AmInvestment Bank Berhad (23742-V)

(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements

31 March 2011

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS 31 MARCH 2011

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AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of **AmInvestment Bank Berhad** for the financial year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The Bank and its subsidiaries, as listed in Note 16, provide a wide range of investment banking and related financial services which also include the Islamic banking business, investment advisory, stock and share-broking, futures broking, publishing and selling research materials and provision of research related services.

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

SIGNIFICANT EVENT AND SUBSEQUENT EVENT

There are no significant and subsequent events involving the Bank and its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	99,533	95,926
Taxation	(26,883)	(26,137)
Net profit attributable to the shareholder of the Bank	72,650	69,789
Retained earnings at beginning of year	112,697	110,438
Profit available for appropriation	185,347	180,227
Ordinary dividends paid	(50,000)	(50,000)
Retained earnings at end of year	135,347	130,227

BUSINESS PLAN AND STRATEGY

AmInvestment Bank 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 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.

Corporate and Institutional Banking's aims 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.

BUSINESS PLAN AND STRATEGY (CONTD.)

Investment Banking's strategic intent is to maintain its leadership position in capital markets, funds management and stockbroking. In order to strengthen its competitive positioning, Investment Banking's unique selling proposition is the delivery of comprehensive, innovative and quality solutions, supported by improved infrastructure and distributional channels.

Since 2008, 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.

The Group's Islamic banking continues to function on the shared business model and operating platform of the overall conventional businesses. Capitalising on the sovereign direction and initiatives to catapult Malaysia into becoming a global Islamic financial hub, will accord us the lever to drive our Islamic banking business growth.

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 ANZ's (The Australia and New Zealand Banking Group) international connectivity to drive business growth. ANZ's well-established geographical presence throughout Asia Pacific provides the Group the 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 Medium Term Aspirations.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Bank for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the changes in accounting policies as disclosed in Note 2.1 of 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 succeeding twelve months.

DIVIDENDS

During the financial year, the Bank paid a final dividend of 33.3%, less 25.0% taxation, in respect of the previous financial year amounting to RM50,000,000 for the ordinary shares and which have been reported in the directors' report for that financial year.

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

RESERVES, PROVISIONS AND ALLOWANCES

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

		Notes to the Financial Statements	Group RM'000	Bank RM'000
(a)	Available-for-sale reserve			
	Arising from net unrealised gain on revaluation of securities available-for-sale		224	224
(b)	Exchange fluctuation reserve			
	Arising from translation of subsidiaries expressed in foreign currencies		2,535	-
(c)	Allowances/(reversal of allowances):			
	Impaired loans and financing:			
	Collective allowance	31	2,589	2,589
	Individual allowance - net	31	(397)	(397)
	Impairment loss on:			
	Securities		1,000	1,000
	Writeback of provision for commitments		(2,046)	(2,046)

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements 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 allowance had been made for doubtful debts and financing.

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

CURRENT ASSETS

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ISSUE OF SHARES AND DEBENTURES

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

SHARE OPTIONS

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

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

DIRECTORS

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

Tan Sri Azman Hashim
Tun Mohammed Hanif Omar
Tan Sri Datuk Dr Aris Osman @ Othman
Tan Sri Datuk Clifford Francis Herbert
Dato' Izham Mahmud
Cheah Tek Kuang
Ashok Ramamurthy
Kok Tuck Cheong
Pushparani A Moothathamby (Resigned w.e.f 1.3.2011)

In accordance with Article 87 of the Bank's Articles of Association, Tan Sri Datuk Clifford Francis Herbert and Cheah Tek Kuang retire and, being eligible, offer themselves for re-election.

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

DIRECTORS' 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 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 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**
Dato' Izham Mahmud	24,000	-	-	24,000
Cheah Tek Kuang	78,800	-	-	78,800
Ashok Ramamurthy	100,000	-	-	100,000
Pushparani A Moothathamby	489,752	-	-	489,752

	No. of shares pursuant to 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
Kok Tuck Cheong	47,000	123,000	-	170,000
Pushparani A Moothathamby	44,600	97,700	-	142,300

	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
Kok Tuck Cheong	288,500	163,700	-	452,200
Pushparani A Moothathamby	273,000	127,300	-	400,300

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 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 holding company, AMMB Holdings Berhad, he is deemed to have interests in the shares of the Bank and its related corporations, to the extent that the holding company has an interest.

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

DIRECTORS' BENEFITS

At the end of the financial year, or at any time during that year, none of the directors of the Bank have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by the Bank or a related corporation with a director or with a firm in which a director is a member, or with a company in which a director has a substantial financial interest, except for the related party transactions as shown in Note 33 to the financial statements.

Neither during nor at the end of the financial year was the Bank a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB, the 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 shareholders' 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 eight (8) directors with wide skills and experience, four (4) of whom are Independent Non-Executive Directors. The directors participate fully in decision making on key issues regarding the Bank and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

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

CORPORATE GOVERNANCE

(b) COMMITTEES OF THE BOARD

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

1. Group Nomination Committee (at AMMB level)
2. Group Remuneration Committee (at AMMB 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 ("FY") 2011

Directors	Board of Directors	Audit and Examination Committee	Risk Management Committee	Group Nomination Committee	Group Remuneration Committee
Tan Sri Azman Hashim	10 (Chairman)	N/A	N/A	3	4
Tun Mohammed Hanif Omar	10	N/A	7	3 (Chairman)	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	10	7 (Chairman)	7	3	4
Tan Sri Datuk Clifford Francis Herbert	10	6	7 (Chairman)	3	N/A
Dato' Izham Mahmud	10	7	N/A	N/A	4 (Chairman)
Cheah Tek Kuang	9	N/A	N/A	N/A	N/A
Ashok Ramamurthy	9	N/A	N/A	N/A	N/A
Kok Tuck Cheong	9	N/A	N/A	N/A	N/A
Pushparani A Moothathamby*	9	N/A	N/A	N/A	N/A
Number of meetings held in FY2011	10	7	7	3	4

Notes:
1. All attendances reflect the number of meetings attended during the directors' tenure of service
2. N/A represents non-committee member
3. *Resigned on 1.3.2011

GROUP NOMINATION COMMITTEE

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

The Committee also on annual basis, 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.

CORPORATE GOVERNANCE (CONTD.)

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 Boards of AMMB, AmBank and the Bank the framework/methodology for the remuneration of the directors, the Chief Executive Officers and other Senior Management staff, benchmarked against the industry.

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

AUDIT AND EXAMINATION COMMITTEE

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

The AEC met 7 times during the 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.

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.

CORPORATE GOVERNANCE (CONTD.)

INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES (CONTD.)

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

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

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

MANAGEMENT INFORMATION

The directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank and its subsidiaries that are important to the directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports include among others, minutes of meetings of all Committees of the Board, monthly performance of the Bank, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment. These reports are issued in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors regard AMMB Holdings Berhad, incorporated in Malaysia, as the immediate and ultimate holding company.

RATING BY EXTERNAL AGENCY

The Bank's international ratings were upgraded to BBB/A-2/Stable by S&P whilst reaffirmed at BBB/F3/Stable by Fitch. This was complemented by the reaffirmed long-term and short-term ratings at AA3/P1/Stable by RAM. The Bank's rating was also rated with a positive outlook at AA-/MARC-1/Positive by Malaysian Rating Corporation Berhad ("MARC").

SHARIAH COMMITTEE

The Bank leverages on the Shariah Committee of AmIslamic Bank Berhad ("AmIslamic Bank") for advice and guidance on Shariah related operational matters.

The Shariah Committee comprises three (3) advisors and has been established pursuant to Bank Negara Malaysia ("BNM") "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1). The role of Shariah Committee is to advise and provide guidance to AmIslamic Bank / other entities with AmBank Group on all matters pertaining to Shariah in order to ensure the Islamic business operations comply with Shariah principles. This includes providing Shariah opinions and validation on relevant documentation to be used.

AUDITORS

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

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

TAN SRI AZMAN HASHIM

KOK TUCK CHEONG

Kuala Lumpur, Malaysia
Date: 16 May 2011

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

We, **TAN SRI AZMAN HASHIM** and **KOK TUCK CHEONG,** being two of the directors of **AmINVESTMENT BANK BERHAD,** do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 15 to 154 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2011 and of the results and the cash flows of the Group and of the Bank for the year then ended.

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

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

Kuala Lumpur, Malaysia
Date: 16 May 2011

Company No.:23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

I, **ARUNASALAM MUTHUSAMY**, being the officer primarily responsible for the financial management of **AmINVESTMENT BANK BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 15 to 154 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **ARUNASALAM MUTHUSAMY** at Kuala Lumpur in the Wilayah Persekutuan on 16 May 2011.

ARUNASALAM MUTHUSAMY

Before me,

PESURUHJAYA SUMPAH
W 325
TAN BOON CHUA
MALAYSIA

COMMISSIONER FOR OATHS

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Company No.:23742-V

Independent auditors' report to the member of AmInvestment Bank Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AmInvestment Bank Berhad which comprise the 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 15 to 154.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal 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 judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

ERNST & YOUNG

Company No.:23742-V

Independent auditors' report to the member of AmInvestment Bank 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.

Reporting on other legal and regulatory requirements

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

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

(b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements.

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

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

Other matters

This report is made solely to the 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 contents 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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2011

		2011		2010	
		Group	Bank	Group	Bank
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	5	932,560	844,197	832,988	744,175
Securities purchased under resale agreements	6	-	-	16,992	-
Deposits and placements with banks and other financial institutions	7	676	-	735	-
Derivative financial assets	8	313	-	-	-
Financial assets held-for-trading	9	7,385	4,798	32,933	32,880
Financial investments available-for-sale	10	55,209	52,495	45,424	43,224
Financial investments held-to-maturity	11	100	100	15,052	15,050
Loans, advances and financing	12	548,266	548,239	392,944	392,911
Other assets	13	856,839	562,105	743,598	432,573
Statutory deposit with Bank Negara Malaysia	14	2,031	2,031	-	-
Deferred tax assets	15	18,571	18,378	2,021	1,707
Investments in subsidiaries	16	-	88,231	-	88,231
Investments in associates	17	2,729	100	2,471	100
Property and equipment	18	29,962	27,383	31,764	29,140
Intangible assets	19	13,787	2,520	13,544	2,281
TOTAL ASSETS		2,468,428	2,150,577	2,130,466	1,782,272
LIABILITIES AND SHAREHOLDER'S EQUITY					
Deposits and placements of banks and other financial institutions	20	878,225	878,225	609,129	609,129
Derivative financial liabilities	8	369	66	467	467
Deposits from customers	21	12,982	12,982	13,917	13,917
Term funding	22	2,401	-	15,146	-
Debt capital	23	-	-	135,000	135,000
Other liabilities	24	998,576	725,779	802,831	506,737
Total liabilities		1,892,553	1,617,052	1,576,490	1,265,250
Share capital	25	200,000	200,000	200,000	200,000
Reserves	26	375,875	333,525	353,976	317,022
Shareholder's equity		575,875	533,525	553,976	517,022
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		2,468,428	2,150,577	2,130,466	1,782,272
COMMITMENT AND CONTINGENCIES	43	432,483	416,628	643,545	643,545
NET ASSETS PER SHARE (RM)	45	2.88	2.67	2.77	2.59

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

		2011		2010	
		Group	Bank	Group	Bank
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue		372,169	329,926	337,764	343,291
Interest income	27	44,305	40,486	47,019	41,483
Interest expense	28	(25,461)	(23,796)	(28,956)	(25,306)
Net interest income		18,844	16,690	18,063	16,177
Net income from Islamic banking business	51(xv)	22,151	22,151	90,306	90,306
Other operating income	29	305,713	267,289	200,439	211,502
Share of results of associates		257	-	181	-
Net income		346,965	306,130	308,989	317,985
Other operating expenses	30	(245,477)	(207,650)	(231,987)	(194,996)
Operating profit		101,488	98,480	77,002	122,989
Allowance for impaired loans and financing	31	(2,224)	(2,224)	(1,293)	(1,293)
Impairment loss on:					
Financial investments	32	(1,000)	(1,000)	(10,218)	(10,218)
Doubtful sundry receivables - net		(777)	(1,376)	(4,706)	(5,829)
Writeback/(provision) for commitments and contingencies		2,046	2,046	(5,001)	(5,001)
Profit before taxation		99,533	95,926	55,784	100,648
Taxation	36	(26,883)	(26,137)	(19,892)	(18,165)
Profit for the year		72,650	69,789	35,892	82,483
Attributable to:					
Equity holder of the Bank		72,650	69,789	35,892	82,483
Earnings per share (sen)					
Basic and fully diluted	39	36.3	34.9	17.9	41.2

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Note	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
Profit for the year		72,650	69,789	35,892	82,483
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations		2,535	-	(726)	(6,840)
Net income on financial investments available-for-sale		344	344	11,606	11,606
Income tax relating to the components of other comprehensive income		(120)	(120)	(2,849)	(2,849)
Other comprehensive income for the year, net of tax		2,759	224	8,031	1,917
Total comprehensive income for the year		75,409	70,013	43,923	84,400
Attributable to:					
Equity holder of the Bank		75,409	70,013	43,923	84,400

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

Company No: 23742-V

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

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

		<-----Attributable to equity holder of the Bank----->							
		Non-distributable						Distributable	
Group	**Note**	**Share capital RM'000**	**Capital reserve RM'000**	**Statutory reserve RM'000**	**Merger reserve RM'000**	**Available-for-sale reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Retained earnings RM'000**	**Total shareholder's equity RM'000**
At 1 April 2009		200,000	2,815	200,000	22,023	(5,557)	24,898	80,241	524,420
Profit for the year		-	-	-	-	-	-	35,892	35,892
Other comprehensive income/(loss)		-	-	-	-	8,757	(726)	-	8,031
Total comprehensive income/(loss) for the year		-	-	-	-	8,757	(726)	35,892	43,923
Effects arising from pooling of interest method		-	-	-	(14,367)	-	-	-	(14,367)
At 31 March 2010		200,000	2,815	200,000	7,656	3,200	24,172	116,133	553,976
At 1 April 2010		200,000	2,815	200,000	7,656	3,200	24,172	116,133	553,976
Effects of the adoption of FRS139		-	-	-	-	(74)	-	(3,436)	(3,510)
As restated		200,000	2,815	200,000	7,656	3,126	24,172	112,697	550,466
Profit for the year		-	-	-	-	-	-	72,650	72,650
Other comprehensive income		-	-	-	-	224	2,535	-	2,759
Total comprehensive income for the year		-	-	-	-	224	2,535	72,650	75,409
Dividends paid		-	-	-	-	-	-	(50,000)	(50,000)
At 31 March 2011		200,000	2,815	200,000	7,656	3,350	26,707	135,347	575,875

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 MARCH 2011

		<-----Attributable to equity holder of the Bank----->							
		Non-distributable					Distributable		
Bank	**Note**	**Share capital RM'000**	**Statutory reserve RM'000**	**Merger reserve RM'000**	**Available-for-sale reserve RM'000**	**Exchange fluctuation reserve RM'000**	**Retained earnings RM'000**	**Total shareholder's equity RM'000**	
At 1 April 2009		200,000	200,000	14,367	(5,609)	6,840	31,391	446,989	
Profit for the year		-	-	-	-	-	82,483	82,483	
Other comprehensive income/(loss)		-	-	-	8,757	(6,840)	-	1,917	
Total comprehensive income /(loss) for the year		-	-	-	8,757	(6,840)	82,483	84,400	-
Effects arising from pooling of interest method		-	-	(14,367)	-	-	-	(14,367)	
At 31 March 2010		200,000	200,000	-	3,148	-	113,874	517,022	
At 1 April 2010		200,000	200,000	-	3,148	-	113,874	517,022	
Effects of the adoption of FRS139		-	-	-	(74)	-	(3,436)	(3,510)	
As restated		200,000	200,000	-	3,074	-	110,438	513,512	
Profit for the year		-	-	-	-	-	69,789	69,789	
Other comprehensive income		-	-	-	224	-	-	224	
Total comprehensive income for the year		-	-	-	224	-	69,789	70,013	
Dividends paid		-	-	-	-	-	(50,000)	(50,000)	
At 31 March 2011		200,000	200,000	-	3,298	-	130,227	533,525	

The accompanying notes form an integral part of the financial statements

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2011		2010	
	Group	**Bank**	**Group**	**Bank**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation from:	99,533	95,926	55,784	100,648
Add/(less) adjustments for:				
Allowance for impaired loans and financing, net of recoveries	2,224	2,224	1,293	1,293
Impairment loss on securities	1,000	1,000	10,218	10,218
Depreciation of property and equipment	5,124	3,985	5,477	4,271
Amortisation of computer software	642	637	491	486
Sundry receivables written off - net	250	250	40	40
Property and equipment written off	16	12	12	3
(Writeback of)/provision for commitments and contingencies	(2,046)	(2,046)	5,001	5,001
Gain on disposal of property and equipment	(328)	(328)	(213)	(212)
Gain on revaluation of derivatives	(487)	(487)	(1,312)	(1,312)
Share of results of associates	(257)	-	(181)	-
Unrealised foreign exchange gain	(989)	(472)	(792)	(8,825)
Provision of allowances for doubtful sundry receivables - net	777	1,376	4,706	5,829
Amortisation of premiums less accretion of discounts	(1,243)	(1,243)	(4,875)	(4,875)
Net (gain)/loss from sale of financial investments available-for-sale	(3,468)	(3,468)	5,401	5,401
Gross dividend income from investments	(1,285)	(1,285)	(2,061)	(2,124)
Net gain on redemption of financial investments held-to-maturity	-	-	(20)	(20)
Loss/(gain) on revaluation of financial assets held-for-trading	994	142	(180)	(179)
Net gain from sale of financial assets held-for-trading	(2,326)	(2,509)	(5,564)	(5,821)
Loss on transfer of subsidiaries	-	-	45,121	-
Operating profit before working capital changes carried forward	98,131	93,714	118,346	109,822

AmINVESTMENT BANK BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating profit before working capital changes brought forward	98,131	93,714	118,346	109,822
Decrease/(increase) in operating assets:				
Deposits and placements with banks and other financial institutions	59	-	535	-
Financial assets held-for-trading	26,880	30,448	(16,205)	(16,128)
Securities purchased under resale agreement	16,992	-	(185)	-
Other assets	(160,552)	(193,244)	(254,553)	(78,606)
Statutory deposit with Bank Negara Malaysia	(2,031)	(2,031)	-	-
Loans, advances and financing	(157,345)	(157,351)	(140,529)	(140,496)
Deposits and monies held in trust with financial institutions	(21,994)	(27,217)	(8,582)	(24,630)
Increase/(decrease) in operating liabilities:				
Deposits from customers	(935)	(935)	(171,699)	(171,699)
Deposits and placements of banks and other financial institutions	269,095	269,095	42,650	42,650
Other liabilities	191,499	212,240	243,547	120,412
Cash generated from/(used in) operations	259,799	224,719	(186,675)	(158,675)
Taxation refund/(paid), net	9,380	25,369	(42,086)	(30,368)
Net cash generated from/(used in) operating activities	269,179	250,088	(228,761)	(189,043)

AmINVESTMENT BANK BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of securities – net	9,029	9,541	99,747	99,747
Dividends received from other investments	964	964	1,546	1,546
Dividends received from subsidiaries	-	-	-	47
Proceeds from disposal of property and equipment	333	333	230	227
Transfer of AmInvestment Management and AmInvestment Services to AIGB	-	-	(31,309)	48,807
Settlement for the transfer of subsidiaries AmFutures and AmResearch	-	-	(14,367)	(14,367)
Purchase of computer software	(798)	(786)	(1,969)	(1,963)
Purchase of property and equipment	(3,384)	(2,335)	(3,080)	(2,646)
Net cash generated from investing activities	6,144	7,717	50,798	131,398
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid by the Bank to its shareholder	(50,000)	(50,000)	-	-
(Repayment of)/proceeds from term loan	(12,745)	-	15,146	-
Redemption of subordinated bonds	(135,000)	(135,000)	-	-
Net cash (used in)/generated from financing activities	(197,745)	(185,000)	15,146	-

AmINVESTMENT BANK BERHAD
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Net increase/(decrease) in cash and cash equivalents	77,578	72,805	(162,817)	(57,645)
Cash and cash equivalents at beginning of year	589,075	575,065	751,892	632,710
Cash and cash equivalents at end of year (Note i)	666,653	647,870	589,075	575,065

Note (i) Cash and cash equivalents
For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust. Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Cash and short term funds	932,560	844,197	832,988	744,175
Less: Cash and bank balances and deposits and monies held in trust	(265,907)	(196,327)	(243,913)	(169,110)
	666,653	647,870	589,075	575,065

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

AmINVESTMENT BANK BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2011

1. PRINCIPAL ACTIVITIES

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

The Bank and its subsidiaries, as listed in Note 16, provide a wide range of investment banking and related financial services which also include the Islamic banking business, investment advisory, stock and share-broking, futures broking, publishing and selling research materials and provision of research related services.

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

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

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 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
- 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

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

- 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 the current financial statements.

2.1a Standards affecting presentation and disclosure.

i) FRS 101 : Presentations 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 Group and the Bank have adopted FRS 101 (revised) retrospectively.

The revised FRS 101 also requires the Group and the Bank to make new disclosures to enable users of the financial statements to evaluate the Bank's objectives, policies and processes for managing capital.

ii) FRS 117 : Leases

The amendments to FRS 117 require leasehold land which is in substance finance leases to be classified as Property and Equipment or Investment Property as appropriate. The Group and the Bank have reassessed and determined that all leasehold land of the Group and the Bank are in substance finance leases and have 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 amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

iii) 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.

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

2.1a Standards affecting presentation and disclosure (Contd.)

iii) FRS 7 : Financial Instruments; Disclosures (Contd.)

The Group and the Bank have 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's and the Bank's financial statements for the year ended 31 March 2011.

iv) 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 operate, and revenue from the Group's 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 have adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 46 to the financial statements.

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 have 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 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 assess, 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.

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 Bank are 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.

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

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

i) Impairment of Loans, Advances and Financing (Contd.)

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 item (iv) below. Further details on the impact of FRS 139 are disclosed in Note 50(i)a.

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 item (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 item (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 have 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.

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

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

iv) Opening Retained Earnings Adjustments

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

Group	As previously reported	Effects of adoption of FRS 139	As restated
	RM'000	RM'000	RM'000
Effects on retained earnings:	116,133	(3,436)	112,697
Effects on other reserves:	3,200	(74)	3,126
Bank			
Effects on retained earnings:	113,874	(3,436)	110,438
Effects on other reserves:	3,148	(74)	3,074

The adoption of FRS 139 and its related amendments did not impact earnings per ordinary share.

2.2 Standards and interpretations in issue but not yet adopted

The Group and the Bank have 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. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (CONTD.)

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

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

2.2e 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 any 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 non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling 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 non-controlling interests and their share of the fair value of the identifiable net assets of the acquiree;

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

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

2.2f FRS 3, Business Combinations (revised) (Contd.)

- 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; and
- 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

2.2g 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 of 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 non-controlling 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 non-controlling interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The financial statements of the Group and of the Bank 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 and of the Bank 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.

3.3 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 of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Basis of Consolidation (Contd.)

3.3b Investment in associates (Contd.)

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.

3.3c Joint venture

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Interest in jointly controlled entities is accounted for using the equity method. Under the equity method, the interest in a jointly controlled entity is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity.

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

The financial statements of the jointly controlled entities 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.3 Basis of Consolidation (Contd.)

3.3c Joint venture (Contd.)

In the Bank's separate financial statements, interest in jointly controlled entities 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.

3.3d Changes in group composition

The Group treats all changes in group composition as equity transactions between the Group and its non-controlling 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.

3.3e Non-controlling interests

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

Where losses applicable to the non-controlling exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the non-controlling 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's share of losses previously absorbed by the Group has been recovered.

3.3f 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.

3.4 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.4 Business combinations (Contd.)

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. The accounting policy for goodwill is set out in Note 3.9a.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.5 Foreign currency (Contd.)

3.5b Foreign currency transactions (Contd.)

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.

3.5c 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, plant and equipment

3.6a Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant 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 Bank 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.6 Property, plant and equipment (Contd.)

3.6a Recognition and measurement (Contd.)

The cost of property, plant 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 plant and 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, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant 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, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are recognised in profit or loss as incurred.

3.6c 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, plant and equipment are as follows:

Long term leasehold land	2%
Leasehold buildings	2% or over the term of short term lease
Motor vehicles	20%
Leasehold improvements	20%
Computer hardware	20%
Office and residential equipment, furniture and fittings	20% - 25%

The carrying values of property, plant 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, plant 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 and the Bank 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, plant and equipment up to the date of change in use.

3.8 Leases

Finance leases, which transfer to the Group and 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.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and Bank 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 Bank.

3.9a Goodwill

Goodwill on consolidation of subsidiaries is included in intangible assets on the statement of financial position. Premium on consolidation of associates is included in investment in associates. On disposal of a subsidiary or an associate, the attributable amount of goodwill on consolidation is included in the determination of the gain or loss on disposal.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.9 Intangible assets (Contd.)

3.9a Goodwill (Contd.)

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

Goodwill is initially measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. The policy for the measurement of impairment is in accordance with Note 3.14a on impairment of goodwill.

3.9b 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.

3.9c Other Intangible Assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at costs less accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method 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 intangible asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.9 Intangible assets (Contd.)

3.9c Other Intangible Assets (Contd.)

The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.10 Financial assets and financial liabilities (excluding derivatives)

Financial assets and financial liabilities are recognised in the statement of financial position when, and only when, the Group and Bank become a party to the contractual provisions of the financial instrument.

The Group and Bank classify 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.

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.

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 (excluding derivatives) (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 and the Bank have 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 securities 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 i.e., the date that the Group and Bank commit 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 (excluding derivatives) (Contd.)

3.10f Subsequent measurement

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.

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.

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.

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

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 (excluding derivatives) (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 Bank use 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 Bank use 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 Bank use 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 Group's and Bank's credit spreads widen, the Group and Bank recognise a gain on these liabilities because the value of the liabilities has decreased. When the Group's and Bank's credit spreads narrow, the Group and Bank recognise a loss 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 and Bank hold. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.10 Financial assets and financial liabilities (excluding derivatives) (Contd.)

3.10i Determination of fair value (Contd.)

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 and Bank'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), primarily regarding redemption schedules and (payment) defaults of securitised receivables; and trigger events and rating changes.

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 (e.g., 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 Bank have 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.10 Financial assets and financial liabilities (excluding derivatives) (Contd.)

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 Bank have 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 Bank has the intent and ability to hold the assets for the foreseeable future or until maturity.

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 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 reviews 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 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 Bank has retained control, the asset continues to be recognised to the extent of the Group's and 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.

3.12b 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 and Bank assess 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 and Bank file to have the counterparty declared bankrupt or file a similar order in respect of a credit obligation
- the Group and the Bank consent 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 and Bank sell 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 (Contd.)

3.13a Assets carried at amortised cost

The Group and Bank first assess 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 Bank determine 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 investments 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 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 (i.e. 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 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.

As at 1 April 2010, the Group and the Bank have remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.13 Impairment of financial assets (Contd.)

3.13c Trade and other receivables (Contd.)

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

i. Individual impairment is made against bad and doubtful receivables at rates of 100% (bad) and 50% (doubtful), respectively, after deduction of interest-in-suspense, the value of collateral held and the deposit of and all amounts due to the Dealer's Representative having charge of or assigned to the said account.
ii. Interest income accrued on these accounts is suspended when they are considered impaired in accordance with Schedule 7 of Bursa Malaysia Business Rules.

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

	Criteria for classification of accounts as impaired	
Types of accounts	**Doubtful**	**Bad**
Contra losses	When the account is in default for 16 to 30 calendar days	When the account is in default for more than 30 calendar days
Overdue purchase contracts	When the account is in default from T*+5 market days to 30 calendar days.	When the account is in default for more than 30 calendar days.
Margin accounts	Not applicable	When the equity has fallen below 130% of the outstanding balance, in accordance with Rule 703 of Bursa Malaysia Business Rules.

*T refers to the contract date

3.14 Impairment of non-financial assets

3.14a Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. Each CGU represents the lowest level at which the goodwill is monitored and is not larger than a segment based on either the Group's primary reporting format. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.14 Impairment of non-financial assets (Contd.)

3.14a Goodwill (Contd.)

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss is recognised in the income statement when the carrying amount of the asset (or CGU) exceeds the recoverable amount of the asset (or CGU).

3.14b 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 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 or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.15 Derivative financial instruments and hedge accounting

The Group and the Bank use 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.

The Group and Bank make 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 Bank apply hedge accounting for transactions which meet the specified criteria.

The Group and Bank designate 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 Bank document, 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 Bank also document 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.15 Derivative financial instruments and hedge accounting (Contd.)

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 Bank apply 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 interest costs.

If the criteria for hedge accounting are no longer met, or if the Group and Bank revoke 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.

3.15c Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly 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 of.

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 Bank retain 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 Bank.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.16 Repurchase and resale agreements (Contd.)

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 Bank reclassify 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 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”.

3.17 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 3.14b on impairment of non-financial assets.

3.18 Cash and cash equivalents

Cash and cash equivalents as referred to in the statements of cash flow comprises cash and short term funds, excluding deposits and monies held in trust and 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 and Bank to make cash payments of either principal or interest or both to holders of the instruments and the Group and Bank are contractually obliged to settle the financial instrument in cash or through another financial instrument.

3.20 Provisions

Provisions are recognised when the Group and Bank have 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.22 Contingent liabilities and contingent assets

The Group and Bank do 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 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 do 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.

3.23 Financial guarantees

In the ordinary course of business, the Group and Bank give 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's and 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 "Credit loss expense". The premium received is recognised in profit or loss in "Net fees and commission 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/ Bank. 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 is recognised in income statement 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.25 Revenue (Contd.)

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

When calculating the effective interest rate, the Group and Bank estimate 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.

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.

3.25b Fees and commissions

Financing arrangement, management and participation fees, underwriting commissions 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 Sale of trust units

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

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 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 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 Bank have 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 Bank recognise 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 holding company, AMMB Holdings Berhad ("AMMB"), operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors and employees of the Group and Bank based on the financial and performance criteria and such conditions as it may deem fit.

Where the Group and Bank pay for services of its employees using share options or via grant of shares, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options or shares granted at the date of the grant and the number of share options or shares granted to be vested by the vesting date, taking into account, if any, the market vesting conditions upon which the options or shares were granted but excluding the impact of any non-market vesting conditions. At the reporting date, the Group and Bank revise its estimate of the number of share options or shares granted that are expected to be vested 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 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 Group and the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group and 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 and Bank’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 and Bank have the following business segments: retail banking, business banking, investment banking, corporate and institutional banking, insurance, 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 Treasury shares and contracts on own shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable retained earnings, or both. Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

When the Group and Bank entities hold own equity instruments on behalf of their clients, those holdings are not included in the Group and Bank entities' statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in profit or loss in 'Net trading income'.

3.33 Equity reserves

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

3.33a "Capital reserve" is in respect of dilution and accretion in net attributable assets of the Group arising from capitalization of subsidiaries' bonus issues.

3.33b "Share premium" is used to record premium arising from new shares issued in the Bank

3.33c "Statutory reserve" is maintained by the Bank in compliance with the provisions of the Banking and Financial Institutions Act, 1989. The statutory reserve is not distributable as cash dividends.

3.33d "Available-for-sale reserve" comprises changes in fair value of available-for-sale investments.

3.33e **"**Merger reserve" comprises the excess of the consideration paid over the share capital of the subsidiaries acquired.

3.33f "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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

3.34 Fiduciary assets

The Group and Bank provide trust and other fiduciary services that result in the holding or investing of assets on behalf of their clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not assets of the Group and Bank.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

4a Impairment losses on loans, advances and financing

The Group and Bank review 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, etc.), 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).

4b Impairment of goodwill

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

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

4c 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.

4d Consolidation of SPV

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

4e 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.)

4f Classification between investment properties and property, plant and equipment

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

5. CASH AND SHORT-TERM FUNDS

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Cash and bank balances	22,808	6,599	55,102	27,189
Money at call and deposits maturing within one month:				
Licensed banks:				
Related	810,563	798,245	761,835	702,071
Others	75,588	15,752	6,817	6,281
Other financial institutions	23,601	23,601	9,234	8,634
	932,560	844,197	832,988	744,175

Included in the above are interbank lendings of RM909,752,000 (RM777,886,000 on 31 March 2010) and RM837,598,000 (RM716,986,000 on 31 March 2010) for the Group and the Bank respectively and short term deposits and monies held on behalf of remisiers and clients amounting to approximately RM265,907,000 (RM243,913,000 on 31 March 2010) and RM196,327,000 (RM169,110,000 on 31 March 2010) for the Group and the Bank respectively.

6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Securities purchased under resale agreements	-	-	16,992	-

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

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Licensed banks:				
Related	676	-	735	-

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

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The Group	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:						
Less than one year	2,375	10	-	-	-	-
Equity related contracts:						
Less than one year	2,247	-	66	28,173	-	467
More than three years	13,480	303	303	-	-	-
Total	18,102	313	369	28,173	-	467
The Bank						
Trading derivatives						
Equity related contracts:						
Less than one year	2,247	-	66	28,173	-	467

Purpose of engaging in financial derivatives

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

The principal foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. A foreign exchange option is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

An Interest Rate Option ("IRO") is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified underlying interest rate related asset e.g. the KLIBOR index at a nominated strike rate during a certain period of time or on a specific date. Basic IRO includes interest rate cap and interest rate floor.

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

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

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

Purpose of engaging in financial derivatives (Contd.)

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

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

Risk associated with financial derivatives

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

Market risk of derivatives used for trading purposes

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

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

General disclosure for derivatives and counterparty credit risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's and Bank's exposure. The markets covered by this treatment for transactions entered by the Group and Bank include interest rates, foreign exchange, credit default swaps and equities.

For counterparty credit risk, the general approach is to calculate the exposure as the sum of the mark-to-market value of the exposure, plus the sum of the notional principal multiplied by the potential credit risk exposure ("PCRE") factor for the exposure.

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group and Bank have credit exposure against the counterparty; if it is negative, i.e. out of the money, the value used in calculation is zero.
- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

Exposure to the counterparty risk is governed by setting a credit limit to manage such exposure. This limit is governed under the Group Risk Appetite Framework approved by the Board.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

General disclosure for derivatives and counterparty credit risk (Contd.)

Other than credit limit setting, the Group's and Bank's primary tool to mitigate counterparty credit risk by having collateral arrangement with the counterparty. Standard market documentation governs the amount of collateral required and the re-margining frequency between counterparties. Some of the standard market documentation has link between the amount of collateral required and external ratings, as well as minimum transfer amounts. This means that if the Group's and Bank's or a counterparty's external rating were downgraded, the Group and Bank or the counterparty would likely to be required to place additional collateral. The amount required to be placed would depend upon the underlying instruments and the state of the markets, so would be different at each re-margining interval.

Liquidity risk of derivatives

Two types of liquidity risk are associated with derivatives: market liquidity risk and funding risk.

Market liquidity risk arises when a position cannot be sold or closed out quickly or risk be eliminated by entering into an offsetting position. In general, an over-the counter ("OTC") market tends to offer less liquidity than an exchange market due to the customized nature of some OTC contracts. OTC contracts include foreign exchange contracts, cross currency swaps, interest rate swaps and FX options while interest rate futures, equity futures and equity options are examples of exchange traded derivatives. The liquidity risk of a position can be estimated by the notional amount of contracts held and the market value of the contract position. Both the OTC and exchange markets have liquid and illiquid contracts.

Funding risk is the risk of derivative activities placing an adverse funding and cash flow pressure on the Group and Bank arising from the need to post collateral (i.e. like a margin call due to mark-to-market valuations) to compensate for an existing out of the money position (Note: if collateral isn't posted, the counterparty can close out their position and claim such mark-to-market loss from the Group and Bank. This would also result in the Group and Bank no longer being hedged).

Generally, the Group and Bank measure and monitors funding risk through the cash flow gap analysis according to specified time interval. The Group's and Bank's access to deposits and funding markets is dependent on its credit rating. A downgrading in the credit rating could adversely affect its access to liquidity, as well as the competitive position, and could increase the cost of funding.

The primary objective of funding risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due under normal market conditions and on contingency basis.

Derivative Financial Instruments and Hedge Accounting

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

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

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

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

Derivative Financial Instruments and Hedge Accounting (Contd.)

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

(i) Fair Value Hedge

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

(ii) Cash Flow Hedge

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

(iii) Net Investment Hedge

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

9. FINANCIAL ASSETS HELD-FOR-TRADING

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
At Fair Value				
Securities Quoted:				
In Malaysia:				
Shares	3,687	3,687	31,081	31,081
Trust units	1,111	1,111	1,799	1,799
Outside Malaysia:				
Shares	2,587	-	53	-
Total securities held-for-trading	7,385	4,798	32,933	32,880

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
At Fair Value				
Money Market Securities*:				
Negotiable instruments of deposits	15,784	15,784	15,360	15,360
Securities Quoted:				
In Malaysia:				
Trust units	514	-	-	-
Shares	-	-	4,072	4,072
	514	-	4,072	4,072
Unquoted Private Debt Securities Of Companies Incorporated:				
Outside Malaysia:				
Corporate bonds	23,838	23,838	23,792	23,792
Unquoted Securities Of Companies Incorporated at cost less impairment				
In Malaysia:				
Shares	13,993	11,793	2,200	-
Outside Malaysia:				
Shares	1,080	1,080	-	-
Total securities available-for-sale	55,209	52,495	45,424	43,224

*The money market securities mature within one year.

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
At Amortised Cost				
Quoted Securities:				
In Malaysia:				
Shares	-	-	2	-
Unquoted Securities				
Of Companies Incorporated:				
In Malaysia:				
Shares	-	-	12,788	12,788
Corporate bonds	100	100	100	100
Outside Malaysia:				
Shares	-	-	2,162	2,162
	100	100	15,050	15,050
Total securities held-to-maturity	100	100	15,052	15,050
Market/Indicative value				
Quoted Securities:				
In Malaysia:				
Shares	-	-	2	-

12. LOANS, ADVANCES AND FINANCING

	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
Term loans and revolving credits				
Customers	553,518	553,518	363,982	363,982
Related companies	-	-	31,210	31,210
Staff loans	8,862	8,835	9,551	9,518
Gross loans, advances and financing	562,380	562,353	404,743	404,710
Less:				
Allowance for bad and doubtful debts and financing:				
Collective allowance	9,202	9,202	-	-
Individual allowance	4,912	4,912	-	-
General allowance	-	-	5,982	5,982
Specific allowance	-	-	5,817	5,817
	14,114	14,114	11,799	11,799
Net loans, advances and financing	548,266	548,239	392,944	392,911

12. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Maturing within one year	553,277	553,269	395,225	395,217
One year to three years	688	669	414	391
Three to five years	766	766	984	982
Over five years	7,649	7,649	8,120	8,120
	562,380	562,353	404,743	404,710

Loans, advances and financing analysed by sectors are as follows:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Agriculture	2,000	2,000	-	-
Manufacturing	1,702	1,702	600	600
Wholesale, retail, restaurant and hotel	4,129	4,129	-	-
Finance, real estate, insurance and business activities	42,461	42,461	64,502	64,502
Household, of which:				
Purchase of residential properties	6,071	6,071	7,316	7,316
Purchase of transport vehicles	2,791	2,764	2,235	2,202
Others	499,850	499,850	327,073	327,073
Others	3,376	3,376	3,017	3,017
	562,380	562,353	404,743	404,710

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

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Individuals	503,008	502,981	329,723	329,690
Domestic:				
Other non-bank financial institutions	-	-	31,209	31,209
Business enterprises:				
Small medium enterprise	3,869	3,869	1,702	1,702
Other domestic business enterprise	49,799	49,799	36,304	36,304
Foreign entities	5,704	5,704	5,805	5,805
	562,380	562,353	404,743	404,710

12. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
Variable rate:				
Cost-plus	320,267	320,267	181,500	181,500
Other variables rates	-	-	31,209	31,209
	320,267	320,267	212,709	212,709
Fixed rate:				
Other fixed rates loans	242,113	242,086	192,034	192,001
	242,113	242,086	192,034	192,001
	562,380	562,353	404,743	404,710

Loans, advances and financing analysed by geographical distribution are as follows:

	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
Domestic	559,698	559,671	400,190	400,157
Offshore	2,682	2,682	4,553	4,553
	562,380	562,353	404,743	404,710

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

	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
Balance at beginning of year	5,995	5,995	6,733	6,733
Effect of adopting FRS 139	844	844	-	-
Balance at beginning of year (restated)	6,839	6,839	6,733	6,733
Impaired during the year	13	13	70	70
Recoveries	(412)	(412)	(808)	(808)
Amount written off	(520)	(520)	-	-
Balance at end of year	5,920	5,920	5,995	5,995
Ratio of impaired loans, advances and financing to total loans, advances and financing	1.05%	1.05%	1.48%	1.48%

Impaired loans, advances and financing analysed by sectors are as follows:

	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
Household, of which:				
Purchase of residential properties	87	87	70	70
Others	1,138	1,138	1,830	1,830
Others	4,695	4,695	4,095	4,095
	5,920	5,920	5,995	5,995

Impaired loans, advances and financing analysed by geographical distribution are as follows:

	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
Domestic	5,920	5,920	5,995	5,995

12 LOANS, ADVANCES AND FINANCING (CONTD.)

Movements in allowances for impaired loans and financing are as follows:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Collective allowance				
Balance at beginning of year	-	-	-	-
Effect of adopting FRS 139	6,624	6,624	-	-
Balance at beginning of year (restated)	6,624	6,624	-	-
Allowance during the year (Note 31)	2,589	2,589	-	-
Amount written off	(11)	(11)	-	-
Balance at end of year	9,202	9,202	-	-
% of total loans, advances and financing less individual allowances	1.65%	1.65%	-	-
Individual allowance				
Balance at beginning of year	-	-	-	-
Effect of adopting FRS 139	5,817	5,817	-	-
Balance at beginning of year (restated)	5,817	5,817	-	-
Net charge to income statement (Note 31)	(397)	(397)	-	-
Amount written off	(508)	(508)	-	-
Balance at end of year	4,912	4,912	-	-
General allowance				
Balance at beginning of year	5,982	5,982	3,862	3,862
Effect of adopting FRS 139	(5,982)	(5,982)	-	-
Balance at beginning of year (restated)	-	-	3,862	3,862
Allowance during the year (Note 31)	-	-	2,120	2,120
Balance at end of year	-	-	5,982	5,982
% of total loans, advances and financing less specific allowances	-	-	1.50%	1.50%
Specific allowance				
Balance at beginning of year	5,817	5,817	6,625	6,625
Effect of adopting FRS 139	(5,817)	(5,817)	-	-
Balance at beginning of year (restated)	-	-	6,625	6,625
Net charge to income statement (Note 31)	-	-	(808)	(808)
Balance at end of year	-	-	5,817	5,817

13. OTHER ASSETS

	2011 Group RM'000	2011 Bank RM'000	2010 Group RM'000	2010 Bank RM'000
Trade receivables, net of allowance for doubtful debts for the Group of RM12,772,000 (RM19,657,000 in 2010) and the Bank of RM8,810,000 (RM15,183,000 in 2010)	704,802	463,041	599,808	296,342
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM8,464,000 (RM7,267,000 in 2010) and the Bank of RM8,464,000 (RM7,267,000 in 2010)	41,244	33,703	34,000	28,565
Interest/Dividends receivable	1,568	1,550	1,168	1,126
Income tax recoverable	34,846	34,501	101,942	101,608
Amount due from brokers	45,639	133	1,987	-
Amount due from:				
Holding company	773	749	482	482
Subsidiaries	-	314	-	74
Related companies	27,802	27,949	3,626	3,791
Assets acquired in exchange of debts, net of impairment loss of RM100,000 (RM100,000 in 31 March 2010)	165	165	585	585
	856,839	562,105	743,598	432,573

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

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

The movement in allowance for impairment is as follows:

2011	Allowances For Trade Receivables RM'000	Allowances For Other Receivables RM'000	Allowances For Foreclosed Properties RM'000
Group			
Balance at beginning of year	19,657	7,267	100
Effect of adopting FRS139	(3,786)	-	-
(Writeback)/charge for the year	(855)	1,610	-
Amount written-off	(2,282)	(413)	-
Exchange differences	38	-	-
Balance at end of year	12,772	8,464	100
Bank			
Balance at beginning of year	15,183	7,267	100
Effect of adopting FRS139	(3,786)	-	-
(Writeback)/charge for the year	(305)	1,610	-
Amount written-off	(2,282)	(413)	-
Balance at end of year	8,810	8,464	100

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

14. STATUTORY DEPOSITS 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, the amounts of which are determined at set percentages of total eligible liabilities.

15. DEFERRED TAXATION

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

(a) Deferred tax assets

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Balance at beginning of year	(2,021)	(1,707)	(1,485)	-
Effect of adopting FRS 139	(1,145)	(1,145)	-	-
	(3,166)	(2,852)	(1,485)	-
Reclassified from deferred tax liabilities	-	-	6,637	6,637
Recognised in income statement (Note 36)	(15,526)	(15,646)	(10,013)	(11,193)
Recognised in equity	120	120	2,849	2,849
Exchange differences	1	-	(9)	-
Balance at end of year	(18,571)	(18,378)	(2,021)	(1,707)

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Temporary differences between depreciation and tax allowances on property and equipment	2,455	2,455	2,656	2,437
Unutilised tax losses	-	-	(331)	-
Unabsorbed capital allowances	(150)	-	(139)	-
General allowance for loans, advances and financing	(2,301)	(2,301)	(2,442)	(2,442)
Derivative financial instruments	(196)	(196)	335	335
Temporary differences recognised in equity	1,099	1,099	979	979
Provisions	(18,506)	(18,506)	(1,250)	(1,250)
Other temporary differences	(972)	(929)	(1,829)	(1,766)
	(18,571)	(18,378)	(2,021)	(1,707)

(b) Deferred tax liabilities

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Balance at beginning of year	-	-	6,637	6,637
Reclassified to deferred tax asset	-	-	(6,637)	(6,637)
Balance at end of year	-	-	-	-

16. INVESTMENTS IN SUBSIDIARIES

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

	Principal Activities	Issued and Paid-up Ordinary Capital 2011	Issued and Paid-up Ordinary Capital 2010	Effective Equity Interest 2011	Effective Equity Interest 2010
		RM'000	RM'000	%	%
Subsidiaries					
AMMB Consultant Sdn Bhd #	Ceased Operations	500	500	100	100
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100	100
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100	100
AmProperty Trust Management Bhd	Dormant	500	500	100	100
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-**	-**	100	100
AM Nominees (Asing) Sdn Bhd	Nominee services	-**	-**	100	100
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	100	100
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	100	100
AmResearch Sdn Bhd	Research services	500	500	100	100
AmFutures Sdn Bhd	Futures Broker	13,867	13,867	100	100
		US$'000	**US$'000**		
AMMB Labuan (L) Ltd	Dormant	200	200	100	100
		S$'000	**S$'000**		
AmFraser International Pte. Ltd. ("FIPL")*	Investment holding	18,910	18,910	100	100
AmFraser Securities Pte. Ltd. Pte. Ltd.*	Stock and share-broking	32,528	32,528	100	100
Fraser Financial Planners Pte. Ltd.*	Dormant	1,000	1,000	100	100
Fraser Financial Services Pte. Ltd.*	Dormant	200	200	100	100
Fraser-AMMB Research Pte. Ltd.*	Dormant	500	500	100	100
AmFraser Nominees Pte.Ltd.*	Nominee services	1	1	100	100

Subsidiary pending approval to be deregistered from the Register of Companies Commission of Malaysia pursuant to Section 308 of the Companies Act, 1965

* Subsidiaries audited by a firm affiliated with Ernst & Young

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

17. INVESTMENTS IN ASSOCIATES

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Unquoted shares, at cost	100	100	100	100
Share of net post acquisition profit	2,629	-	2,371	-
	2,729	100	2,471	100

As at 31 March 2011, the carrying values of the investments in associates are represented by:

	Group	
	2011 RM'000	2010 RM'000
Group's share of aggregate net tangible assets	2,729	2,471

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

	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2011 RM'000	2010 RM'000	2011 %	2010 %
Incorporated in Malaysia					
Malaysian Ventures (Two) Sdn Bhd*	Ceased operations	19	19	34.67	34.67
AmTrustee Berhad	Trustee services	500	500	20.00	20.00

* Associate under members' voluntary liquidation.

18. PROPERTY AND EQUIPMENT

2011 Group	Long term Leasehold land RM'000	Leasehold Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
At 1 April 2010	3,000	17,133	4,574	11,436	38,153	23,570	97,866
Additions	-	-	618	746	1,351	669	3,384
Disposals	-	-	(998)	-	(1,457)	(9)	(2,464)
Written off	-	-	-	(26)	(185)	(65)	(276)
Reclassification	-	-	-	3	(90)	6	(81)
Exchange adjustments	-	-	28	(1)	192	113	332
At 31 March 2011	3,000	17,133	4,222	12,158	37,964	24,284	98,761
ACCUMULATED DEPRECIATION							
At 1 April 2010	465	2,720	2,806	9,056	32,690	18,365	66,102
Additions	60	343	539	1,093	1,870	1,219	5,124
Disposals	-	-	(998)	-	(1,456)	(5)	(2,459)
Written off	-	-	-	(18)	(182)	(60)	(260)
Reclassification	-	(1)	-	1	-	6	6
Exchange adjustments	-	-	28	(1)	162	97	286
At 31 March 2011	525	3,062	2,375	10,131	33,084	19,622	68,799
NET BOOK VALUE							
At 31 March 2011	2,475	14,071	1,847	2,027	4,880	4,662	29,962

18. PROPERTY AND EQUIPMENT (CONTD.)

2010 Group	Long term Leasehold land RM'000	Leasehold Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
At 1 April 2009							
As previously reported	-	17,133	5,176	23,683	69,439	35,367	150,798
Effect of adopting amendments to FRS 117	3,000	-	-	-	-	-	3,000
As restated	3,000	17,133	5,176	23,683	69,439	35,367	153,798
Additions	-	-	641	139	1,809	491	3,080
Disposals	-	-	(543)	-	(208)	(37)	(788)
Written off	-	-	-	-	(123)	(119)	(242)
Control transfer to a related company	-	-	(674)	(12,385)	(32,589)	(12,024)	(57,672)
Exchange adjustments	-	-	(26)	(1)	(175)	(108)	(310)
At 31 March 2010	3,000	17,133	4,574	11,436	38,153	23,570	97,866
ACCUMULATED DEPRECIATION							
At 1 April 2009							
As previously reported	-	2,378	3,258	18,760	60,488	27,302	112,186
Effect of adopting amendments to FRS 117	405	-	-	-	-	-	405
As restated	405	2,378	3,258	18,760	60,488	27,302	112,591
Additions	60	343	712	1,187	1,876	1,299	5,477
Disposals	-	-	(543)	-	(203)	(25)	(771)
Written off	-	-	-	-	(121)	(109)	(230)
Control transfer to a related company	-	-	(595)	(10,891)	(29,197)	(10,011)	(50,694)
Exchange adjustments	-	(1)	(26)	-	(153)	(91)	(271)
At 31 March 2010	465	2,720	2,806	9,056	32,690	18,365	66,102
NET BOOK VALUE							
At 31 March 2010	2,535	14,413	1,768	2,380	5,463	5,205	31,764

18. PROPERTY AND EQUIPMENT (CONTD.)

2011 Bank	Long term Leasehold land RM'000	Leasehold Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
Balance at beginning of year	3,000	17,133	3,689	11,230	31,981	19,380	86,413
Additions	-	-	618	746	547	424	2,335
Disposals	-	-	(998)	-	(1,457)	(9)	(2,464)
Written off	-	-	-	(26)	-	(59)	(85)
Reclassification/adjustments	-	-	-	2	(93)	6	(85)
Balance at end of year	3,000	17,133	3,309	11,952	30,978	19,742	86,114
ACCUMULATED DEPRECIATION							
Balance at beginning of year	465	2,720	1,997	8,950	28,046	15,095	57,273
Additions	60	343	434	1,055	1,237	856	3,985
Disposals	-	-	(998)	-	(1,456)	(5)	(2,459)
Written off	-	-	-	(18)	-	(55)	(73)
Reclassification/adjustments	-	(1)	-	1	(2)	7	5
Balance at end of year	525	3,062	1,433	9,988	27,825	15,898	58,731
NET BOOK VALUE							
As at 31 March 2011	2,475	14,071	1,876	1,964	3,153	3,844	27,383

18. PROPERTY AND EQUIPMENT (CONTD.)

2010 Bank	Long term Leasehold land RM'000	Leasehold Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
COST							
At 1 April 2009							
As previously reported	-	17,133	4,265	23,476	63,328	31,120	139,322
Effect of adopting amendments to FRS 117	3,000	-	-	-	-	-	3,000
As restated	3,000	17,133	4,265	23,476	63,328	31,120	142,322
Additions	-	-	641	139	1,450	416	2,646
Disposals	-	-	(543)	-	(208)	(28)	(779)
Written off	-	-	-	-	-	(104)	(104)
Control transfer to a related company	-	-	(674)	(12,385)	(32,589)	(12,024)	(57,672)
At 31 March 2010	3,000	17,133	3,689	11,230	31,981	19,380	86,413
ACCUMULATED DEPRECIATION							
At 1 April 2009							
As previously reported	-	2,380	2,621	18,693	56,202	24,263	104,159
Effect of adopting amendments to FRS 117	405	-	-	-	-	-	405
As restated	405	2,380	2,621	18,693	56,202	24,263	104,564
Additions	60	343	514	1,148	1,244	962	4,271
Disposals	-	-	(543)	-	(203)	(18)	(764)
Written off	-	-	-	-	-	(101)	(101)
Control transfer to a related company	-	-	(595)	(10,891)	(29,197)	(10,011)	(50,694)
Reclassification/adjustments	-	(3)	-	-	-	-	(3)
Balance at end of year	465	2,720	1,997	8,950	28,046	15,095	57,273
NET BOOK VALUE							
As at 31 March 2010	2,535	14,413	1,692	2,280	3,935	4,285	29,140

18. PROPERTY AND EQUIPMENT (CONTD.)

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

2011	**Motor vehicles RM'000**	**Leasehold improvements RM'000**	**Computer hardware RM'000**	**Office equipment, furniture and fittings RM'000**	**Total RM'000**
Group					
Cost	1,604	6,382	29,127	14,887	52,000
Bank					
Cost	651	6,376	24,689	12,084	43,800
2010					
Group					
Cost	121	5,502	29,343	11,583	46,549
Bank					
Cost	121	5,497	25,392	11,284	42,294

19. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Goodwill	11,243	-	11,243	-
Computer software	2,544	2,520	2,301	2,281
	13,787	2,520	13,544	2,281

The movements in intangible assets are as follows:

(a) Goodwill

	Group	
	2011 RM'000	2010 RM'000
At beginning of year	11,243	47,685
Arising from transfer of AmInvestment Management Sdn Bhd and AmInvestment Services Sdn Bhd to AIGB	-	(36,442)
At end of year	11,243	11,243

Impairment tests for goodwill

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

	Group RM'000
Investment Banking	11,243

The recoverable amount of the CGU, which is a reportable business segment, is based on its value in use, computed by discounting the expected future cash flows of the unit. The key assumptions for the computation of value in use include the discount rates and growth rates applied. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the CGU. The discount rate applied for the financial year was 8.68% (2010: 9.54%). Cash flow projection is based on the most recent five-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the sixth to tenth years are extrapolated using the growth rate of 3.0% to extrapolate cash flows beyond the projected years. The growth rate does not exceed the long-term average growth rate for the market in which the businesses operate. Impairment is recognised in the income statements when the carrying amount of a CGU exceeds its recoverable amount.

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

19. INTANGIBLE ASSETS (CONTD.)

(b) Computer Software

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
COST				
At beginning of year	11,447	11,146	39,916	39,621
Additions	798	786	1,969	1,963
Control transfer to a related company	-	-	(30,438)	(30,438)
Reclassification	88	90	-	-
Adjustment	(1)	-	-	-
At end of year	12,332	12,022	11,447	11,146
ACCUMULATED AMORTISATION				
At beginning of year	9,146	8,865	33,360	33,084
Additions	642	637	491	486
Control transfer to a related company	-	-	(24,705)	(24,705)
At end of year	9,788	9,502	9,146	8,865
NET CARRYING AMOUNT	2,544	2,520	2,301	2,281

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Licensed banks:				
Related	878,225	878,225	609,129	609,129

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

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

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Interbank lendings (Notes 5 and 7)	910,428	837,598	778,621	716,986
Interbank borrowings	(878,225)	(878,225)	(609,129)	(609,129)
Net interbank lendings/(borrowings)	32,203	(40,627)	169,492	107,857

21. DEPOSITS FROM CUSTOMERS

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Negotiable instruments of deposits	12,982	12,982	13,917	13,917

The maturity structure of deposits from customers is as follows:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Due within six months	12,982	12,982	-	-
One year to three years	-	-	13,917	13,917
	12,982	12,982	13,917	13,917

The deposits are sourced totally from business enterprises.

22. TERM FUNDING

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Foreign financial institutions	2,401	-	15,146	-

Term loan of a foreign subsidiary represents secured loans obtained from a foreign bank at the interest rate of 2.75% per annum in the amount of SGD1,000,000 and is repayable in full within one year.

23. DEBT CAPITAL

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

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Balance at beginning of the year	135,000	135,000
Redemption during the year	(135,000)	-
Balance at end of the year	-	135,000

Pursuant to a Trust Deed dated 27 October 2005, the Bank issued RM200,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("Subordinated Tier 2 Bonds") for the purpose of redemption of RM200,000,000 nominal amount of unsecured subordinated certificates of deposits. The Bank had purchased and cancelled RM65,000,000 of the Subordinated Tier 2 Bonds in the financial year ended 31 March 2008. On 31 October 2010, the remaining balance of RM135,000,000 have been fully redeemed.

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

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

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

24. OTHER LIABILITIES

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Trade payables	873,906	607,646	684,962	397,031
Other payables and accruals	116,503	109,916	97,793	89,117
Provision for commitments and contingencies	7,955	7,955	5,001	5,001
Amounts due to:				
Subsidiaries	-	224	-	396
Related companies	163	-	15,377	15,154
Tax payable	11	-	(340)	-
Zakat payable	38	38	38	38
	998,576	725,779	802,831	506,737

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

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

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

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Interest payable	5,802	5,802	4,404	4,404

24. OTHER LIABILITIES (CONTD.)

The movements in provisions for commitments and contingencies during the financial year are as follows:

	2011	
	Group RM'000	Bank RM'000
Balance at beginning of year	5,001	5,001
Effect of adopting FRS139	5,000	5,000
Writeback for the year	(2,046)	(2,046)
Balance at end of year	7,955	7,955

25. SHARE CAPITAL

	Group and Bank	
	2011 RM'000	2010 RM'000
Authorised:		
Shares of RM1.00 each		
Balance at the beginning and end of the year	2,000,000	2,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at the beginning and end of the year	200,000	200,000

26. RESERVES

Reserves as at 31 March 2011 and 2010 are analysed as follows:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Other reserves	240,528	203,298	237,843	203,148
Retained earnings	135,347	130,227	116,133	113,874
Total reserves	375,875	333,525	353,976	317,022

26. RESERVES (CONTD.)

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

Group	Capital reserve RM'000	Statutory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Total RM'000
At 1 April 2009	2,815	200,000	22,023	(5,557)	24,898	244,179
Other comprehensive income						
Financial investments available-for-sale:						
Net gain on fair value changes	-	-	-	8,757	-	8,757
Foreign currency translation	-	-	-	-	(726)	(726)
	-	-	-	8,757	(726)	8,031
Transaction with owners						
Effects arising from pooling of interest method	-	-	(14,367)	-	-	(14,367)
At 31 March 2010	2,815	200,000	7,656	3,200	24,172	237,843
At 1 April 2010	2,815	200,000	7,656	3,200	24,172	237,843
Effects of the adoption of FRS139	-	-	-	(74)		(74)
As restated	2,815	200,000	7,656	3,126	24,172	237,769
Other comprehensive income						
Financial investments available-for-sale:						
Net gain on fair value changes	-	-	-	224	-	224
Foreign currency translation	-	-	-	-	2,535	2,535
	-	-	-	224	2,535	2,759
At 31 March 2011	2,815	200,000	7,656	3,350	26,707	240,528

26. RESERVES (CONTD.)

Bank	Statutory reserve RM'000	Merger reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Total RM'000
At 1 April 2009	200,000	14,367	(5,609)	6,840	215,598
Other comprehensive income					
Financial investments available-for-sale:					
Net gain on fair value changes	-	-	8,757	-	8,757
Foreign currency translation	-	-	-	(6,840)	(6,840)
	-	-	8,757	(6,840)	1,917
Transaction with owners					
Effects arising from pooling of interest method	-	(14,367)	-	-	(14,367)
At 31 March 2010	200,000	-	3,148	-	203,148
At 1 April 2010	200,000	-	3,148	-	203,148
Effects of the adoption of FRS139	-	-	(74)		(74)
As restated	200,000	-	3,074	-	203,074
Other comprehensive income					
Financial investments available-for-sale:					
Net gain on fair value changes	-	-	224	-	224
	-	-	224	-	224
At 31 March 2011	200,000	-	3,298	-	203,298

26. RESERVES (CONTD.)

Notes :

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

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

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

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

(v) Exchange fluctuation reserve arises on translation of foreign subsidiaries, as described in the accounting policies.

27. INTEREST INCOME

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Short-term funds and deposits with financial institutions	11,468	8,932	18,916	14,423
Financial assets held-for-trading	-	-	3	3
Financial investments available-for-sale	1,511	1,511	2,170	2,170
Loans and advances				
- Interest income other than recoveries from NPLs	28,572	28,571	19,788	19,786
Others	1,511	229	1,287	246
Gross interest income	43,062	39,243	42,164	36,628
Amortisation of premium less accretion of discounts	1,243	1,243	4,875	4,875
Interest suspended	-	-	(20)	(20)
Total after interest suspension	44,305	40,486	47,019	41,483

28. INTEREST EXPENSE

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Deposits from customers	1,080	517	6,617	3,931
Deposits of banks and other financial institutions	19,532	19,532	14,655	14,655
Redeemable unsecured subordinated bonds	3,707	3,707	6,413	6,413
Others	1,142	40	1,271	307
	25,461	23,796	28,956	25,306

29. OTHER OPERATING INCOME

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Fee income:				
Fees on loans and advances	31,187	31,187	19,702	19,702
Corporate advisory	30,062	26,074	21,096	20,482
Guarantee fees	764	764	1,229	1,229
Underwriting commissions	8,970	5,725	8,113	6,896
Portfolio management fees	3,252	3,252	566	566
Brokerage fees and commissions	102,037	71,209	107,805	71,855
Other fee income	36,630	33,649	44,358	38,907
	212,902	171,860	202,869	159,637
Investment and trading income:				
Net gain from sale of financial assets held-for-trading	2,326	2,509	5,564	5,821
Net gain/(loss) from sale of financial investments available-for-sale	3,468	3,468	(5,401)	(5,401)
Net gain on redemption of financial investments held-to-maturity	-	-	20	20
Gross dividend income from:				
Unquoted subsidiaries	-	-	-	63
Financial assets held-for-trading	374	374	521	521
Financial investments available-for-sale	911	911	632	632
Financial investments held-to-maturity	-	-	908	908
Gain on revaluation of derivatives	487	487	1,312	1,312
(Loss)/gain on revaluation of financial assets held-for-trading	(994)	(142)	180	179
Loss on transfer of subsidiaries	-	-	(45,121)	-
Foreign exchange (loss)/gain	(630)	(628)	1,195	1,195
	5,942	6,979	(40,190)	5,250
Other income:				
Non-trading foreign exchange gain	989	472	792	8,825
Gain on disposal of property and equipment - net	328	328	213	212
Rental income	2,209	2,209	2,350	2,350
Portfolio income	27,783	27,783	-	-
Other non-operating income	1,062	1,031	611	521
Service transfer pricing income	54,498	56,627	33,794	34,707
	86,869	88,450	37,760	46,615
	305,713	267,289	200,439	211,502

30. OTHER OPERATING EXPENSES

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Personnel/Staff costs:				
- Salaries, allowances and bonuses	109,129	92,100	111,559	97,653
- Shares/options granted under Group Executive Share Scheme	10,548	9,976	4,103	3,910
- Others	47,359	41,098	34,248	28,767
	167,036	143,174	149,910	130,330
Establishment costs:				
- Depreciation of property and equipment (Note 18)	5,124	3,985	5,477	4,271
- Amortisation of computer software (Note 19(b))	642	637	491	486
- Computerisation costs	15,302	8,627	16,597	8,017
- Rental	13,100	9,987	14,466	10,507
- Others	5,393	3,739	4,335	3,041
	39,561	26,975	41,366	26,322
Marketing and communication expenses:				
- Sales commission	3,251	896	10,971	8,688
- Advertising	4,211	4,031	2,908	2,712
- Travel and entertainment	4,253	3,321	3,908	2,951
- Others	4,964	3,750	5,349	4,017
	16,679	11,998	23,136	18,368
Administration and general expenses				
- Professional fees	2,811	2,309	2,897	2,435
- Others	5,769	3,906	5,773	4,030
	8,580	6,215	8,670	6,465
Service transfer pricing expenses	13,621	19,288	8,905	13,511
	245,477	207,650	231,987	194,996

Included in the above expenditure are the following statutory disclosures:

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Directors' remuneration (Note 35)	11,942	11,888	9,927	9,899
Hire of motor vehicles and office equipment	1,376	1,069	935	825
Auditors' remuneration:				
Group auditor:				
Statutory audit	306	120	302	120
Special audit/Limited review	34	34	24	24
Property and equipment written off	16	12	12	3
Sundry receivables written off	250	250	40	40

Personnel/staff costs include salaries, bonuses, contributions to employees provident fund and all other staff related expenses. Contributions to employees provident fund of the Group and of the Bank amounted to RM18,674,000 (RM18,263,000 in 2010) and RM16,586,000 (RM16,704,000 in 2010), respectively.

31. (WRITEBACK OF ALLOWANCE)/ALLOWANCE FOR IMPAIRED LOANS AND FINANCING

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
(Writeback of allowance)/allowance for impaired loans and financing:				
Individual allowance - net	(397)	(397)	-	-
Collective allowance	2,589	2,589	-	-
Specific allowance - net	-	-	(808)	(808)
General allowance	-	-	2,120	2,120
Impaired loans and financing				
Written off	36	36	-	-
Recovered	(4)	(4)	(19)	(19)
	2,224	2,224	1,293	1,293

32. IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Available-For-Sale				
Debt Securities				
Unquoted	-	-	10,218	10,218
Shares				
Unquoted	1,000	1,000	-	-
	1,000	1,000	10,218	10,218

33. RELATED PARTY TRANSACTIONS

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

The related parties of the Group and the Bank are:

(i) Subsidiaries

Details of the subsidiaries are shown in Note 16.

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

(ii) Associates

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

(iii) Key management personnel

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

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

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

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Bank.

33. RELATED PARTY TRANSACTIONS (CONTD.)

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

Group	Companies in which certain Directors have substantial interest 2011 RM'000	2010 RM'000	Substantial shareholders 2011 RM'000	2010 RM'000
Expenses				
Cleaning and maintenance	12	25	-	-
Rental of premises	8,771	6,652	-	-
Insurance premiums	281	808	-	-
Training expenses	321	222	-	-
Professional fees	-	-	-	38
Travelling expenses	715	472	-	-
Food and beverage	68	54	-	-
Other expenses	68	189	-	-
	10,236	8,422	-	38
Capital expenditure				
Purchase of computer hardware, software and related consultancy services	-	7	-	-

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

Bank	Subsidiaries 2011 RM'000	2010 RM'000
Expenses		
Other expenses	6,000	4,680
Amount due from:		
Others	178	-

33. RELATED PARTY TRANSACTIONS (CONTD.)

(c) There were no loans granted to the Directors of the Bank. Any loans made to other key management personnel of the Group and the Bank is on similar terms and conditions generally available to other employees within the Group. All related party transactions are conducted at arm's length basis and on normal commercial terms which are no more favourable than those generally available to the public. No provisions have been recognised in respect of loans given to key management personnel (2010 - RM NIL).

(d) Key management personnel compensation

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

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Fees	294	240	268	240
Salaries and other remuneration	8,666	8,666	7,857	7,857
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	5,025	5,025	4,117	4,117
Total short-term employee benefits	13,985	13,931	12,242	12,214

34. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	2011	2010
	Group and Bank	
Outstanding credit exposures with connected parties (RM'000)	254	34,068
Percentage of outstanding credit exposures to connected parties as a proportion to total credit exposures	0.03%	4.03%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

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

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

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

(ii) Controlling shareholder and their close relatives;

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

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

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

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

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

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

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

35. DIRECTORS' REMUNERATION

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

2011	Fees RM'000	Salaries RM'000	Other Remuneration RM'000	Bonus RM'000	Benefits-in kind RM'000	Total RM'000
Executive Directors:						
Kok Tuck Cheong	27	960	306	952	108	2,353
Pushparani A Moothathamby*	-	890	264	760	109	2,023
	27	1,850	570	1,712	217	4,376
Non-Executive Directors:						
Tan Sri Azman Hashim	-	-	250	-	16	266
Tan Sri Datuk Dr Aris Osman	60	-	35	-	-	95
Tan Sri Datuk Clifford Francis Herbert	60	-	44	-	-	104
Dato' Izham Mahmud	60	-	26	-	-	86
Tun Mohammed Hanif Omar	60	-	17	-	-	77
Cheah Tek Kuang	27	1,560	788	1,488	132	3,995
Ashok Ramamurthy	-	1,200	638	1,050	55	2,943
	267	2,760	1,798	2,538	203	7,566
Total Directors' Remuneration	294	4,610	2,368	4,250	420	11,942
2010						
Executive Directors:						
Kok Tuck Cheong	14	960	223	435	111	1,743
Pushparani A Moothathamby*	-	840	200	411	45	1,496
	14	1,800	423	846	156	3,239
Non-Executive Directors:						
Tan Sri Azman Hashim	-	-	249	-	42	291
Tan Sri Datuk Dr Aris Osman	60	-	35	-	-	95
Tan Sri Datuk Clifford Francis Herbert	60	-	43	-	-	103
Dato' Izham Mahmud	60	-	21	-	-	81
Tun Mohammed Hanif Omar	60	-	15	-	-	75
Cheah Tek Kuang	14	1,500	558	1,380	162	3,614
Ashok Ramamurthy	-	1,200	558	548	123	2,429
	254	2,700	1,479	1,928	327	6,688
Total Directors' Remuneration	268	4,500	1,902	2,774	483	9,927

*Resigned as an Executive Director with effect from 1st March 2011

36. TAXATION

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Estimated current tax payable	28,641	27,946	29,883	29,358
Under provision of taxation in respect of prior years	13,768	13,837	22	-
Transfer from deferred tax assets (Note 15(a))				
Relating to origination and reversal of temporary differences	(1,150)	(1,270)	(8,393)	(9,573)
Overprovided in previous year	(14,376)	(14,376)	(1,620)	(1,620)
	(15,526)	(15,646)	(10,013)	(11,193)
Total income tax expense from continuing operations	26,883	26,137	19,892	18,165

As at the end of the current financial year, the Group and the Bank have tax exempt income totalling RM8,086,315 (RM9,824,248 as at 31 March 2010) and RM7,662,283 (RM9,379,126 as at 31 March 2010) respectively pertaining to subsidiaries.

Domestic current income tax is calculated at the statutory tax rate of 25.0% (2010: 25.0%) of the estimated assessable profit for the year. The computation of deferred tax assets and deferred tax liabilities is also based on the statutory tax rate of 25%.

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

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:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Profit before taxation from:	99,533	95,926	55,784	100,648
Taxation at Malaysian statutory tax rate of 25.0% (2010: 25.0%)	24,883	23,982	13,946	25,162
Effect of different tax rates in certain subsidiaries	(119)	-	(501)	20
Underprovision of tax expense in prior year	13,768	13,837	22	-
Utilisation of tax losses and capital allowances not previously recognised	-	-	(3,146)	(2,136)
Tax loss and capital allowance not recognised	184	-	-	-
Overprovision of deferred tax in prior year	(14,376)	(14,376)	(1,620)	(1,620)
Income not subject to tax	(501)	(396)	(4,854)	(4,595)
Expenses not deductible for tax purposes	3,044	3,090	16,045	1,334
Tax expense for the year	26,883	26,137	19,892	18,165

37. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Exchange differences on translation of foreign operations	2,535	-	(726)	(6,840)
Available-for-sale financial assets:				
Gains arising during the year	3,812	3,812	6,205	6,205
Less : Reclassification adjustments for gain/(loss) included in the income statement	3,468	3,468	(5,401)	(5,401)
Total other comprehensive income	2,879	344	10,880	4,766
Income tax relating to the components of other comprehensive income	(120)	(120)	(2,849)	(2,849)
Total other comprehensive income, net of tax	2,759	224	8,031	1,917

Income tax relating to the components of other comprehensive income:

Group	Before tax RM'000	Tax expenses RM'000	After tax RM'000
2011			
Exchange differences on translation of foreign operations	2,535	-	2,535
Available-for-sale financial assets	344	(120)	224
	2,879	(120)	2,759
2010			
Exchange differences on translation of foreign operations	(726)	-	(726)
Available-for-sale financial assets	11,606	(2,849)	8,757
	10,880	(2,849)	8,031

37. OTHER COMPREHENSIVE INCOME (CONTD.)

Bank	Before tax RM'000	Tax expenses RM'000	After tax RM'000
2011			
Available-for-sale financial assets	344	(120)	224
	344	(120)	224
2010			
Exchange differences on translation of foreign operations	(6,840)	-	(6,840)
Available-for-sale financial assets	11,606	(2,849)	8,757
	4,766	(2,849)	1,917

38. DIVIDENDS

Dividends paid and proposed by the Bank are as follows:

	Bank RM'000
In respect of financial year ended 31 March 2011	
First and final ordinary dividend proposed - 33.3%, less 25.0% taxation, on 200,000,000 ordinary shares of RM1.00 each	50,000
In respect of financial year ended 31 March 2010	
First and final ordinary dividend paid - 33.3%, less 25.0% taxation, on 200,000,000 ordinary shares of RM1.00 each	50,000

During the financial year, the Bank paid a final ordinary dividend of 33.3% less 25.0% taxation in respect of the previous financial year amounting to RM50,000,000 and the amount have been reported in the directors' report for that financial year and paid on 7 September 2010 to AMMB Holdings Berhad.

A proposed first and final ordinary dividend in respect of the financial year ended 31 March 2011 of 33.3%, less 25.0% taxation based on the issued and paid-up ordinary share capital of 200,000,000 of RM1.00 each amounting to a total dividend of RM50,000,000 have been proposed by the Directors for shareholder's approval at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in shareholder’s equity as an appropriation of retained earnings in the next financial year ending 31 March 2012.

39. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2011		2010	
	Group RM'000	**Bank RM'000**	**Group RM'000**	**Bank RM'000**
Net profit attributable to shareholder of the Bank	72,650	69,789	35,892	82,483
Number of ordinary shares in issue at the beginning and end of the year	200,000	200,000	200,000	200,000
Basic earnings per share (sen)	36.3	34.9	17.9	41.2

(b) Fully diluted earnings per share

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

The Bank did not have any capital that have any dilutive impact.

40. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group and the Bank on behalf of customers as at 31 March 2011 amounted to RM4,152,225,000 (RM3,332,243,000 as at 31 March 2010).

41. CAPITAL COMMITMENTS

As at 31 March 2011, capital commitments pertaining to the Group and the Bank are as follows:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Authorised and contracted but not provided for:				
Uncalled portion of total subscription price in the share capital of AmTrustee Berhad	100	100	100	100
Purchase of office equipment, information technology equipment and solutions	415	266	187	187
	515	366	287	287
Authorised but not contracted for:				
Purchase of office equipment, information technology equipment and solutions	1,316	669	4,851	4,489
	1,831	1,035	9,989	9,265

42. LEASE COMMITMENTS

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

	Group RM'000	Bank RM'000
12 months ending 31 March		
2012	16,901	13,318
2013	8,508	5,138
2014 and thereafter	2,979	2,754
	28,388	21,210

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

43. 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 their 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.

As at the reporting date, the commitments and contingencies outstanding are as follows:

	2011	2010
Group	**Principal Amount**	
	RM'000	**RM'000**
Commitments		
Irrevocable commitments to extend credit maturing:		
- within one year	197,351	166,459
- more than one year	7,451	4,444
Forward purchase commitments	-	206
	204,802	171,109
Contingent Liabilities		
Guarantees given on behalf of customers	209,579	437,648
Underwriting liabilities	-	6,615
	209,579	444,263
Derivative Financial Instruments		
Foreign exchange related contracts:		
- One year or less	2,375	-
Equity related contracts:		
- One year or less	2,247	28,173
- Over five years	13,480	-
	18,102	28,173
	432,483	643,545
Bank		
Commitments		
Irrevocable commitments to extend credit maturing:		
- within one year	197,351	166,459
- more than one year	7,451	4,444
Forward purchase commitments	-	206
	204,802	171,109
Contingent Liabilities		
Guarantees given on behalf of customers	209,579	437,648
Underwriting liabilities	-	6,615
	209,579	444,263
Derivative Financial Instruments		
Equity related contracts:		
- One year or less	2,247	28,173
	2,247	28,173
	416,628	643,545

43. COMMITMENTS AND CONTINGENCIES (CONTD.)

As at 31 March 2011, other commitments and contingencies of the Group and the Bank are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

AmTrustee has filed an Application to Strike Out the Third Party Notice.

43. COMMITMENTS AND CONTINGENCIES (CONTD.)

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

Trial dates have been fixed for both Meridian and MAA Suits from 24 January to 26 January 2011 and is refixed now on 29 June to 1 July 2011.

AmTrustee had filed an Application for Stay of Proceeding of both the MAA and Meridian case pending the disposal of the criminal proceeding (which is still ongoing) involving a key witness of Meridian.

This Application came up for hearing on 1 December 2010 and the Court dismissed the Application. Based on solicitor's advice, AmTrustee filed an appeal to the court of appeal ("AmTrustee's Appeal") against this decision dated 1 December 2010 and also an Application to stay the court Order dated 1 December 2010 ("Stay Application").

The Stay Application came up for hearing on 27 December 2010, and the court allowed AmTrustee's Stay Application and further directed AmTrustee to expedite the AmTrustee's Appeal to the court of appeal. No date has been fixed for the AmTrustee's Appeal to date.

Court had further fixed both Meridian and MAA Suits for Case Management on 25 May 2011.

In the meantime, AmTrustee's application to Strike Out the Third Party Notice by Meridian in the KWAP Suit was fixed for Hearing on 27 September 2010 and refixed for decision on 1 November 2010.

The court allowed AmTrustee's Application with cost on 1 November 2010. Meridian has on the 30 November 2010 filed a Notice of Appeal against this decision at the court of Appeal. No hearing date has been fixed as yet to hear the appeal.

With such a Court Order, AmTrustee will not be involved in the litigation of KWAP Suit pending the disposal of Meridian's appeal at the court of Appeal.

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

Neither material financial loss nor operational impact on the Group and the Bank is expected as a result of the Writs and Statements of Claim.

44. 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.

2011	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Group			
ASSETS			
Cash and short-term funds	932,560	-	932,560
Deposits and placements with banks and other financial institutions	676	-	676
Derivative financial assets	10	303	313
Financial assets held-for-trading	7,385	-	7,385
Financial investments available-for-sale	16,298	38,911	55,209
Financial investments held-to-maturity	-	100	100
Loans, advances and financing	517,670	30,596	548,266
Other assets	780,584	76,255	856,839
Statutory deposit with Bank Negara Malaysia	-	2,031	2,031
Deferred tax assets	-	18,571	18,571
Investments in associates	-	2,729	2,729
Property and equipment	-	29,962	29,962
Intangible assets	-	13,787	13,787
Total Assets	2,255,183	213,245	2,468,428
LIABILITIES			
Deposits and placements of banks and other financial institutions	878,225	-	878,225
Derivative financial liabilities	66	303	369
Deposits from customers	12,982	-	12,982
Term funding	2,401	-	2,401
Other liabilities	879,882	118,694	998,576
Total Liabilities	1,773,556	118,997	1,892,553

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

2010 Group	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	832,988	-	832,988
Securities purchased under resale agreements	16,992	-	16,992
Deposits and placements with banks and other financial institutions	735	-	735
Financial assets held-for-trading	32,933	-	32,933
Financial investments available-for-sale	-	45,424	45,424
Financial investments held-to-maturity	-	15,052	15,052
Loans, advances and financing	355,763	37,181	392,944
Other assets	607,071	136,527	743,598
Deferred tax assets	-	2,021	2,021
Investments in associates	-	2,471	2,471
Property and equipment	-	31,764	31,764
Intangible assets	-	13,544	13,544
Total Assets	1,846,482	283,984	2,130,466
LIABILITIES			
Deposits and placements of banks and other financial institutions	609,129	-	609,129
Derivative financial liabilities	467	-	467
Deposits from customers	-	13,917	13,917
Term funding	15,146	-	15,146
Debt capital	135,000	-	135,000
Other liabilities	704,403	98,428	802,831
Total Liabilities	1,464,145	112,345	1,576,490

2011 Bank	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	844,197	-	844,197
Financial assets held-for-trading	4,798	-	4,798
Financial investments available-for-sale	15,784	36,711	52,495
Financial investments held-to-maturity	-	100	100
Loans, advances and financing	517,670	30,569	548,239
Other assets	493,736	68,369	562,105
Statutory deposit with Bank Negara Malaysia	-	2,031	2,031
Deferred tax assets	-	18,378	18,378
Investments in subsidiaries	-	88,231	88,231
Investments in associates	-	100	100
Property and equipment	-	27,383	27,383
Intangible assets	-	2,520	2,520
Total Assets	1,876,185	274,392	2,150,577
LIABILITIES			
Deposits and placements of banks and other financial institutions	878,225	-	878,225
Derivative financial liabilities	66	-	66
Deposits from customers	12,982	-	12,982
Other liabilities	613,672	112,107	725,779
Total Liabilities	1,504,945	112,107	1,617,052

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

2010 Bank	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	744,175	-	744,175
Financial assets held-for-trading	32,880	-	32,880
Financial investments available-for-sale	-	43,224	43,224
Financial investments held-to-maturity	-	15,050	15,050
Loans, advances and financing	355,763	37,148	392,911
Other assets	301,815	130,758	432,573
Deferred tax assets	-	1,707	1,707
Investments in subsidiaries	-	88,231	88,231
Investments in associates	-	100	100
Property and equipment	-	29,140	29,140
Intangible assets	-	2,281	2,281
Total Assets	1,434,633	347,639	1,782,272
LIABILITIES			
Deposits and placements of banks and other financial institutions	609,129	-	609,129
Derivative financial liabilities	467	-	467
Deposits from customers	-	13,917	13,917
Debt capital	135,000	-	135,000
Other liabilities	416,985	89,752	506,737
Total Liabilities	1,161,581	103,669	1,265,250

45. NET ASSETS PER SHARE (RM)

Net assets per share represents the total assets value less total liabilities, including long term loans, on the statement of financial position expressed as an amount per ordinary share.

Net assets per share is calculated as follows:

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Total assets	2,468,428	2,150,577	2,130,466	1,782,272
Less:				
Total liabilities	1,892,553	1,617,052	1,576,490	1,265,250
Net assets	575,875	533,525	553,976	517,022
Issued and fully paid up ordinary shares of RM1.00 each	200,000	200,000	200,000	200,000
Net assets per share (RM)	2.88	2.67	2.77	2.59

46. BUSINESS SEGMENT ANALYSIS

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

The Group comprises the following main business segments:

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

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

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

Group functions and others
Group functions and others comprise activities which complement and support the operations of the main business units, and non-core operations of the Group.

Measurements of Segment Performance

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

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 revenue from one single customer amounted to greater than 10% of the Group's revenue for the current financial year (RM NIL in 2010).

46. BUSINESS SEGMENT ANALYSIS (CONTD.)

2011 Group	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Treasury & Market RM'000	Group Function and Others RM'000	Total RM'000
Revenue	235,020	49,946	11,862	75,341	372,169
Income	233,990	49,485	11,862	51,628	346,965
Expenses	(138,840)	(29,830)	-	(76,807)	(245,477)
Profit/(loss) before provisions	95,150	19,655	11,862	(25,179)	101,488
Provisions	(3,246)	91	180	1,020	(1,955)
Profit/(loss) before taxation	91,904	19,746	12,042	(24,159)	99,533
Taxation	(22,068)	(4,672)	(2,924)	2,781	(26,883)
Net profit/(loss) for the year	69,836	15,074	9,118	(21,378)	72,650
Other information					
Cost to income ratio	59.3%	60.3%	0.0%	148.8%	70.7%
Gross loans	553,545	-	-	8,835	562,380
Net loans	539,565	-	-	8,701	548,266
Gross non-performing loans	5,920	-	-	-	5,920
Net non-performing loans	5,920	-	-	-	5,920
Deposits	2,532	-	-	888,675	891,207

46. BUSINESS SEGMENT ANALYSIS (CONTD.)

2010 Group	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Treasury & Market RM'000	Group Function and Others RM'000	Total RM'000
Revenue	288,490	60,178	71,574	(82,478)	337,764
Income	287,448	59,651	68,231	(106,341)	308,989
Expenses	(130,664)	(44,675)	2,261	(58,909)	(231,987)
Profit/(loss) before provisions	156,784	14,976	70,492	(165,250)	77,002
Provisions	(6,753)	605	(10,398)	(4,672)	(21,218)
Profit/(loss) before taxation	150,031	15,581	60,094	(169,922)	55,784
Taxation	(22,454)	(2,454)	(7,559)	12,575	(19,892)
Net profit/(loss) for the year	127,577	13,127	52,535	(157,347)	35,892
Other information					
Cost to Income ratio	45.5%	74.9%	-3.3%	-55.4%	75.1%
Gross loans	364,839	31,209	-	8,695	404,743
Net loans	352,827	30,741	-	9,376	392,944
Gross non-performing loans	5,995	-	-	-	5,995
Net non-performing loans	178	-	-	-	178
Deposits	35,467	-	-	587,579	623,046

Included in the above is Islamic Banking business profit before taxation of RM18.8 million for the year ended 31 March 2011 (RM82.3 million for the year ended 31 March 2010).

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

47. RISK MANAGEMENT

47.1 General Risk Management

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.

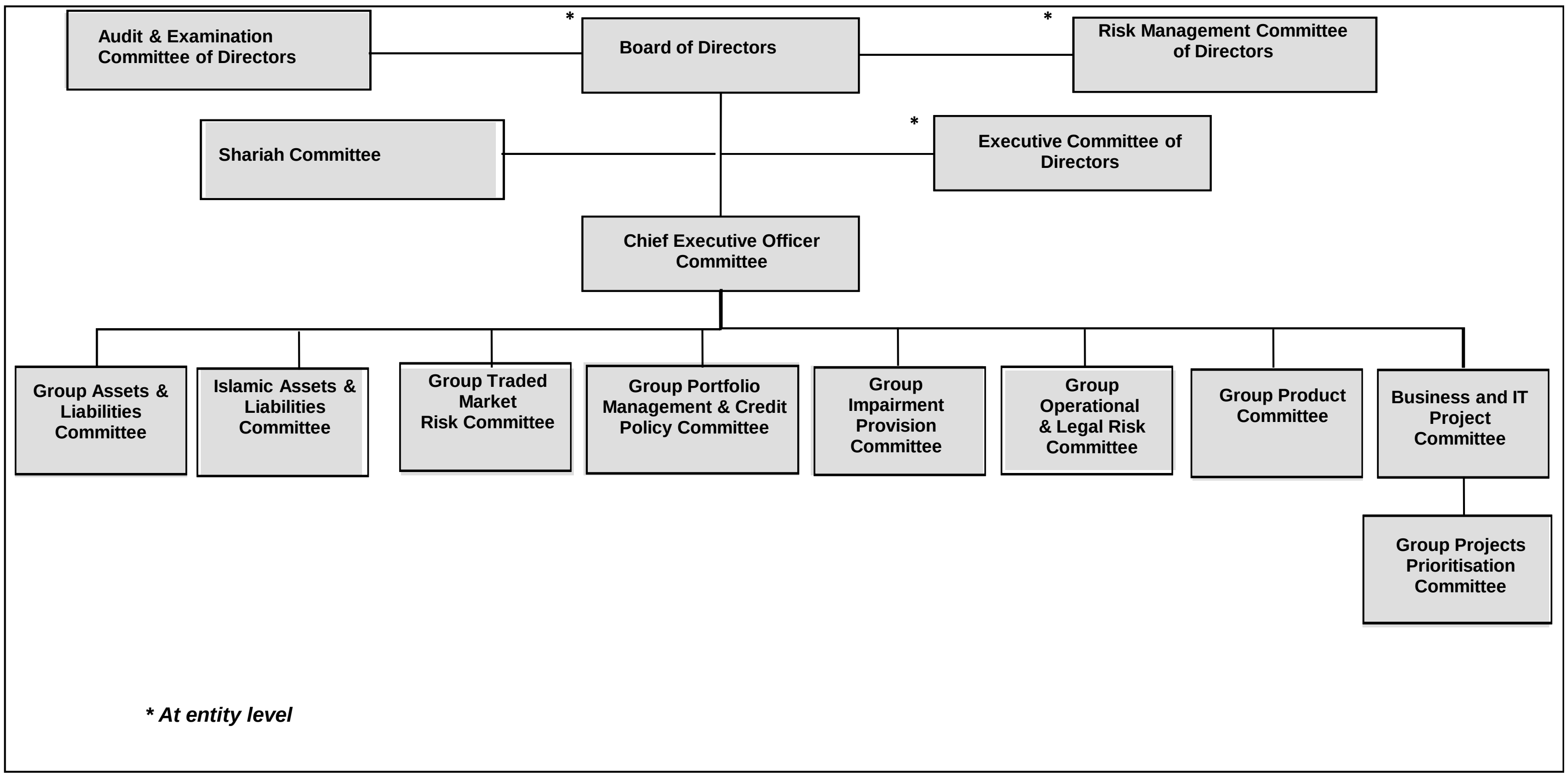
The Risk Appetite Framework is approved annually by the Board of Directors taking into account the banking subsidiaries of AmBank Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management 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's, 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 Group. 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 at the Group level to assist it in managing the risks and businesses of the Group. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities:



47. RISK MANAGEMENT (CONTD.)

47.1 General Risk Management (Contd.)

Risk Management Governance (Contd.)

Committee	Roles & 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 Group. - Provide assistance to Board of Directors in ensuring the Islamic Banking operations of the Group 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 Group.
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 Group 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 are 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 are 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 Group.
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 Group.
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 Committee ("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 Group's major Business and 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.

47. RISK MANAGEMENT (CONTD.)

47.1 General Risk Management (Contd.)

Risk Management Governance (Contd.)

Group Projects Prioritisation Committee	-	Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

47.2 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	• 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 transaction and/or positions.

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 Group's Risk Appetite Framework and related credit policies.

Lending activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. The Group'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 Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration limits to single counterparty credit;
- Asset writing strategies for group of customers;
- Setting Loan to Value limits for asset backed loans (i.e., exchange traded shares and other collateral); and;
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers.

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.

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 (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

47. RISK MANAGEMENT (CONTD.)

47.2 Credit Risk Management (Contd.)

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

47.2.1 Maximum credit risk exposure and concentration

Credit risk exposure and concentration

The Group’s concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. The Group applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognised 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 Group 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.

47. RISK MANAGEMENT (CONTD.)

47.2.1a Industry Analysis of the Group

	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail, 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
Group												
2011												
Cash and short-term funds	-	-	-	-	-	-	-	932,560	-	-	-	932,560
Deposit and placement with banks and other financial institutions	-	-	-	-	-	-	-	676	-	-	-	676
Derivative financial assets	-	-	-	-	-	-	-	313	-	-	-	313
Financial investments available-for-sale												
Money Market Securities	-	-	-	-	-	-	-	15,784	-	-	-	15,784
Unquoted Private Debt Securities	-	-	-	-	-	-	-	23,838	-	-	-	23,838
Financial investments held-to-maturity												
Unquoted Private Debt Securities	-	-	-	-	-	-	-	100	-	-	-	100
Gross loans, advances and financing												
Other loans and financing	2,000	-	1,702	-	-	4,129	-	42,461	-	508,712	3,376	562,380
Other financial assets	44	-	219	42	372	10	872	390,298	20	383,707	309	775,893
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	2,031	-	-	-	2,031
	2,044	-	1,921	42	372	4,139	872	1,408,061	20	892,419	3,685	2,313,575
Contingent liabilities	-	-	-	-	-	-	-	209,579	-	-	-	209,579
Commitments	-	-	-	-	-	-	-	191,427	200	12,925	250	204,802
Total	-	-	-	-	-	-	-	401,006	200	12,925	250	414,381

47. RISK MANAGEMENT (CONTD.)

47.2.1a Industry Analysis of the Bank

	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale, Retail, 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
Bank												
2011												
Cash and short-term funds	-	-	-	-	-	-	-	844,197	-	-	-	844,197
Financial investments available-for-sale												
Money Market Securities	-	-	-	-	-	-	-	15,784	-	-	-	15,784
Unquoted Private Debt Securities	-	-	-	-	-	-	-	23,838	-	-	-	23,838
Financial investments held-to-maturity												
Unquoted Private Debt Securities	-	-	-	-	-	-	-	100	-	-	-	100
Gross loans, advances and financing												
Other loans and financing	2,000	-	1,702	-	-	4,129	-	42,461	-	508,685	3,376	562,353
Other financial assets	44	-	219	5	372	10	832	96,113	20	383,707	309	481,631
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	2,031	-	-	-	2,031
	2,044	-	1,921	5	372	4,139	832	1,024,524	20	892,392	3,685	1,929,934
Contingent liabilities	-	-	-	-	-	-	-	209,579	-	-	-	209,579
Commitments	-	-	-	-	-	-	-	191,427	200	12,925	250	204,802
Total	-	-	-	-	-	-	-	401,006	200	12,925	250	414,381

47. RISK MANAGEMENT (CONTD.)

47.2.1b Geographical Analysis of the Group

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Group			
2011			
Cash and short-term funds	919,601	12,959	932,560
Deposit and placement with banks and other financial institutions	676	-	676
Derivative financial assets	-	313	313
Financial investments available-for-sale			
Money Market Securities:	15,784	-	15,784
Unquoted Private Debt Securities	23,838	-	23,838
Financial investments held-to-maturity			
Unquoted Private Debt Securities	100	-	100
Gross loans, advances and financing			
Other loans and financing	561,827	553	562,380
Other financial assets	527,994	247,899	775,893
Statutory deposits with Bank Negara Malaysia	2,031	-	2,031
Total financial assets	2,051,851	261,724	2,313,575
Contingent liabilities	209,579	-	209,579
Commitments	204,802	-	204,802
Total commitment & contingent liabilities	414,381	-	414,381

47. RISK MANAGEMENT (CONTD.)

47.2.1b Geographical Analysis of the Bank

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Bank			
2011			
Cash and short-term funds	843,909	288	844,197
Financial investments available-for-sale			
Money Market Securities:	15,784	-	15,784
Unquoted Private Debt Securities	23,838	-	23,838
Financial investments held-to-maturity			
Unquoted Private Debt Securities	100	-	100
Gross loans, advances and financing			
Other loans and financing	561,800	553	562,353
Corporate loans and financing			
Other financial assets	480,936	695	481,631
Statutory deposits with Bank Negara Malaysia	2,031	-	2,031
Total financial assets	1,928,398	1,536	1,929,934
Contingent liabilities	209,579	-	209,579
Commitments	204,802	-	204,802
Total commitment & contingent liabilities	414,381	-	414,381

47. RISK MANAGEMENT (CONTD.)

47.2 Credit Risk Management (Contd.)

47.2.2 Main types of collateral

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)

Where the customer risk profile is considered very sound, a transaction may be provided on an “unsecured” basis, i.e., not be supported by collateral.

The Bank has internal policy to determine the criteria for acceptable financial asset as collateral. This is to ensure the collateral can be liquidated in a timely manner if required.

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

Currently, the Bank does not use guarantee support for risk mitigation.

Use of Credit Derivatives for Risk Mitigation

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

Transaction Structuring to Mitigate Credit Risk

Besides tangible security 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.

Concentrations of Credit Risk Mitigation
The Bank carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan to Value metrics.

The main types of collateral undertaken by the Bank are exchange traded shares and unit trusts.

47. RISK MANAGEMENT (CONTD.)

47.2 Credit Risk Management (Contd.)

47.2.2 Main types of collateral (Contd.)

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

Category	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 individually 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.

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

Credit Quality	Moody's	S&P	Fitch IBCA	RAM & 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 individually impaired loans
All loans and advances are categorized 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/rate of return) 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/profit or both 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 Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the 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[1] 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/profit 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] "Default" is defined for loans with repayment schedules on a quarterly basis or longer as 1 day past due + 30 days.

47. RISK MANAGEMENT (CONTD.)

47.2 Credit Risk Management (Contd.)

47.2.2a Group Credit Quality By Class of Financial Assets

The credit quality of financial assets is managed by the Group 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/or Impaired Accounts**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Group										
2011										
Derivative financial assets	-	-	-	313	-	-	313	-	-	-
Financial investments available-for-sale										
Money Market Securities:	15,784	-	-	-	-	-	15,784	-	-	-
Unquoted Private Debt Securities	23,838	-	-	-	-	-	23,838	-	-	-
Financial investments held-to-maturity										
Unquoted Private Debt Securities	100	-	-	-	-	-	100	-	-	-
Gross loans, advances and financing										
Other loans and financing	547,685	8,775	-	-	-	5,920	562,380	5,920	(4,912)	378
Other financial assets	108,871	15,260	15,402	600,304	32,988	3,068	775,893	21,401	(18,333)	
Statutory deposits with Bank Negara Malaysia	2,031	-	-	-	-	-	2,031	-	-	-
	698,309	24,035	15,402	600,617	32,988	8,988	1,380,339	27,321	(23,245)	378
Contingent liabilities	143,242	66,337	-	-	-	-	209,579	-	-	-
Commitments	8,831	20,143	3,942	171,886	-	-	204,802	-	-	-
Total	152,073	86,480	3,942	171,886	-	-	414,381	-	-	-

* The amounts presented are gross of impairment losses.

47. RISK MANAGEMENT (CONTD.)

47.2 Credit Risk Management (Contd.)

47.2.2a Bank 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/or Impaired Accounts**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Bank										
2011										
Financial investments available-for-sale										
Money Market Securities:	15,784	-	-	-	-	-	15,784	-	-	-
Unquoted Private Debt Securities	23,838	-	-	-	-	-	23,838	-	-	-
Financial investments held-to-maturity										
Unquoted Private Debt Securities	100	-	-	-	-	-	100	-	-	-
Gross loans, advances and financing										
Other loans and financing	547,685	8,748	-	-	-	5,920	562,353	5,920	(4,912)	378
Other financial assets	108,871	15,260	15,402	339,602	1,328	1,168	481,631	18,022	(16,854)	
Statutory deposits with Bank Negara Malaysia	2,031	-	-	-	-	-	2,031	-	-	-
	698,309	24,008	15,402	339,602	1,328	7,088	1,085,737	23,942	(21,766)	378
Contingent liabilities	143,242	66,337	-	-	-	-	209,579	-	-	-
Commitments	8,831	20,143	3,942	171,886	-	-	204,802	-	-	-
Total	152,073	86,480	3,942	171,886	-	-	414,381	-	-	-

* The amounts presented are gross of impairment losses.

47. RISK MANAGEMENT (CONTD.)

47.2.2b Group Aging Analysis of Past Due But Not Impaired By Class of Financial Assets

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	Total RM'000
Group				
2011				
Other financial assets	31,926	162	900	32,988
Bank				
2011				
Other financial assets	672	162	494	1,328

47.2.2c Carrying amount by class of financial assets whose terms have been renegotiated

The Group and the Bank has policy and processes in place for restructured and rescheduled credit facilities. Restructured/rescheduled loan/financing 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.

As at 31 March 2011, the Group and the Bank do not have any financial assets whose terms have been renegotiated which are not impaired.

47.2.2d Collateral repossessed

Assets obtained by taking possession of collateral held as security against loans, advances and financing, and held as at the end of the year are as follows:

	Group and Bank 2011 RM'000
Residential properties	265

The above assets are accounted for as foreclosed properties under Other Assets in the Statements of Financial Position. There were no new assets obtained for the financial year ended 2011.

47. RISK MANAGEMENT (CONTD.)

47.2 Credit Risk Management (Contd.)

47.2.2e Methodology for Determination of Individual and Collective Provisions

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

(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 i.e. 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, Bank Negara Malaysia 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 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' history of experience.

The Group has opted for the transitional approach and has modified it to reflect the Group's historical loss experience.

47. RISK MANAGEMENT (CONTD.)

47.3 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.

AmBank Group Asset & Liability Committee ("GALCO") is the responsible governing body that approves the Group's liquidity management & strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies & 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 organisation.

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.

AmBank 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.

47.3.1 Liquidity Metrics

The Group monitors key liquidity metric on a regular basis. Liquidity is managed on an entity basis and in aggregate across the Group. The key metric is Loans to Deposits Ratio ("LDR"):

Loans to Deposits Ratio
This is defined as the ratio of total loans and advances to customers relative to total customer deposits. This ratio reflects the percentage of loans and advances that are funded by domestic core deposit. A ratio below 100 percent indicates that our loan portfolio is completely funded by domestic core deposits. AMMB Group maintains a ratio below 100% at all times.

Given the universal banking model of AmBank Group, the centralisation of treasury functions and deposit gathering within AmBank (M) Berhad ("AmBank"), a related company and the Bank, the LDR and adjusted LDR ratios are not relevant to the activities undertaken by the Bank. The Bank is predominantly funded via AmBank and thus its liquidity risks are captured within AmBank's liquidity risk metrics.

47. RISK MANAGEMENT (CONTD.)

47.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's and 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 Group and Bank expect that many customers will not request repayment on the earliest date the Group and Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Group's and Bank's deposit retention history.

Group	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
2011								
Financial Assets								
Cash and short-term funds	911,014	-	-	-	-	280	22,814	934,108
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,031	2,031
Deposit and placement with banks and other financial institutions	-	676	-	-	-	-	-	676
Derivative financial assets	10	-	-	-	-	303	-	313
Financial assets held-for-trading	-	-	-	-	-	-	7,385	7,385
Loans, advances and financing	26,608	74,677	51,472	389,251	46,782	2,336	-	591,126
Financial investments available-for-sale	-	-	16,769	592	26,207	-	12,873	56,441
Financial investments held-to-maturity	-	-	-	-	-	100	-	100
Other financial assets	754,360	-	-	-	-	-	19,975	774,335
Total Undiscounted Financial Assets	1,691,992	75,353	68,241	389,843	72,989	3,019	65,078	2,366,515
Financial Liabilities								
Deposits and placements of banks and other financial institutions	276,274	319,552	295,089	-	-	-	-	890,915
Derivative financial liabilities	66	-	-	-	-	303	-	369
Deposits from customers	-	-	12,982	-	-	-	-	12,982
Debt issued and other borrowed funds	2,401	-	-	-	-	-	-	2,401
Other financial liabilities	873,906	-	-	-	-	-	-	873,906
Total Undiscounted Financial Liabilities	1,152,647	319,552	308,071	-	-	303	-	1,780,573
Net Undiscounted Financial Assets/(Liabilities)	539,345	(244,199)	(239,830)	389,843	72,989	2,716	65,078	585,942

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. It should be noted that this is not how the Group manages its liquidity risk for off-balance sheet exposures.

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
Financial guarantees	-	-	-	15,337	194,242	-	-	209,579
Other undrawn commitments to lend	7,902	26,547	38,291	124,613	7,449	-	-	204,802
Total commitments and guarantees	7,902	26,547	38,291	139,950	201,691	-	-	414,381

47. RISK MANAGEMENT (CONTD.)

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

Bank 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Financial Assets								
Cash and short-term funds	838,861	-	-	-	-	280	6,606	845,747
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	2,031	2,031
Financial assets held-for-trading	-	-	-	-	-	-	4,798	4,798
Loans, advances and financing	26,608	74,677	51,472	389,251	46,782	2,336	-	591,126
Financial investments available-for-sale	-	-	16,769	592	26,207	-	12,873	56,441
Financial investments held-to-maturity						100	-	100
Other financial assets	462,006	-	-	-	-	-	18,075	480,081
Total Undiscounted Financial Assets	1,327,475	74,677	68,241	389,843	72,989	2,716	44,383	1,980,324
Financial Liabilities								
Deposits and placements of banks and other financial institutions	276,274	319,552	295,089	-	-	-	-	890,915
Derivative financial liabilities	66	-	-	-	-	-	-	66
Deposits from customers	-	-	12,982	-	-	-	-	12,982
Other financial liabilities	607,646	-	-	-	-	-	-	607,646
Total Undiscounted Financial Liabilities	883,986	319,552	308,071	-	-	-	-	1,511,609
Net Undiscounted Financial Assets/(Liabilities)	443,489	(244,875)	(239,830)	389,843	72,989	2,716	44,383	468,715

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. It should be noted that this is not how the Bank manages its liquidity risk for off-balance sheet exposures.

2011

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Total RM'000
Financial guarantees	-	-	-	15,337	194,242	-	-	209,579
Other undrawn commitments to lend	7,902	26,547	38,291	124,613	7,449	-	-	204,802
Total commitments and guarantees	7,902	26,547	38,291	139,950	201,691	-	-	414,381

47. RISK MANAGEMENT (CONTD.)

47.4 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 Group differentiates between two types of market risk: Traded Market Risk ("TMR") and Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB"). Assessment, control and monitoring of these risks is 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")
Controls/ Mitigation	• Recommend: - VaR limits - PaR limits - CaR limits - Annual and Monthly Loss limits - Greeks (Delta/Gamma/Vega/Theta) limits - Dollar Value of One Basis Point ("DV01") - Position Size - Maximum Tenor - Maximum Holding Period - Stealth Concentration
Monitoring/ Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group 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.

VaR, PaR, 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. PaR comprises 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.

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 ("The Board"). 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.

47. RISK MANAGEMENT (CONTD.)

47.4 Market Risk Management (Contd.)

Traded Market Risk (Contd.)

The Group 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

i) Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/ RORBB risk management process is depicted in the table below:

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")
Controls/ Mitigation	• Establish non-traded VaR limit and EaR limit.
Monitoring/ Review	• Monitor limits • Periodical review and reporting

IRR/ RORBB 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/profit margin and implied volatilities on interest/profit 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 Group's statements of financial position.

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

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

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of interest/profit 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 Group complements VaR by stress testing interest/profit 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/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

47. RISK MANAGEMENT (CONTD.)

47.4 Market Risk Management (Contd.)

Non-Traded Market Risk (Contd.)

i) Interest Rate Risk/Rate of Return Risk in the Banking Book (Contd.)

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit 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 Group's strategy seeks to optimise exposure to interest rate risk within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the balance sheet using dynamic product and funding strategies, supported by FRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IRR/RORBB is calculated monthly and reported to GALCO.

The following tables demonstrate 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.

The Group

	2011	
	Interest Rate + 100 bps (RM'000)	**Interest Rate - 100 bps (RM'000)**
Impact on Profit before taxation	5,829	(5,829)
Impact on Equity	(420)	475

The Bank

	2011	
	Interest Rate + 100 bps (RM'000)	**Interest Rate - 100 bps (RM'000)**
Impact on Profit before taxation	5,156	(5,156)
Impact on Equity	(390)	444

Note:
The sensitivity above excluded non interest sensitive items. The Group and the Bank manages interest rate risk in the banking book by including all asset and liabilities, adjusted by internal Fund Transfer Pricing ("FTP") practices.

47. RISK MANAGEMENT (CONTD.)

47.4 Market Risk Management (Contd.)

ii) Currency Risk

Foreign currency exchange risk arises from changes in exchange rates to exposure on the Group's and the Bank's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group and the Bank 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 % ('000)**	**Currency Rate - 10 % ('000)**
The Group		
USD	1,091	(1,091)
SGD	60	(60)
EUR	13	(13)
GBP	47	(47)
Others	324	(324)
The Bank		
USD	47	(47)
SGD	60	(60)
EUR	8	(8)
Others	1	(1)

Impact on Equity

	2011	
Currency	**Currency Rate + 10 % ('000)**	**Currency Rate - 10 % ('000)**
The Group		
SGD	8,696	(8,696)

47. RISK MANAGEMENT (CONTD.)

47.4 Market Risk Management (Contd.)

iii) Equity Price Risk

Equity risk arises from the adverse movements in the price of equities. Equity risk is controlled via position size, loss limits and VaR limits.

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 equity prices with all other variables remain constant.

The Group

	2011	
	Equity Price + 10% (RM'000)	Equity Price - 10% (RM'000)
Impact on Profit before taxation	508	(508)
Impact on Equity	-	-

The Bank

	2011	
	Equity Price + 10% (RM'000)	Equity Price - 10% (RM'000)
Impact on Profit before taxation	249	(249)
Impact on Equity	-	-

47.5 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 in the single most widespread risk facing financial institutions today.

Operational risk 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 Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activitiies and undertaking business continuity planning. These are supported by independent reviews by the Group's Internal Audit team.

47.6 Legal and Regulatory Risk

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

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal council 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 regualations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimise these risks, staff training and assessments, provision of advice and dissemination of information.

48. 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 taxation are excluded, as they do not fall within the scope of FRS 7 Financial Instruments: Disclosures which requires the fair value information to be disclosed.

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

	Group		Bank	
2011	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial Assets				
Cash and short-term funds	932,560	932,560	844,197	844,197
Deposits and placements with banks and other financial institutions	676	676	-	-
Derivative financial assets	313	313	-	-
Financial assets held-for-trading	7,385	7,385	4,798	4,798
Financial investments available-for-sale	55,209	55,209	52,495	52,495
Financial investments held-to-maturity	100	100	100	100
Loans, advances and financing	548,266	548,266	548,239	548,239
Other financial assets	774,335	774,335	480,081	480,081
	2,318,844	2,318,844	1,929,910	1,929,910
Financial Liabilities				
Deposits from customers	12,982	12,982	12,982	12,982
Deposits and placements of banks and other financial institutions	878,225	878,225	878,225	878,225
Derivative financial liabilities	369	369	66	66
Term loans	2,401	2,401	-	-
Other financial liabilities	873,906	873,906	607,646	607,646
	1,767,883	1,767,883	1,498,919	1,498,919

48. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

2010	Group Carrying Amount RM'000	Group Fair Value RM'000	Bank Carrying Amount RM'000	Bank Fair Value RM'000
Financial Assets				
Cash and short-term funds	832,988	832,988	744,175	744,175
Securities purchased under resale agreements	16,992	16,992	-	-
Deposits and placements with banks and other financial institutions	735	735	-	-
Financial assets held-for-trading	32,933	32,933	32,880	32,880
Financial investments available-for-sale	45,424	45,424	43,224	43,224
Financial investments held-to-maturity	15,052	15,052	15,050	15,050
Loans, advances and financing	392,944	392,944	392,911	392,911
Other financial assets	606,749	606,749	301,254	301,254
	1,943,817	1,943,817	1,529,494	1,529,494

2010	Group Carrying Amount RM'000	Group Fair Value RM'000	Bank Carrying Amount RM'000	Bank Fair Value RM'000
Financial Liabilities				
Deposits from customers	13,917	13,917	13,917	13,917
Deposits and placements of banks and other financial institutions	609,129	609,129	609,129	609,129
Derivative financial liabilities	467	467	467	467
Term loans	15,146	15,146	-	-
Redeemable unsecured bonds	135,000	149,280	135,000	149,280
Other financial liabilities	689,366	689,366	401,435	401,435
	1,463,025	1,477,305	1,159,948	1,174,228

49. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of 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, e.g., 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 balance sheet, off-balance sheet, 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.

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.

49. CAPITAL MANAGEMENT (CONTD.)

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 the evolving global 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 parent company, AMMB and its group entities when due.

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

	2011		2010	
	Group	**Bank**	**Group**	**Bank**
Before deducting proposed dividends:				
Core capital ratio	25.4%	24.7%	24.0%	28.3%
Risk-weighted capital ratio	25.4%	24.7%	29.4%	30.1%
After deducting proposed dividend:				
Core capital ratio	23.0%	21.7%	21.7%	25.5%
Risk-weighted capital ratio	23.0%	21.7%	27.1%	27.3%

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

The capital adequacy ratios of AmInvestment Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). AmInvestment Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

49. CAPITAL MANAGEMENT (CONTD.)

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

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Tier 1 capital				
Paid-up ordinary share capital	200,000	200,000	200,000	200,000
Statutory reserve	200,000	200,000	200,000	200,000
Capital reserve	2,815	-	2,815	-
Merger reserve	7,656	-	7,656	-
Exchange fluctuation reserve	26,707	-	24,172	-
Unappropriated profits at end of year	135,347	130,227	116,133	113,874
Total	572,525	530,227	550,776	513,874
Less: Goodwill	(11,243)	-	(11,243)	-
Deferred tax assets, net	(19,670)	(19,477)	(4,870)	(4,556)
Total tier 1 capital	541,612	510,750	534,663	509,318
Deduction in excess of allowable Tier 2 Capital	(15,476)	(103,707)	-	-
Maximum allowable Tier 1 Capital	526,136	407,043	534,663	509,318
Tier 2 capital				
Subordinated bonds	-	-	135,000	135,000
Collective allowance for bad and doubtful debts #	8,362	8,362	9,768	9,768
Total tier 2 capital	8,362	8,362	144,768	144,768
Less: Excess tier 2 capital	-	-	-	-
Maximum allowable tier 2 capital	8,362	8,362	144,768	144,768
Total capital funds	534,498	415,405	679,431	654,086
Less: Investment in capital of related financial institutions	(23,838)	(23,838)	(24,448)	(24,448)
Less: Investment in subsidiaries	-	(88,231)	-	(88,231)
Deduction in excess of allowable Tier 2 capital made against Tier 1 Capital	15,476	103,707	-	-
Capital base	526,136	407,043	654,983	541,407

#Excludes collective allowance on impaired loans restricted from Tier 2 capital of the Group and the Bank of RM841,000 for 2011 (2010 : NIL).

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

	2011		2010	
	Group RM'000	Bank RM'000	Group RM'000	Bank RM'000
Credit risk	1,552,679	1,219,262	1,652,878	1,287,199
Market risk	16,843	9,729	148,712	148,564
Operational risk	505,180	416,225	428,455	364,560
	2,074,702	1,645,216	2,230,045	1,800,323

50. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES

(i) CHANGE IN ACCOUNTING POLICIES

The following are the effects arising from the adoption of new Financial Reporting Standards as stated in Note 2.1.

a. The adoption of FRS 139 had resulted in restatement of the opening balance as follows:

Group	At 1 April 2010 (As previously reported) RM'000	Reclassifications RM'000	Remeasurements RM'000	At 1 April 2010 As restated RM'000
Statement of Financial Position				
ASSETS				
Cash and short-term funds	832,988	-	-	832,988
Securities purchased under resale agreements	16,992	-	-	16,992
Deposits and placements with banks and other financial institutions	735	-	-	735
Financial assets held-for-trading	32,933	-	-	32,933
Financial investments available-for-sale	45,424	14,950	(74)	60,300
Financial investments held-to-maturity	15,052	(14,950)	-	102
Loans, advances and financing	392,944	-	201	393,145
Other assets	743,598	-	3,786	747,384
Deferred tax assets	2,021	-	1,145	3,166
Investments in associates	2,471	-	-	2,471
Property and equipment	31,764	-	-	31,764
Intangible assets	13,544	-	-	13,544
	2,130,466			2,135,524
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits and placements of banks and other financial institutions	609,129	-	-	609,129
Derivative financial liabilities	467	-	-	467
Deposits from customers	13,917	-	-	13,917
Term funding	15,146	-	-	15,146
Debt capital	135,000	-	-	135,000
Other liabilities	802,831	-	8,568	811,399
Total liabilities	1,576,490			1,585,058
Share capital	200,000	-	-	200,000
Reserves	353,976	-	(3,510)	350,466
Shareholder's equity	553,976			550,466

50. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONTD.)

(i) CHANGE IN ACCOUNTING POLICIES (CONTD.)

a. The adoption of FRS 139 had resulted in restatement of the opening balance as follows:

Bank	At 1 April 2010 (As previously reported) RM'000	Reclassifications RM'000	Remeasurements RM'000	At 1 April 2010 As restated RM'000
Statement of Financial Position				
ASSETS				
Cash and short-term funds	744,175	-	-	744,175
Financial assets held-for-trading	32,880	-	-	32,880
Financial investments available-for-sale	43,224	14,950	(74)	58,100
Financial investments held-to-maturity	15,050	(14,950)	-	100
Loans, advances and financing	392,911	-	201	393,112
Other assets	432,573	-	3,786	436,359
Deferred tax assets	1,707	-	1,145	2,852
Investments in subsidiaries	88,231	-	-	88,231
Investments in associates	100	-	-	100
Property and equipment	29,140	-	-	29,140
Intangible assets	2,281	-	-	2,281
	1,782,272			1,787,330
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits and placements of banks and other financial institutions	609,129	-	-	609,129
Derivative financial liabilities	467	-	-	467
Deposits from customers	13,917	-	-	13,917
Debt capital	135,000	-	-	135,000
Other liabilities	506,737	-	8,568	515,305
Total liabilities	1,265,250			1,273,818
Share capital	200,000	-	-	200,000
Reserves	317,022	-	(3,510)	313,512
Shareholder's equity	517,022			513,512

50. CHANGE IN ACCOUNTING POLICIES AND RESTATEMENT OF COMPARATIVES (CONTD.)

(i) CHANGE IN ACCOUNTING POLICIES (CONTD.)

b. The effects of adopting FRS 139 during the financial year 2011:

	Increase/(decrease)	
	Group	Bank
Statement of Financial Position	RM'000	RM'000
Financial investments available-for-sale	(61)	(61)
Deferred tax assets	739	739
Other liabilities	2,955	2,955
Reserves	(2,277)	(2,277)
Income Statement		
Impairment	(2,046)	(2,046)
Taxation	512	512
Earnings Per Share (Sen)		
Basic and fully diluted	0.01	0.01
Statement of Comprehensive Income		
Net income on financial investments available-for-sale	(61)	(61)
Income tax relating to the components of other comprehensive income	15	15
Other comprehensive income for the year, net of tax	(46)	(46)
Total comprehensive income for the year	(1,489)	(1,489)

(ii) 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 substance finance leases to Property and Equipment.

Statement of Financial Position as at 31 March 2010	As previously reported RM'000	Reclassifications RM'000	As restated RM'000
Group			
Prepaid land lease payments	2,535	(2,535)	-
Property and equipment	29,229	2,535	31,764
Bank			
Prepaid land lease payments	2,535	(2,535)	-
Property and equipment	26,605	2,535	29,140

b. Other restatements

The following comparative figures have been restated to conform with current year's presentation

Income statement for the financial year ended 31 March 2010	As previously reported RM'000	Reclassifications RM'000	As restated RM'000
Group			
Interest income	44,791	2,228	47,019
Interest expense	(26,728)	(2,228)	(28,956)
Bank			
Interest income	39,255	2,228	41,483
Interest expense	(23,078)	(2,228)	(25,306)

51. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2011 and the results for the financial year ended 31 March 2011 of the Islamic banking business of the Group and the Bank and included in the financial statements, after elimination of intercompany transactions and balances, are summarised as follows:

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2011

		2011	2010
		Group and Bank	
	Note	RM'000	RM'000
ASSETS			
Cash and short-term funds	(ii)	133,819	123,734
Other receivables, deposits and prepayments		26,014	10,959
Deferred tax assets	(iii)	1,542	-
Property and equipment	(iv)	78	90
Intangible assets	(v)	8	3
TOTAL ASSETS		161,461	134,786
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deferred tax liabilities	(iii)	-	8
Other liabilities	(vi)	48,721	36,119
Total Liabilities		48,721	36,127
ISLAMIC BANKING FUNDS			
Capital funds	(vii)	30,000	30,000
Reserves		82,740	68,659
Islamic Banking Funds		112,740	98,659
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		161,461	134,786
COMMITMENT & CONTINGENCIES	(xiii)	129,415	137,895

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Note	2011	2010
		Group and Bank	
		RM'000	RM'000
Income derived from investment of depositors' funds and others	(viii)	928	501
Total attributable income		928	501
Income attributable to the depositors	(ix)	(12)	(2,228)
Profit attributable to the Group and the Bank		916	(1,727)
Income derived from investment of Islamic banking funds	(x)	21,235	92,033
Total net income		22,151	90,306
Sundry receivables written off		(960)	-
Other operating expenses	(xi)	(2,401)	(8,041)
Profit before taxation		18,790	82,265
Taxation	(xii)	(4,709)	(20,563)
Profit after taxation		14,081	61,702

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

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

		Distributable	
	Capital Funds RM'000	Retained Earnings RM'000	Total RM'000
Group and Bank			
At 1 April 2009	30,000	6,957	36,957
Profit for the year	-	61,702	61,702
At 31 March 2010	30,000	68,659	98,659
At 1 April 2010	30,000	68,659	98,659
Profit for the year	-	14,081	14,081
At 31 March 2011	30,000	82,740	112,740

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
	Group and Bank	
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,790	82,265
Add/(less) adjustments for:		
Depreciation of property and equipment	23	21
Amortisation of computer software	2	2
Sundry receivables written off	960	-
Net gain on sale of financial assets held-for-trading	-	(60,234)
Operating profit before working capital changes	19,775	22,054
(Increase)/decrease in operating assets:		
Other receivables, deposits and prepayments	(16,016)	(7,593)
Financial assets held-for-trading	-	60,234
Increase/(decrease) in operating liabilities:		
Deposits and placements of banks and other financial institutions	-	(250)
Other liabilities	6,344	5,521
Net cash used in operating activities	10,103	79,966
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(11)	(15)
Purchase of computer software	(7)	-
Net cash used in investing activities	(18)	(15)
Net increase in cash and cash equivalents	10,085	79,951
Cash and cash equivalents at beginning of year	123,734	43,783
Cash and cash equivalents at end of year	133,819	123,734

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisor

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

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

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

Zakat obligations

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

(ii) CASH AND SHORT TERM FUNDS

	2011	2010
	Group and Bank	
	RM'000	RM'000
Cash and bank balances	4,481	803
Money on call and deposits maturing within one month:		
Licensed banks	129,338	122,931
	133,819	123,734

(iii) DEFERRED TAX ASSETS/(LIABILITIES)

	2011	2010
	Group and Bank	
	RM'000	RM'000
Balance at beginning of year	(8)	(2)
Net transfer to income statement (Note xii)	1,550	(6)
Balance at end of year	1,542	(8)

The deferred taxation is in respect of the following:

	2011	2010
Temporary difference between depreciation and tax allowance	(11)	(8)
Temporary differences from provisions	1,553	-
	1,542	(8)

51. ISLAMIC BANKING BUSINESS (CONTD.)

(iv) PROPERTY AND EQUIPMENT

Group and Bank	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2011				
COST				
Balance at beginning of year	88	72	78	238
Additions	-	5	6	11
Disposal	-	(9)	-	(9)
At end of year	88	68	84	240
ACCUMULATED DEPRECIATION				
Balance at beginning of year	55	57	36	148
Additions	10	6	7	23
Disposal	-	(9)	-	(9)
At end of year	65	54	43	162
NET BOOK VALUE				
As at 31 March 2011	23	14	41	78
2010				
COST				
Balance at beginning of year	73	75	157	305
Additions	15	-	-	15
Reclassification/Transfer	-	(3)	(79)	(82)
At end of year	88	72	78	238
ACCUMULATED DEPRECIATION				
Balance at beginning of year	47	53	110	210
Additions	8	7	6	21
Reclassification/Transfer	-	(3)	(80)	(83)
At end of year	55	57	36	148
NET BOOK VALUE				
As at 31 March 2010	33	15	42	90

51. ISLAMIC BANKING BUSINESS (CONTD.)

(v) INTANGIBLE ASSETS

Computer Software	2011	2010
	Group and Bank	
	RM'000	RM'000
COST		
At beginning of year	12	12
Additions	7	-
At end of year	19	12
ACCUMULATED AMORTISATION		
At beginning of year	9	7
Additions	2	2
At end of year	11	9
NET CARRYING AMOUNT	8	3

(vi) OTHER LIABILITIES

	2011	2010
	Group and Bank	
	RM'000	RM'000
Other payables and accruals	13,939	8,208
Amount due from head office	-	(613)
Taxation and zakat payable	34,782	28,524
	48,721	36,119

51. ISLAMIC BANKING BUSINESS (CONTD.)

(vii) CAPITAL FUNDS

	2011	2010
	Group and Bank	
	RM'000	RM'000
Allocated:		
Balance at beginning and end of year	30,000	30,000
Utilised:		
Balance at beginning and end of year	30,000	30,000

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

	2011	2010
	Group and Bank	
	RM'000	RM'000
Income derived from investment of other deposits	928	501

Income derived from investment of other deposits is derived from finance income and hibah from money at call and deposits with financial institutions.

(ix) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	2011	2010
	Group and Bank	
	RM'000	RM'000
Other deposit and placement from Head Office	12	2,228

51. ISLAMIC BANKING BUSINESS (CONTD.)

(x) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS

	2011	2010
	Group and Bank	
	RM'000	RM'000
Finance income and hibah:		
Money at call and deposits with financial institutions	4,675	1,367
Net gain from sale of financial assets held-for-trading	-	60,234
Fee and commission income:		
Brokerage fees and commissions	1,875	1,480
Corporate advisory	85	535
Guarantee fees	1,651	1,902
Other fee income	12,949	26,515
	16,560	30,432
Total	21,235	92,033

(xi) OTHER OPERATING EXPENSES

	2011	2010
	Group and Bank	
	RM'000	RM'000
Personnel costs	1,785	7,435
Establishment costs	256	254
Marketing and communication expenses	119	97
Administration and general expenses	195	213
Service transfer pricing expenses	46	42
	2,401	8,041

(xii) TAXATION

	2011	2010
	Group and Bank	
	RM'000	RM'000
Estimated current tax payable	4,675	20,569
Underprovision of tax expense in prior year	1,584	-
Transfer from deferred tax assets	(1,550)	(6)
Total	4,709	20,563

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xiii) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic banking business of 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 Bank's assets.

As at 31 March 2011, the commitments and contingencies outstanding are as follows:

Group and Bank	2011 Principal Amount RM'000	2010 Principal Amount RM'000
Contingent Liabilities		
Al-Kafalah guarantees	129,415	137,895

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xiv) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

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

	Group and Bank	
2011	**Carrying Value RM'000**	**Fair Value RM'000**
Financial Assets		
Cash and short-term funds	133,819	133,819
	133,819	133,819
Non-financial assets	27,642	
TOTAL ASSETS	161,461	
Financial Liabilities		
Other financial liabilities	48,721	47,180
	48,721	47,180
Non-financial liabilities		
Islamic Banking Funds	112,740	
	112,740	
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	161,461	

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

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xv) NET INCOME FROM ISLAMIC BANKING BUSINESS

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

	2011	2010
	Group and Bank	
	RM'000	RM'000
Income derived from investment of depositors' funds	928	501
Less: Income attributable to depositors	(12)	(2,228)
Income attributable to the Group and the Bank	916	(1,727)
Income derived from Islamic banking funds	21,235	92,033
	22,151	90,306

(xvi) CAPITAL ADEQUACY RATIO

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

	2011	2010
	Group and Bank	
Before deducting proposed dividends:		
Core capital ratio	44.5%	38.5%
Risk-weighted capital ratio	44.5%	38.5%
After deducting proposed dividend:		
Core capital ratio	44.5%	38.5%
Risk-weighted capital ratio	44.5%	38.5%

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

The capital adequacy ratios of AmInvestment Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). AmInvestment Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

51. ISLAMIC BANKING BUSINESS (CONTD.)

(xvi) CAPITAL ADEQUACY RATIO (CONTD.)

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

	2011	2010
	Group and Bank	
	RM'000	RM'000
Tier 1 capital		
Islamic Banking funds	30,000	30,000
Retained earnings at end of year	82,740	68,659
Total	112,740	98,659
Less: Deferred tax asset - net	(1,542)	-
Total tier 1 capital	111,198	98,659
Total Tier 1 and Capital base	111,198	98,659

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

	2011	2010
	Group	Group
	RM'000	RM'000
Credit risk	172,320	160,320
Operational risk	77,825	95,971
	250,145	256,291