate Risk in the Banking Book (“IRR”). Assessment, control and monitoring of these risks are the responsibility of the Market Risk Unit (“MRU”).

Traded Market Risk ("TMR")

The Traded Market Risk (“TMR”) management process is depicted in the table below.

Identification	• Identify market risks within existing and new products. • Review market-related information such as market trend and economic data.
Assessment/ Measurement	• Recommend / validate methodologies to calculate: o Value-at-Risk ("VaR") o Profit-at-Risk ("PaR") o Capital-at-Risk ("CaR")
Control/ Mitigation	• Recommend: o VaR limits o PaR limits o CaR limits o Annual and Monthly Loss limits o Greeks (Delta/Gamma/Vega/Theta) limits o Dollar Value of One Basis Point ("DV01") o Position Size o Maximum Tenor o Maximum Holding Period o Stealth Concentration
Monitoring/ Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Bank acts as principal with clients or the market. It involves taking positions in fixed income, equity or foreign exchange. The objectives of TMR management are to understand, accurately measure and to work with the business to ensure exposures are managed within Board and Executive Management approved limit structures. This is done via robust measurement, setting of limits, limit monitoring and collaboration and agreement with business units on business strategies.

Value-at-Risk (“VaR”), Profit-at-Risk (”PaR”), Capital-at-Risk (“CaR”) and sensitivity analysis are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. Profit-at-Risk (“PaR”) comprises Value-at-Risk (“VaR”) and a loss limit threshold. Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

To complement VaR, CaR is used as a measure of the potential impact on portfolio values of more extreme, albeit plausible, market movements. In addition, CaR is used to gauge and ensure that the Bank is able to absorb extreme, unanticipated market movements.

Apart from VaR, PaR and CaR, additional sensitivity analysis limits (i.e. Greeks/DV01) and indicators are used to monitor changes in portfolio value under potential market conditions such as shifts in currency rates, equity prices and interest/profit rates.

50. RISK MANAGEMENT (CONTD.)

50.4 MARKET RISK MANAGEMENT (CONTD.)

MRU monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GTMRC, RMCD and the Board of Directors. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of limit breaches. Business Units exposed to traded market risk are required to maintain risk exposures within their respective thresholds. When risk limits are exceeded, Business Units are required to reduce their exposures immediately to a level below the thresholds unless senior management are consulted and approve alternative strategies to minimise potential losses.

The Bank adopts the Standardised Approach for market risk capital charge computation. This serves as a financial buffer to withstand adverse market movements.

MRU is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

Non-Traded Market Risk ("NTMR")

Interest Rate Risk in the Banking Book ("IRR")

Identification	• Identify interest rate/rate of return risks within existing and new products. • Review market-related information such as market trend and economic data.
Assessment/ Measurement	• Non-Traded Value-at-Risk ("VaR") • Earnings-at-Risk ("EaR")
Control/ Mitigation	• Establish non-traded VaR limit and EaR limit.
Monitoring/ Review	• Monitor limits • Periodical review and reporting

IRR arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest margin and implied volatilities on interest rate options. The provision of retail and wholesale banking products and services (primarily lending and deposit taking activities) creates interest/profit rate-sensitive positions in the Bank's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest income sensitivity while maintaining acceptable levels of interest rate and funding risk, and to manage the market value of the Bank's capital.

The Board's oversight of IRR is supported by the Group Asset & Liability Committee ("GALCO"). GALCO is responsible for the alignment of the Bank-wide risk appetite and funding needs, taking into consideration the Bank's business strategies. GALCO consistently manages the Bank's gapping positions, asset growth and liability mix against the interest rate outlook. It also reviews strategies to ensure a comfortable level of interest rate risk is maintained. The Bank has successfully engaged long-term borrowings and written interest rate swaps to reduce longer tenor interest rate risk, and maintained a comfortable gapping profile as a result. In accordance with the Bank's policy, positions are monitored on a monthly basis and hedging strategies are used to ensure risk exposures are maintained within board-established limits.

50. RISK MANAGEMENT (CONTD.)

50.4 MARKET RISK MANAGEMENT (CONTD.)

The Bank measures the risk of losses arising from potential adverse movements in market interest rates and volatilities using VaR. VaR is a quantitative measure of interest rate risk which applies recent historic market conditions to estimate the potential loss in market value, at a certain confidence level and over a specified holding period.

The Bank complements VaR by stress testing interest rate risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The rate scenarios may include rapid ramping of interest rates, gradual ramping of interest rates, and narrowing or widening of spreads. Usually each analysis incorporates what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Bank's exposure to a specified event.

The Bank's strategy seeks to optimise exposure to interest rate risk within Board-approved limits. This is achieved through the ability to reposition the interest rate exposure of the statement of financial position using dynamic product and funding strategies, supported by FRS 139-compliant interest rate hedging activities using interest rate swaps and other derivatives. These approaches are governed by the Bank's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IRR is calculated monthly and reported to GALCO.

(i) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and is managed through gap and sensitivity analysis. Interest rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The interest has adopted interest rate risk hedging measures to cushion the interest rate volatility.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in interest rates with all other variables remain constant.

Traded Market Risk:

	2011	
	Interest Rate + 100 bps (RM'000)	**Interest Rate - 100 bps (RM'000)**
The Group and the Bank		
Impact on Profit before taxation	(47,228)	48,506
Impact on Equity	-	-

50. RISK MANAGEMENT (CONTD.)

50.4 MARKET RISK MANAGEMENT (CONTD.)

(i) Interest Rate Risk (Contd.)

Non-Traded Market Risk:

	2011	
	Interest Rate + 100 bps (RM'000)	**Interest Rate - 100 bps (RM'000)**
The Group		
Impact on Profit before taxation	155,679	(155,679)
Impact on Equity	51,803	(50,731)
The Bank		
Impact on Profit before taxation	153,493	(153,493)
Impact on Equity	86,237	(89,019)

Note: The sensitivity above for Non-Traded Market Risk, excluded non interest sensitive items. The Group manages interest rate risk in the banking book by including all assets and liabilities, adjusted by internal Fund Transfer Pricing ("FTP") practices.

(ii) Currency Risk

Foreign currency exchange risk arises from changes in exchange rates to exposure on the Group's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group from exposure to excessive foreign currency exchange risk.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in currency rates with all other variables remain constant.

Impact on Profit before taxation

	2011	
Currency	**Currency Rate + 10 % (RM'000)**	**Currency Rate - 10 % (RM'000)**
The Group		
USD	13,043	(13,043)
SGD	(1,366)	1,366
EUR	(55)	55
GBP	125	(125)
Others	512	(512)
The Bank		
USD	(939)	939
SGD	(1,366)	1,366
EUR	(55)	55
GBP	125	(125)
Others	512	(512)

50. RISK MANAGEMENT (CONTD.)

50.4 MARKET RISK MANAGEMENT (CONTD.)

(ii) Currency Risk (Contd.)

Impact on Equity:

	2011	
Currency	**Currency Rate + 10 % (RM'000)**	**Currency Rate - 10 % (RM'000)**
The Group		
USD	90	(90)
EUR	9	(9)
The Bank		
EUR	9	(9)

(iii) Equity Price Risk

Equity price risk arised from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limit and VaR limits.

The following table demonstrates the sensitivity of the Group and the Bank's profit before taxation and equity to a reasonable possible change in equity prices with all other variables remain constant.

	2011	
	Equity Price + 10 % (RM'000)	**Equity Price - 10 % (RM'000)**
The Group		
Impact on Profit before taxation	(1,030)	1,030
Impact on Equity	5,142	(5,142)
The Bank		
Impact on Profit before taxation	(1,030)	1,030
Impact on Equity	5,125	(5,125)

50. RISK MANAGEMENT (CONTD.)

50.5 OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

Operational risk management is the discipline of systematically identifying the critical potential risk and causes of failure, assess the relevant controls to minimise the impact of such risk through the initiation of risk mitigating measures and policies.

The 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 Group's Internal Audit team.

50.6 LEGAL AND REGULATORY RISK

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

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

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

51. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

	The Group		The Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Contingent Liabilities				
Direct credit substitutes	2,259,750	2,018,273	2,259,750	1,833,479
Transaction-related contingent items	1,869,799	1,812,955	1,869,799	1,682,727
Short term self liquidating trade-related contingencies	615,999	473,429	615,999	383,072
Islamic financing sold to Cagamas Berhad	-	335,852	-	-
Obligations under underwriting agreements	260,000	689,500	260,000	298,500
Others	31,506	39,798	31,406	31,373
	5,037,054	5,369,807	5,036,954	4,229,151
Commitments				
Irrevocable commitments to extend credit maturing:				
- within one year	10,796,440	13,242,262	10,840,686	11,262,296
- more than one year	4,498,060	1,950,158	4,498,060	1,789,651
Unutilised credit card lines	3,322,322	4,192,748	3,322,322	3,745,109
Forward asset purchase	424,290	605,798	424,290	620,798
Sell and Buy back agreements	-	306,538	-	-
	19,041,112	20,297,504	19,085,358	17,417,854
Derivative Financial Instruments				
Foreign exchange related contracts				
- One year or less	28,584,266	3,792,088	28,584,266	3,792,088
- Over one year to five years	929,849	481,496	929,849	481,496
- Over five years	151,265	-	151,265	-
Interest rate related contracts				
- One year or less	5,870,000	4,300,000	5,870,000	4,300,000
- Over one year to five years	27,256,982	23,727,526	27,256,982	23,727,526
- Over five years	3,900,759	3,305,524	3,900,759	3,305,524
Credit related contracts				
- One year or less	76,473	-	76,473	-
- Over one year to five years	252,433	-	252,433	-
Equity related contracts				
- One year or less	601,986	30,521	601,986	30,521
- Over one year to five years	521,072	258,652	521,072	258,652
Commodity related contracts				
- Over one year to five years	-	75,500	-	-
	68,145,085	35,971,307	68,145,085	35,895,807
Total	92,223,251	61,638,618	92,267,397	57,542,812

The breakdown of the commitment and contigencies of the Bank is as follows:

	2011	2010
	RM'000	RM'000
Relating to AmBank (M) Berhad	92,220,904	57,477,383
Relating to AMIL with external parties*	46,493	65,429
	92,267,397	57,542,812

* The Bank has given a continuing guarantee to LFSA to meet all the liabilities and financial obligations of its subsidiary, AMIL.

52. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB Holdings Berhad ("AMMB") are managed collectively at Group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 5 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, for example, by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its statement of financial position, commitments and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"), which is responsible for managing the Group's statement of financial position, capital and liquidity.

52. CAPITAL MANAGEMENT (CONTD.)

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. These ranges are 7.5 per cent to 8.5 per cent for the Tier 1 capital ratio and 11.5 per cent to 12.5 per cent for the total capital ratio. The Group has been (knowingly) operating in excess of these ranges for the last 3 years as the Group was conservatively positioned for any repercussions from the Global Financial Crisis.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

In light of the uncertain economic environment and evolving regulatory debate on banking institutions' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the ultimate parent company, AMMB, and its group entities when due.

(a) Capital adequacy ratios

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

	The Group		The Bank	
	2011	**2010**	**2011**	**2010**
Before deducting proposed dividends				
Core capital ratio	9.8%	9.9%	10.0%	11.0%
Risk weighted capital ratio	14.5%	15.3%	14.8%	15.3%
After deducting proposed dividends				
Core capital ratio	9.3%	9.4%	9.5%	10.4%
Risk weighted capital ratio	14.1%	14.9%	14.4%	14.8%

The capital adequacy ratios on a consolidated basis of the banking institutions including the financial related services within the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk weighted Capital Adequacy Framework (RWCAF - Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% (2010: 8%) for the risk weighted capital ratio.

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

The detailed disclosures on the risk exposures, as set out in Bank Negara Malaysia's Disclosure Requirements (Pillar 3), are presented in the Pillar 3 disclosures section, annexed to the financial statements.

52. CAPITAL MANAGEMENT (CONTD.)

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

	AmIslamic (Note 1)		AMIL (Note 2)	
	2011	**2010**	**2011**	**2010**
Before deducting proposed dividends				
Core capital ratio	N/A	10.5%	47.3%	38.3%
Risk weighted capital ratio	N/A	15.3%	47.5%	38.5%
After deducting proposed dividends				
Core capital ratio	N/A	10.5%	47.3%	38.3%
Risk weighted capital ratio	N/A	15.3%	47.5%	38.5%

Note 1 The capital adequacy ratios of AmIslamic Bank Berhad ("AmIslamic") are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks ("CAFIB"), which are based on the Basel II capital accord. AmIslamic has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% (2010: 8%) for the risk weighted capital ratio.

Note 2 For financial year ended 2010, the capital adequacy ratios of AMIL for capital compliance on a standalone basis are computed in accordance with the guidelines on Risk weighted Capital Adequacy issued by Labuan Financial Services Authority ("LFSA"), which is based on the Basel I capital accord. During the current financial year, AMIL has computed its capital adequacy ratios in accordance with BNM RWCAF based on the Basel II capital accord. It has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. For the financial year 2010, the capital adequacy ratios of AMIL for capital compliance on a standalone basis were computed in accordance with the guidelines on Risk weighted Capital Adequacy issued by Labuan Financial Services Authority ("LFSA"), which was based on the Basel I capital accord. The core capital and risk weighted capital ratios for financial year 2010 would have been 41.9% and 42.0% respectively, if these ratios had been computed under the Basel II capital accord

N/A Not applicable as AmIslamic was disposed as at 28 February 2011.

52. CAPITAL MANAGEMENT (CONTD.)

(c) The components of Tier 1 and Tier 2 capital of the Group and the Bank are as follows:

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Tier 1 capital				
Paid-up share capital	670,364	670,364	670,364	670,364
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	150,000	150,000	150,000
Innovative Tier 1 capital	926,409	1,011,446	925,373	921,431
Non-innovative Tier 1 capital	500,000	500,000	500,000	500,000
Share premium	942,844	942,844	942,844	942,844
Statutory reserve	680,459	945,628	680,459	680,459
Capital reserve	-	377,492	-	-
Merger reserve	48,516	397,566	48,516	-
Exchange fluctuation reserve	(709)	60	(709)	9,470
Retained earnings	2,690,387	2,019,923	2,684,567	2,498,526
Minority interest	50	-	-	-
	6,608,320	7,015,323	6,601,414	6,373,094
Less: Deferred tax assets	(432,260)	(273,306)	(432,260)	(231,088)
Total Tier 1 capital	6,176,060	6,742,017	6,169,154	6,142,006
Tier 2 capital				
Innovative Tier 1 capital	308,691	223,654	309,727	313,669
Medium term notes	1,557,800	1,557,800	1,557,800	1,557,800
Subordinated bonds	-	400,000	-	-
Exchangeable bonds	-	575,000	-	575,000
Collective/General allowance for bad and doubtful debts and financing #	1,166,407	997,741	1,161,406	808,631
Total Tier 2 capital	3,032,898	3,754,195	3,028,933	3,255,100
Maximum allowable Tier 2 Capital	3,032,898	3,754,195	3,028,933	3,255,100
Total capital funds	9,208,958	10,496,212	9,198,087	9,397,106
Less:				
Investment in subsidiaries	(32,769)	(32,779)	(32,780)	(816,850)
Other deduction	(18,672)	(50)	(18,672)	(50)
Capital base	9,157,517	10,463,383	9,146,635	8,580,206

Excludes collective allowance on impaired loans restricted from Tier 2 capital of the Group and the Bank of RM480,983,000 and RM480,964,000 respectively as at 31 March 2011.

The breakdown of the risk weighted assets in various categories of risk are as follows:

	The Group		The Bank	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Credit risk	55,812,960	61,340,190	55,732,987	50,564,551
Market risk	2,242,197	2,041,201	2,242,197	1,584,871
Operational risk	5,176,229	4,877,266	3,997,167	3,783,839
Large exposure risk requirement for equity holdings	-	5,203	-	5,203
Total risk weighted assets	63,231,386	68,263,860	61,972,351	55,938,464

53. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and deferred taxation are excluded, as they do not fall within the scope of FRS 7 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:

	2011		2010	
The Group	**Carrying Value RM'000**	**Fair Value RM'000**	**Carrying Value RM'000**	**Fair Value RM'000**
Financial Assets				
Cash and short-term funds	8,740,986	8,740,986	11,632,433	11,632,433
Securities purchased under resale agreements	289,731	289,731	-	-
Deposits and placements with banks and other financial institutions	3,792,922	3,792,922	2,118,135	2,118,135
Derivative financial assets	396,673	396,673	343,643	343,643
Financial assets held-for -trading	4,167,002	4,167,002	1,679,658	1,679,658
Financial investments available -for-sale	6,331,969	6,331,969	7,814,492	7,814,492
Financial investments held -to-maturity	165,331	174,805	532,685	722,945
Loans, advances and financing	55,610,208	56,107,173	64,076,357	64,889,653
	79,494,822	80,001,261	88,197,403	89,200,959

53. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

The Group (Contd.)	2011 Carrying Value RM'000	2011 Fair Value RM'000	2010 Carrying Value RM'000	2010 Fair Value RM'000
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,625,853	4,457,885	5,253,129	5,183,585
Securities sold under repurchase agreements	30,465	30,465	-	-
Recourse obligation of loans sold to Cagamas Berhad	1,018,043	1,018,052	135,689	135,689
Derivative financial liabilities	432,932	432,932	392,510	392,510
Deposits from customers	59,506,659	59,387,926	69,371,802	69,277,004
Term funding	3,988,475	4,068,265	1,680,960	1,681,061
Bills and acceptances payable	988,389	988,389	1,399,573	1,399,573
Debt capital	3,367,860	4,259,022	4,385,779	5,402,082
	73,958,676	74,642,936	82,619,442	83,471,504

The Bank	2011 Carrying Value RM'000	2011 Fair Value RM'000	2010 Carrying Value RM'000	2010 Fair Value RM'000
Financial Assets				
Cash and short-term funds	8,375,879	8,375,879	7,447,516	7,447,516
Securities purchased under resale agreements	289,731	289,731	-	-
Deposits and placements with banks and other financial institutions	3,702,163	3,702,163	1,902,368	1,902,368
Derivative financial assets	396,673	396,673	340,182	340,182
Financial assets held-for -trading	4,167,002	4,167,002	1,328,725	1,328,725
Financial investments available -for-sale	6,557,696	6,557,696	7,405,684	7,405,684
Financial investments held -to-maturity	159,589	170,557	532,685	722,945
Loans, advances and financing	55,336,273	55,833,238	52,010,508	52,592,265
	78,985,006	79,492,939	70,967,668	71,739,685

53. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

	2011		2010	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,950,589	4,782,870	4,384,868	4,316,216
Securities purchased under resale agreements	30,465	30,465	-	-
Recourse obligation of loans sold to Cagamas Berhad	1,018,043	1,018,052	135,689	135,689
Derivative financial liabilities	432,932	432,932	389,052	389,052
Deposits from customers	58,878,167	58,759,433	55,347,520	55,265,097
Term funding	3,988,475	4,068,265	1,680,960	1,681,061
Bills and acceptances payable	988,389	988,389	1,004,586	1,004,586
Debt capital	3,367,860	4,259,022	3,985,779	4,959,538
	73,654,920	74,339,428	66,928,454	67,751,239

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2011 and 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, short-term in nature or frequent repricing.

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

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

(c) Financial assets held-for-trading, Financial investments available-for-sale and held-to-maturity

The estimated fair value is based on quoted or observable market prices at the reporting date. Where such quoted or observable market prices are not available, the fair value is estimated using net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at par value, taking into consideration the underlying collateral values. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using market indicative rates of similar instruments at the reporting 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 impaired loans and financing, the fair values are deemed to approximate the carrying value, net of impairment allowances for bad and doubtful debts and financing.

53. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

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

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

(f) Recourse Obligation on Loans Sold To Cagamas Berhad

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

(g) Bills and Acceptances Payable

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

(h) Term Funding and Debt Capital

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

(i) Derivative Financial Instruments

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

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.

54. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	The Group		The Bank	
	2011	2010	2011	2010
Outstanding credit exposures with connected parties (RM'000)	918,448	799,398	1,247,065	1,118,456
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	1.43	1.11	1.95	1.91
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.12	0.02	0.09	0.01

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

(a) directors of the Bank and their close relatives;

(b) controlling shareholder and his close relatives;

(c) executive officer and his close relatives; executive officer refers to member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank;

(d) officer and his close relatives; officer refers to those responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually;

(e) firms, partnerships, companies or any legal entities which control, or are controlled by, any person (including close relatives in the case of individuals) listed in (a) to (d) above, or in which they have interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(f) any person for whom the persons listed in (a) to (d) above is a guarantor;

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

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

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

(i) the creditworthiness of the connected party is not less than what is normally required of other persons;

(ii) the terms and conditions of credit transactions with connected parties are not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness;

(iii) the credit transactions are in the interest of the Bank and approved by the Board of Directors with not less than three quarters of all board members present.

55. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES

(i) FRS 101 Presentation of Financial Statements

Following the adoption of FRS 101 (revised), all non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are no longer presented in the statement of changes in equity.

(ii) FRS 7 Financial Instruments: Disclosures

The adoption of FRS 7 during the financial year results in more extensive disclosures of financial instruments in the annual financial statements. The standard also requires disclosure of the statement of financial position, income statement and statement of comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Bank, as the current presentation is already made by categories of financial assets and liabilities.

(iii) Restatement of comparatives:

(a) FRS 117 Leases

The adoption of FRS 117 during the financial year had resulted in the reclassification of leasehold land which are in subtance finance leases to Property and equipment.

(b) IC Interpretation 13, Customer Loyalty Programmes

The adoption of IC 13 had resulted in the set-off of customer loyalty programme expenses with fee income instead of interest income as previously presented.

(c) During the first quarter of the current financial year, the Group changed the presentation of Net Income from Islamic Banking Business. Previously, amount relating to transfer from/(to) profit equalisation reserve was included as part of Net Income from Islamic Banking Business. In line with the Ultimate holding company's presentation, the above item has been separately disclosed in the Consolidated Income Statement.

55. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

(iii) Restatement of comparatives (Contd.):

The following comparative figures which have been restated arising from the above are as follows:

	As previously reported	Reclassification	Reclassified as Discontinued operations	As restated
	RM'000	RM'000	RM'000	RM'000
The Group				
Statement of Financial position as at 31 March 2010				
Prepaid land lease payments	3,815	(3,815)	-	-
Property and equipment	183,923	3,815	-	187,738
Consolidated Income Statement for the period ended 31 March 2010				
Interest income	3,568,619	6,949	-	3,575,568
Net income from Islamic Banking business	698,061	(12,858)	(685,027)	176
Other operating income	471,962	(6,949)	-	465,013
Other operating expenses	(1,185,889)	-	20,958	(1,164,931)
Allowance for losses on loans and financing	(580,798)	-	90,297	(490,501)
(Provision)/writeback for commitments and contingencies	(3,866)	-	(12,713)	(16,579)
Impairment (loss)/writeback on other assets	(118,255)	-	4,218	(114,037)
Transfer from/(to) profit equalisation reserve	-	12,858	(12,635)	223
Zakat	(1,270)	-	1,270	-
Taxation	(280,151)	-	93,995	(186,156)
The Bank				
Statement of Financial position as at 31 March 2010				
Prepaid land lease payments	2,781	(2,781)	-	-
Property and equipment	159,683	2,781	-	162,464
Income Statement for the period ended period ended 31 March 2010				
Interest income	3,560,952	6,949	-	3,567,901
Other operating income	958,427	(6,949)	-	951,478

55. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

(iv) Financial impact of changes in accounting policies

The adoption of FRS 139 had resulted in restatement as follows:

Statement of Financial Position	At 1 April 2010 (as previously reported) RM'000	Effect of adopting FRS 139 Reclassification RM'000	Effect of adopting FRS 139 Remeasurements RM'000	At 1 April 2010 (restated) RM'000
The Group				
ASSETS				
Cash and short-term funds	11,632,433	-	-	11,632,433
Deposits and placements with banks and other financial institutions	2,118,135	-	-	2,118,135
Derivative financial assets	343,643	-	-	343,643
Financial assets held-for-trading	1,679,658	-	(3,209)	1,676,449
Financial investments available-for-sale	7,814,492	338,548	(10,970)	8,142,070
Financial investments held-to-maturity	532,685	(338,548)	2,328	196,465
Loans, advances and financing	64,076,357	-	(173,645)	63,902,712
Other assets	1,042,969	-	-	1,042,969
Statutory deposit with Bank Negara Malaysia	167,623	-	-	167,623
Deferred tax asset	259,307	-	77,535	336,842
Investment in associates	986	-	-	986
Property and equipment	187,738	-	-	187,738
Intangible assets	86,407	-	-	86,407
TOTAL ASSETS	89,942,433			89,834,472
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	5,253,129	-	-	5,253,129
Recourse obligation on loans sold to Cagamas Berhad	135,689	-	-	135,689
Derivative financial liabilities	392,510	-	-	392,510
Deposits from customers	69,371,802	-	-	69,371,802
Term funding	1,680,960	-	-	1,680,960
Bills and acceptances payable	1,399,573	-	-	1,399,573
Debt capital	4,385,779	-	-	4,385,779
Other liabilities	1,875,897	-	109,000	1,984,897
TOTAL LIABILITIES	84,495,339			84,604,339
Share capital	670,364	-	-	670,364
Reserves	4,776,713	-	(216,961)	4,559,752
Equity attributable to equity holder of the Bank	5,447,077	-	(216,961)	5,230,116
Minority interest	17	-	-	17
Total Equity	5,447,094			5,230,133
TOTAL LIABILITIES AND EQUITY	89,942,433			89,834,472

55. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

(iv) Financial impact of changes in accounting policies (Contd.)

The adoption of FRS 139 had resulted in restatement as follows (Contd.):

Statement of Financial Position	At 1 April 2010 (as previously reported) RM'000	Effect of adopting FRS 139 Reclassification RM'000	Effect of adopting FRS 139 Remeasurements RM'000	At 1 April 2010 (restated) RM'000
The Bank				
ASSETS				
Cash and short-term funds	7,447,516	-	-	7,447,516
Deposits and placements with banks and other financial institutions	1,902,368	-	-	1,902,368
Derivative financial assets	340,182	-	-	340,182
Financial assets held-for-trading	1,328,725	-	(2,738)	1,325,987
Financial investments available-for-sale	7,405,684	338,548	(9,841)	7,734,391
Financial investments held-to-maturity	532,685	(338,548)	(6,195)	187,942
Loans, advances and financing	52,010,508	-	(112,898)	51,897,610
Other assets	964,567	-	-	964,567
Statutory deposit with Bank Negara Malaysia	135,544	-	-	135,544
Deferred tax asset	213,089	-	59,060	272,149
Investment in subsidiaries	849,870	-	-	849,870
Investment in associates	111	-	-	111
Property and equipment	162,464	-	-	162,464
Intangible assets	85,957	-	-	85,957
TOTAL ASSETS	73,379,270			73,306,658
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	4,384,868	-	-	4,384,868
Recourse obligation on loans sold to Cagamas Berhad	135,689	-	-	135,689
Derivative financial liabilities	389,052	-	-	389,052
Deposits from customers	55,347,520	-	-	55,347,520
Term funding	1,680,960	-	-	1,680,960
Bills and acceptances payable	1,004,586	-	-	1,004,586
Debt capital	3,985,779	-	-	3,985,779
Other liabilities	1,678,276	-	97,000	1,775,276
TOTAL LIABILITIES	68,606,730			68,703,730
Share capital	670,364	-	-	670,364
Reserves	4,102,176	-	(169,612)	3,932,564
Total Equity	4,772,540			4,602,928
TOTAL LIABILITIES AND EQUITY	73,379,270			73,306,658

55. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

(iv) Financial impact of changes in accounting policies (Contd.)

Financial impact on adoption of FRS 139 for financial year 2011:

	Increase/(decrease)	
	The Group RM'000	**The Bank RM'000**
Financial assets held-for-trading	(3,996)	(3,312)
Financial investments available-for-sale	(12,798)	(11,883)
Loans, advances and financing	(488,411)	(433,708)
Deferred tax asset	111,838	62,487
Other liabilities	3,367	(37,013)
Reserves	(396,734)	(349,403)
Income Statement		
Interest income	(13,912)	(32,479)
Other operating income	(3,996)	(3,312)
Allowances on losses on loans, advances and financing	474,499	401,229
Impairment	23,805	16,967
Profit before taxation	(516,212)	(453,987)
Taxation	(129,076)	(113,496)
Profit after taxation	(387,136)	(340,491)
Earning per share (Sen)		
Basic	(57.75)	(50.79)
Fully diluted	(47.19)	(41.50)
Statement of Comprehensive Income		
Net change in revaluation of financial investments available-for-sale	(12,798)	(11,883)
Income tax relating to the components of other comprehensive income	3,200	2,971
Other comprehensive income for the year, net of tax	(9,598)	(8,912)
Total comprehensive income for the year	(396,734)	(349,403)