

**A m I N V E S T M E N T B A N K B E R H A D ( 2 3 7 4 2 - V )**  
**(Incorporated in Malaysia)**

**Directors' Report and Audited Financial Statements**  
**31 March 2012**

**AmINVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARIES**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS**  
**31 MARCH 2012**

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**AmlINVESTMENT 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 **AmlInvestment Bank Berhad** for the financial year ended 31 March 2012.

**PRINCIPAL ACTIVITIES**

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

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

**SIGNIFICANT EVENT AND SUBSEQUENT EVENT**

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

**FINANCIAL RESULTS**

	<b>Group</b> <b>RM'000</b>	<b>Bank</b> <b>RM'000</b>
Profit before taxation	63,839	81,370
Taxation	<u>(18,625)</u>	<u>(21,262)</u>
Net profit attributable to the shareholder of the Bank	<u>45,214</u>	<u>60,108</u>

**OUTLOOK FOR NEXT FINANCIAL YEAR**

In 2012, Malaysia's economic growth is expected to be driven by domestic demand and private investment expansion. Global economic growth is anticipated to moderate alongside continued uncertainty and volatility in the financial markets. Measures announced under the 2012 Budget are likely to encourage private consumption while investments by domestic-oriented industries and on-going implementation of projects under the Economic Transformation Programme ("ETP") are anticipated to spur private investment.

Monetary policy will focus on ensuring economic growth sustainability with emphasis on avoiding build-up of financial imbalances, and fiscal policy is geared towards stimulating domestic economic activity.

**BUSINESS PLAN AND STRATEGY**

The Group supports the Government investment initiatives and will continue to tap on growth opportunities. For financial year 2013, the Group is guided by four strategic themes towards achieving our Medium Term Aspiration, ***to be Malaysia's Preferred Banking Group with International Connectivity***.

Firstly, ***accelerate growth and business mix changes***. Strategic initiatives involve growing relationship, improving business mix, building broader range of products and services and cross-selling. Islamic Banking will also expand its product range and increase cross-selling.

Plans for greater investments and co-operation with our strategic partners are underway. These include increasing penetration of corporate clients, joint marketing efforts, and leveraging Australia and New Zealand Banking Group Ltd (ANZ) for new business and product development.

Secondly, ***strengthen customer centricity*** through rebranding, developing core capabilities, and re-engineering processes to improve customer experience.

## **BUSINESS PLAN AND STRATEGY (CONTD.)**

Corporate and Institutional Banking, and Investment Banking will capitalise on public and private sector growth initiatives within preferred ETP sectors while Markets' will expand its product range.

Thirdly, **increase productivity and efficiency** by optimising business and operating models.

Fourthly, **acquire and integrate** to deliver synergies.

Notwithstanding the challenging external outlook, the Group remains committed to deliver value to our shareholders, customers and business partners.

## **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.

During the financial year, the Bank paid an interim dividend of 24.0% less 25.0% taxation in respect of the current financial year amounting to RM36,000,000 for the ordinary shares.

The Directors now recommend the payment of a final dividend of 15.7%, less 25.0% taxation amounting to RM23,600,000 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 retained earnings in the next financial year.

## **RESERVES, PROVISIONS AND ALLOWANCES**

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

## **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  
Cheah Tek Kuang  
Ashok Ramamurthy  
Dato' Izham Mahmud (Resigned w.e.f 15.10.2011)  
Kok Tuck Cheong (Resigned w.e.f 1.1.2012)

**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 INTEREST**

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

	<b>No. of Ordinary Shares of RM1.00 each ("shares")</b>			
	<b>Balance at 1.4.2011</b>	<b>Bought</b>	<b>Sold</b>	<b>Balance at 31.3.2012</b>
<b>Shares</b>				
Cheah Tek Kuang	78,800	297,200	240,000	136,000
Ashok Ramamurthy	100,000	-	-	100,000

	<b>No. of shares pursuant to AMMB Executives' Share Scheme</b>				
	<b>Balance at 1.4.2011</b>	<b>Granted</b>	<b>Vested</b>	<b>Forfeited<sup>^</sup></b>	<b>Balance at 31.3.2012</b>
<b>Scheme Shares<sup>*</sup></b>					
Cheah Tek Kuang	302,200	244,800	41,000	13,600	492,400
Ashok Ramamurthy	180,100	164,300	-	-	344,400

	<b>No. of shares pursuant to AMMB Executives' Share Scheme</b>				
	<b>Balance at 1.4.2011</b>	<b>Granted</b>	<b>Vested</b>	<b>Forfeited<sup>^</sup></b>	<b>Balance at 31.3.2012</b>
<b>Shares under Options<sup>*</sup></b>					
Cheah Tek Kuang	899,700	-	256,200	85,300	558,200
Ashok Ramamurthy	446,700	-	-	-	446,700

	<b>No. of shares pursuant to AMMB Executives' Share Scheme</b>			
	<b>Balance at 1.4.2011</b>	<b>Vested</b>	<b>Exercised</b>	<b>Balance at 31.3.2012</b>
<b>Shares under Options<sup>*</sup> [In Vested Account]</b>				
Cheah Tek Kuang	-	256,200	256,200	-

Notes:

\* 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.

<sup>^</sup> Forfeited due to non-vesting of Long Term Incentive award pursuant to the By-Laws of AMMB Executives' Share Scheme.

**INDIRECT INTERESTS****In the holding company,  
AMMB Holdings Berhad**

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2012
		Balance at 1.4.2011	Bought	Sold	
Tan Sri Azman Hashim	Amcorp Group Berhad	505,780,554	-	-	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 29 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 six (6) directors with wide skills and experience, two (2) 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") 2012**

<b>Directors</b>	<b>Board of Directors</b>	<b>Audit and Examination Committee</b>	<b>Risk Management Committee</b>	<b>Group Nomination Committee</b>	<b>Group Remuneration Committee</b>
Tan Sri Azman Hashim	10 (Chairman)	N/A	N/A	8	5
Tun Mohammed Hanif Omar	9	2**	6	8	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	9	8 (Chairman)	7	8	5 (Chairman)
Tan Sri Datuk Clifford Francis Herbert	9	8	7 (Chairman)	8** (Chairman)	2**
Dato' Izham Mahmud***	6	4	N/A	N/A	3
Cheah Tek Kuang	10	N/A	N/A	N/A	N/A
Ashok Ramamurthy	10	N/A	N/A	N/A	N/A
Kok Tuck Cheong****	9	N/A	N/A	N/A	N/A
Number of meetings held in FY2012	10	8	7	8	5

Notes:

1. All attendances reflect the number of meetings attended during the directors' tenure of service
2. N/A represents non-committee member
3. \*\* Appointed on 5.12.2011
4. \*\*\* Resigned on 15.10.2011
5. \*\*\*\* Resigned on 1.1.2012

**GROUP NOMINATION COMMITTEE**

Established at AMMB, the Bank's holding company, the Committee comprises five (5) members, two (2) 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 eight (8) times during the financial year 2012.



## **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, two (2) 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 eight (8) times during the financial year 2012 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, two (2) 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 Standard & Poor's ("S&P") whilst reaffirmed at BBB/F3/Stable by Fitch Ratings. This was complemented by the reaffirmed long-term and short-term ratings at AA<sub>3</sub>/P1/Stable by RAM Ratings.

### **SHARIAH COMMITTEE**

The Bank leverages on the Shariah Committee of Amlslamic Bank Berhad ("Amlslamic 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 Amlslamic 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.

## COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Classification and Impairment Provisions for Loans, Advances and Financing.

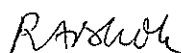
### AUDITORS

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**



**ASHOK RAMAMURTHY**

Kuala Lumpur, Malaysia  
Date: 15 May 2012

**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 **ASHOK RAMAMURTHY**, 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 14 to 137 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 2012 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**



**ASHOK RAMAMURTHY**

Kuala Lumpur, Malaysia  
Date: 15 May 2012


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 14 to 137 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.

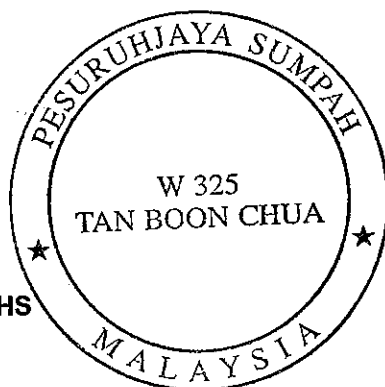
Subscribed and solemnly declared by the  
abovenamed **ARUNASALAM MUTHUSAMY** at  
Kuala Lumpur in the Wilayah Persekutuan on 15  
May 2012.



**ARUNASALAM MUTHUSAMY**

Before me,

**COMMISSIONER FOR OATHS**



20th Floor, Ambank Group  
Building  
No. 55, Jalan Raja Chulan,  
50200 Kuala Lumpur.

23742-V

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

**Report on the financial statements**

We have audited the financial statements of AmlInvestment Bank Berhad which comprise the statements of financial position as at 31 March 2012 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 14 to 137.

*Directors' responsibility for the financial statements*

The directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

23742-V

**Independent auditors' report to the member of  
Aminvestment Bank Berhad (cont'd.)  
(Incorporated in Malaysia)**

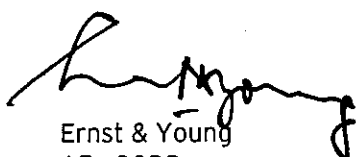
**Report on other legal and regulatory requirements**

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

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

A stylized signature in black ink, likely belonging to a representative of Ernst & Young.

Ernst & Young  
AF : 0039  
Chartered Accountants

A stylized signature in black ink, likely belonging to Yap Seng Chong.

Yap Seng Chong  
No. 2190/12/13(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
15 May 2012

**AmINVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**  
**AND ITS SUBSIDIARIES**

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2012**

		<b>Group</b>		<b>Bank</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>					
Cash and short-term funds	5	865,030	932,560	763,669	844,197
Deposits and placements with banks and other financial institutions	6	2,498	676	1,808	-
Derivative financial assets	7	87	313	86	-
Financial assets held-for-trading	8	30,821	7,385	30,777	4,798
Financial investments available-for-sale	9	48,525	55,209	46,098	52,495
Financial investments held-to-maturity	10	100	100	100	100
Loans, advances and financing	11	604,473	548,266	604,473	548,239
Statutory deposit with Bank Negara Malaysia	12	12,123	2,031	12,123	2,031
Deferred tax assets	13	19,241	18,571	16,082	18,378
Investments in subsidiaries	14	-	-	88,231	88,231
Investments in associates	15	3,097	2,729	100	100
Other assets	16	1,026,641	856,839	716,171	562,105
Property and equipment	17	28,950	29,962	26,629	27,383
Intangible assets	18	13,672	13,787	2,406	2,520
<b>TOTAL ASSETS</b>		<b>2,655,258</b>	<b>2,468,428</b>	<b>2,308,753</b>	<b>2,150,577</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>					
Deposits and placements of banks and other financial institutions	19	878,697	878,225	878,697	878,225
Derivative financial liabilities	7	3	369	-	66
Deposits from customers	20	-	12,982	-	12,982
Term funding	21	41,402	2,401	-	-
Other liabilities	22	1,201,839	998,576	925,472	725,779
<b>Total liabilities</b>		<b>2,121,941</b>	<b>1,892,553</b>	<b>1,804,169</b>	<b>1,617,052</b>
Share capital	23	200,000	200,000	200,000	200,000
Reserves	24	333,317	375,875	304,584	333,525
<b>Shareholder's equity</b>		<b>533,317</b>	<b>575,875</b>	<b>504,584</b>	<b>533,525</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b>2,655,258</b>	<b>2,468,428</b>	<b>2,308,753</b>	<b>2,150,577</b>
<b>COMMITMENT AND CONTINGENCIES</b>	41	<b>715,041</b>	<b>450,944</b>	<b>713,728</b>	<b>435,089</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>2.67</b>	<b>2.88</b>	<b>2.52</b>	<b>2.67</b>

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



**AmINVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**  
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**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Note	Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating revenue		299,855	317,928	270,631	273,299
Interest income	25	52,509	44,305	47,916	40,486
Interest expense	26	(28,451)	(25,461)	(26,688)	(23,796)
Net interest income		24,058	18,844	21,228	16,690
Net income from Islamic banking business	48(xiv)	34,557	22,151	34,557	22,151
Other operating income	27	212,421	251,215	188,158	210,662
Share of results of associates		368	257	-	-
Net income		271,404	292,467	243,943	249,503
Other operating expenses	28	(204,279)	(190,979)	(163,315)	(151,023)
Operating profit		67,125	101,488	80,628	98,480
Writeback of allowance/ (allowance) for impaired loans and financing	30	350	(2,224)	350	(2,224)
Impairment (loss)/writeback on:					
Financial investments	31	-	(1,000)	-	(1,000)
Doubtful sundry receivables, net		(3,951)	(777)	77	(1,376)
Writeback of provision for commitments and contingencies		315	2,046	315	2,046
Profit before taxation		63,839	99,533	81,370	95,926
Taxation	32	(18,625)	(26,883)	(21,262)	(26,137)
Profit for the year		45,214	72,650	60,108	69,789
Attributable to:					
Equity holder of the Bank		45,214	72,650	60,108	69,789
Earnings per share (sen)					
Basic and fully diluted	34	22.6	36.3	30.1	34.9

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

**AmINVESTMENT BANK BERHAD**  
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**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

	Note	Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the year		45,214	72,650	60,108	69,789
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations		1,359	2,535	-	-
Net (loss)/gain on financial investments available-for-sale		(1,350)	344	(1,350)	344
Income tax relating to the components of other comprehensive income		337	(120)	337	(120)
Other comprehensive income/(loss) for the year, net of tax		346	2,759	(1,013)	224
Total comprehensive income for the year		45,560	75,409	59,095	70,013
Attributable to:					
Equity holder of the Bank		45,560	75,409	59,095	70,013

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

**AmINVESTMENT BANK BERHAD**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2012**

Group	Note	<-----Attributable to equity holder of the Bank----->			Total shareholder's equity RM'000
		Non-distributable	Distributable		
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
<b>At 1 April 2010</b>		200,000	237,769	112,697	550,466
Profit for the year		-	-	72,650	72,650
Other comprehensive income		-	2,759	-	2,759
Total comprehensive income for the year		-	2,759	72,650	75,409
Dividends paid		-	-	(50,000)	(50,000)
<b>At 31 March 2011</b>		200,000	240,528	135,347	575,875
<b>At 1 April 2011</b>		200,000	240,528	135,347	575,875
Profit for the year		-	-	45,214	45,214
Other comprehensive income		-	346	-	346
Total comprehensive income for the year		-	346	45,214	45,560
Transfer of ESS recharged - difference on purchase price for shares vested		-	-	(2,118)	(2,118)
Dividends paid	35	-	-	(86,000)	(86,000)
<b>At 31 March 2012</b>		200,000	240,874	92,443	533,317

**Note 24**

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

**AmINVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2012**

		<-----Attributable to equity holder of the Bank----->			Total shareholder's equity RM'000
		Non-distributable		Distributable	
Bank	Note	Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
<b>At 1 April 2010</b>		200,000	203,074	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)
<b>At 31 March 2011</b>		<u>200,000</u>	<u>203,298</u>	<u>130,227</u>	<u>533,525</u>
<b>At 1 April 2011</b>		200,000	203,298	130,227	533,525
Profit for the year		-	-	60,108	60,108
Other comprehensive income		-	(1,013)	-	(1,013)
Total comprehensive income for the year		-	(1,013)	60,108	59,095
Transfer of ESS recharged - difference on purchase price for shares vested		-	-	(2,036)	(2,036)
Dividends paid	35	-	-	(86,000)	(86,000)
<b>At 31 March 2012</b>		<u>200,000</u>	<u>202,285</u>	<u>102,299</u>	<u>504,584</u>

**Note 24**

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

**AmINVESTMENT BANK BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation from:	63,839	99,533	81,370	95,926
Add/(less) adjustments for:				
(Writeback of allowance)/allowance for impaired loans and financing, net of recoveries	(350)	2,224	(350)	2,224
Amortisation of computer software	699	642	689	637
Amortisation of premiums less accretion of discounts	(929)	(1,243)	(929)	(1,243)
Depreciation of property and equipment	5,120	5,124	3,931	3,985
Gain on disposal of property and equipment	(208)	(328)	(9)	(328)
Loss/(gain) on revaluation of derivatives	2,192	(487)	2,192	(487)
Gross dividend income from investments	(1,521)	(1,285)	(4,766)	(1,285)
Impairment loss on securities	-	1,000	-	1,000
(Gain)/loss on revaluation of financial assets held-for-trading	(1,367)	994	(475)	142
Net (gain)/loss from sale of financial investments available-for-sale	(1,206)	(3,468)	(1,206)	(3,468)
Net loss/(gain) from sale of financial assets held-for-trading	327	(2,326)	(1,708)	(2,509)
Property and equipment written off	20	16	-	12
Provision of allowances/(writeback of allowances) for doubtful sundry receivables - net	3,951	777	(77)	1,376
Share of results of associates	(368)	(257)	-	-
Sundry receivables written off - net	2,450	250	2,450	250
Unrealised foreign exchange gain	(592)	(989)	(164)	(472)
Writeback of provision for commitments and contingencies	(315)	(2,046)	(315)	(2,046)
Operating profit before working capital changes carried forward	<u>71,742</u>	<u>98,131</u>	<u>80,633</u>	<u>93,714</u>

**AmINVESTMENT BANK BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Operating profit before working capital changes brought forward	71,742	98,131	80,633	93,714
Decrease/(increase) in operating assets:				
Securities purchased under resale agreement	-	16,992	-	-
Deposits and monies held in trust with financial institutions	(98,145)	(21,994)	(93,924)	(27,217)
Deposits and placements with banks and other financial institutions	(1,822)	59	(1,808)	-
Financial assets held-for-trading	(22,394)	26,880	(23,794)	30,448
Loans, advances and financing	(55,857)	(157,345)	(55,884)	(157,351)
Statutory deposit with Bank Negara Malaysia	(10,092)	(2,031)	(10,092)	(2,031)
Other assets	(169,952)	(160,552)	(150,743)	(193,244)
Increase/(decrease) in operating liabilities:				
Deposits and placements of banks and other financial institutions	472	269,095	472	269,095
Deposits from customers	(12,982)	(935)	(12,982)	(935)
Other liabilities	202,132	191,499	197,566	212,240
Cash (used in)/generated from operations	(96,898)	259,799	(70,556)	224,719
Taxation (paid)/refund, net	(26,118)	9,380	(25,107)	25,369
Net cash (used in)/generated from operating activities	(123,016)	269,179	(95,663)	250,088

**AmINVESTMENT BANK BERHAD**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends received from other investments	1,141	964	1,133	964
Dividends received from subsidiaries	-	-	2,442	-
Proceeds from disposal of property and equipment	217	333	15	333
Proceeds from disposal of securities – net	7,807	9,029	7,520	9,541
Purchase of computer software	(591)	(798)	(582)	(786)
Purchase of property and equipment	(4,234)	(3,384)	(3,317)	(2,335)
Net cash generated from investing activities	<u>4,340</u>	<u>6,144</u>	<u>7,211</u>	<u>7,717</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid by the Bank to its shareholder	(86,000)	(50,000)	(86,000)	(50,000)
Redemption of subordinated bonds	-	(135,000)	-	(135,000)
Proceeds from/(repayment of) term loan	39,001	(12,745)	-	-
Net cash used in financing activities	<u>(46,999)</u>	<u>(197,745)</u>	<u>(86,000)</u>	<u>(185,000)</u>

**AmINVESTMENT BANK BERHAD**  
**(Incorporated in Malaysia)**  
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**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net (decrease)/increase in cash and cash equivalents	(165,675)	77,578	(174,452)	72,805
Cash and cash equivalents at beginning of year	666,653	589,075	647,870	575,065
Cash and cash equivalents at end of year (Note i)	500,978	666,653	473,418	647,870

**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:

	<b>Note</b>	<b>Group</b>		<b>Bank</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short term funds		865,030	932,560	763,669	844,197
Less: Cash and bank balances and deposits and monies held in trust	5	(364,052)	(265,907)	(290,251)	(196,327)
		500,978	666,653	473,418	647,870

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



**AmINVESTMENT BANK BERHAD**  
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**07306**

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2012**

**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 14, provide a wide range of investment banking and related financial services which also include the Islamic banking business, investment advisory, stock and share-broking, futures broking, publishing and selling research materials and provision of research related services.

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

The financial statements of the Group and of the Bank have been approved and authorised for issue by the Board of Directors on 24 April 2012.

**2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

**2.1 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended Financial Reporting Standards ("FRSs"), Interpretation Committee ("IC") Interpretations and Technical Release ("TR") effective on 1 April 2011. The adoption of these new and amended FRSs, IC Interpretations and TRs did not have any significant impact on the financial position or performance of the Group and the Bank other than for the disclosures under the Amendments to FRS 7, as described below.

- FRS 1, First time adoption of Financial Reporting Standards
- Amendments to FRS 1, Limited Exemption from Comparative FRS 7, Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Share-based Payment and Group Cash-settled Share-based Payment Transactions
- FRS 3, Business Combinations
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 7, Improving Disclosures about Financial Instruments
- FRS 127, Consolidated and Separate Financial Statements
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 4, Determining Whether an Arrangement contains a Lease
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 12, Service Concession Arrangements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners
- IC Interpretation 18, Transfers of Assets from Customers
- Amendments to FRSs contained in Improvements to FRSs (2010)
- TR i-4, Shariah Compliant Sale Contracts

Prior to 1 April 2011, information about financial instruments was disclosed in accordance with the requirements of FRS 7, Financial Instruments: Disclosures. Amendments to FRS 7 require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy was introduced. Each class of financial instrument is to be classified in accordance to the hierarchy which reflects the inputs used in making the fair value measurement. It also reinforces the existing principles for disclosures on liquidity and credit risks.

## **2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTD.)**

### **2.1 Changes in accounting policies (Contd.)**

The new requirement on the three-level fair value hierarchy has been applied prospectively in accordance with the transitional provisions of Amendments to FRS 7. The enhanced disclosures are included in Note 45.

### **2.2 Future developments**

#### **2.2a Transition to Malaysian Financial Reporting Standards**

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued the Malaysian Financial Reporting Standards Framework ("MFRS Framework") for application for annual periods beginning on or after 1 January 2012. Financial statements that are drawn up in accordance with the MFRS framework will be equivalent to financial statements prepared by other jurisdictions which adopt International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The Group and the Bank expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 March 2013.

#### **MFRS 1**

The Group and the Bank will apply MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards in preparing its first MFRS financial statements for the financial year ending 31 March 2013 and interim financial reports for part of the period covered by the first MFRS financial statements. The objective of MFRS 1 is to ensure that an entity's first MFRS financial statements provide a starting point for accounting in accordance with MFRS and are comparable over all periods presented.

The transition date for the purpose of the presentation of comparative information for the Group and the Bank is 1 April 2011, which is the beginning of the earliest period for which the Group and the Bank present full comparative information under MFRSs in its first MFRS financial statements.

In general, MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRS.

#### **2.2b Accounting policy on collective assessment allowance for impaired loans, advances and financing**

The Group's and the Bank's collective assessment allowance is currently based on the transitional arrangement prescribed in Bank Negara Malaysia's ("BNM") Guidelines on Classification and Impairment Provisions for Loans/ Financing ("the Guidelines") and modified to reflect its historical loss experience.

In conjunction with the convergence of FRS in Malaysia with IFRS, the Guidelines were revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of MFRS 139, Financial Instruments: Recognition and Measurement. Based on the revised Guidelines, the transitional arrangement is removed with effect from 1 January 2012.

## **2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTD.)**

### **2.2 Future developments (Contd.)**

#### **2.2b Accounting policy on collective assessment allowance for impaired loans, advances and financing (Contd.)**

Under MFRS 139, loans, advances and financing which are not individually significant are collectively assessed using the incurred loss approach. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is also included in the group of loans with similar credit risk characteristics for collective impairment assessment. The future cash flows of each group of loans with similar credit risk characteristics are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

The change in accounting policy on the collective assessment allowance for impaired loans, advances and financing will be accounted for retrospectively and accordingly, will impact the amounts reported in the comparative statements of financial position and income statements. The financial impact on the opening and comparative statements of financial position as well as the income statements of the Group is currently being assessed.

There are no material differences expected between the statement of cash flows of the Group and the Bank presented under MFRSs and the statements of cash flows presented under FRSS, arising from the transition to MFRS.

## **3. ACCOUNTING POLICIES**

### **3.1 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.

### **3.2 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, and Financial Reporting Standards in Malaysia as modified by BNM Guidelines.

### **3.3 Presentation of financial statements**

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

### **3.4 Basis of Consolidation**

#### ***Basis of consolidation from 1 April 2011***

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries ("Group entities") as at 31 March 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses arising from intra-group transactions and dividends are eliminated in full.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.4 Basis of Consolidation (Contd.)**

##### ***Basis of consolidation from 1 April 2011 (Contd.)***

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interest
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

##### ***Basis of consolidation prior to 1 April 2011***

Certain of the above-mentioned requirements were applied on a prospective basis. However, the following differences are carried forward from the previous basis of consolidation:

- Acquisitions of non-controlling interest were accounted for using the parent entity extension method. The difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

#### **3.5 Summary of significant accounting policies**

##### **3.5a Business combinations and goodwill**

##### ***Business combinations and goodwill from 1 April 2011***

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5a Business combinations and goodwill (Contd.)**

##### ***Business combinations and goodwill from 1 April 2011 (Contd.)***

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

##### ***Business combinations and goodwill prior to 1 April 2011***

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

Under the purchase method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Contingent consideration was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquirer was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. 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 Company, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5a Business combinations and goodwill (Contd.)**

##### ***Business combinations and goodwill prior to 1 April 2011 (Contd.)***

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.

#### **3.5b Investment in subsidiaries**

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Bank's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

#### **3.5c Investment in an associate**

Associates are entities over which the Group has significant influence to participate in the financial and operating policy decisions.

The Group's investment in its associate is accounted for using the equity method, from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any such changes. Unrealised gains and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of an associate's profit or loss in the period in which the investment is acquired.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. 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 "share of profit of an associate" in the income statement.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5c Investment in an associate (Contd.)**

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

#### **3.5d Foreign currency translation**

##### **i. Functional and presentation currency**

The Group's and the Bank's consolidated financial statements are presented in Ringgit Malaysia, which is also the Bank's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### **ii. Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date.

All differences arising on settlement or translation of monetary items are taken to profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

##### **iii. Group entities**

On consolidation, the assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss, respectively.

### 3. ACCOUNTING POLICIES (CONTD.)

#### 3.5e Property, plant and equipment

Property, plant and equipment (including equipment under operating leases where the Group and the Bank is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The residual value, useful life and depreciation method are reviewed at each financial year end. Changes in the expected residual value and useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

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%

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the income statement in the year the asset is derecognised.

#### 3.5f Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

##### i. The Group and the Bank as lessee

Finance leases that transfer to the Group and the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between 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 recognised in interest expense in the income statement.

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

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.



### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5f Leases (Contd.)**

##### **ii. The Group and the Bank as lessor**

Leases in which the Group and the Bank do not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

#### **3.5g Intangible assets, other than goodwill arising from business combination**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. 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.

Intangible assets not yet available for use are tested for impairment annually and are not amortised.

The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

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.

Research costs are expensed as incurred. Development expenditures on an individual software project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the computer software development expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation begins when development is complete and the computer software is available for use. It is amortised over the estimated useful life of 3 to 7 years. During the period of development, the asset is tested for impairment annually.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5h Financial instruments – initial recognition and subsequent measurement**

##### **i. Date of recognition**

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

##### **ii. Initial measurement of financial instruments**

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, financial assets available-for-sale, financial assets held-to-maturity or loans and receivables, as appropriate. Financial liabilities of the Group and the Bank are classified as financial liabilities at fair value through profit or loss or at amortised cost, as appropriate. The Group and the Bank determine the classification of its financial assets and financial liabilities at initial recognition.

The classification of financial instruments at initial recognition depends on the purpose and the management’s intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, which is measured at fair value.

##### **iii. Subsequent measurement**

The subsequent measurement of financial instruments depends on their classification as described below:

###### **a. Financial assets or financial liabilities held for trading**

Financial assets or financial liabilities held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in “Investment and trading income”. Interest and dividend income or expense are recorded in “Investment and trading income”, “Interest income” or “Interest expense”, as appropriate and in accordance with the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions.

###### **b. Financial assets and financial liabilities designated at fair value through profit or loss**

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5h Financial instruments – initial recognition and subsequent measurement (Contd.)**

##### **iii. Subsequent measurement (Contd.)**

##### **b. Financial assets and financial liabilities designated at fair value through profit or loss (Contd.)**

Financial assets and financial liabilities designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in “Investment and trading income”. Interest and dividend income or expense are recorded in “Investment and trading income”, “Interest income” or “Interest expense”, as appropriate and in accordance with the terms of the contract, or when the right to the payment has been established.

##### **c. Financial assets available-for-sale**

Financial assets available-for-sale includes equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group and the Bank have not designated any loans, advances and financing as available-for-sale.

After initial measurement, financial assets available-for-sale are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the “Available-for-sale reserve”. When the investment is disposed off, the cumulative gain or loss previously recognised in equity is recognised in the income statement in “Other operating income”. Where the Group and Bank hold more than one investment in the same security, the cost of the investment disposed is computed on a weighted average cost basis. Interest earned whilst holding financial assets available-for-sale is reported as interest income using the effective interest rate (“EIR”). Dividends earned whilst holding available-for-sale financial assets are recognised in the income statement as “Other operating income” when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in “Impairment losses on financial investments” and removed from the “Available-for-sale reserve”.

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

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5h Financial instruments – initial recognition and subsequent measurement (Contd.)**

##### **iii. Subsequent measurement (Contd.)**

##### **d. Financial assets held-to-maturity**

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group and the Bank have the intention and ability to hold to maturity. After initial measurement, financial assets held-to-maturity are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in “Interest income” in the income statement. The losses arising from impairment of such investments are recognised in the income statement line “Impairment losses on financial investments”.

If the Group and the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity financial assets before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

##### **e. Loans and receivables**

“Loans and receivables”, include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group and the Bank intend to sell immediately or in the near term and those that the Group and the Bank upon initial recognition designate as at fair value through profit or loss.
- Those that the Group and the Bank, upon initial recognition, designate as available-for-sale.
- Those for which the Group and the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, the amounts are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in “Interest income” in the income statement.

##### **f. Financial liabilities at amortised cost**

Financial liabilities issued by the Group, that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, term funding, debt capital and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5h Financial instruments – initial recognition and subsequent measurement (Contd.)**

##### **iii. Subsequent measurement (Contd.)**

###### **f. Financial liabilities at amortised cost (Contd.)**

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

###### **g. “Day 1” profit or loss**

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a “Day 1” profit or loss) in “Investment and trading income”. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

##### **iv. Reclassification of financial assets**

The Group and the Bank may reclassify a non-derivative trading asset out of the “Held for trading” category and “Available-for-sale” category under rare circumstances and into the “Loans, advances and financing” category if it meets the definition of loans and receivables and the Group and Bank have the intention and ability to hold the financial asset for the foreseeable future or until maturity. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. If a financial asset is reclassified, and if the Group and the Bank subsequently increase its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the “Available-for-sale” category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

Reclassification, where permitted is at the election of management, and is determined on an instrument by instrument basis. The Group and the Bank do not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5h Financial instruments – initial recognition and subsequent measurement (Contd.)**

##### **v. Derecognition of financial assets and financial liabilities**

###### **a. Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group and the Bank have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:
  - the Group and the Bank have transferred substantially all the risks and rewards of the asset, or
  - the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group and the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Bank's continuing involvement in the asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

###### **b. Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. 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. The difference between the carrying value of the original financial liability and the new financial liability is recognised in profit or loss.

#### **3.5i Securities lending and borrowing**

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in “Net trading income”.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5j Determination of fair value**

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 45.

#### **3.5k Impairment of financial assets**

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets 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 asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### **i) Financial assets carried at amortised cost**

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as financial investments held-to-maturity), the Group and the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed financial asset, 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 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income". Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to the "Impairment losses on loans, advances and financing" to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

### 3. ACCOUNTING POLICIES (CONTD.)

#### 3.5k Impairment of financial assets

##### i) Financial assets carried at amortised cost (Contd.)

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group and the Bank has reclassified trading assets to loans, advances and financing, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. 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 purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's and the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of 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 on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude).

In accordance with the Rules of Bursa Malaysia Securities Berhad ("Business Rules"), clients' accounts relating to the stockbroking business are classified as impaired under the following circumstances:

Types of Accounts	Criteria for classification as impaired
Contra losses	When the account remains outstanding for 16 calendar days or more from the date of contra transactions.
Overdue purchase contracts	When the account remains outstanding from T*+5 market days onwards.
Margin accounts	When the equity has fallen below 130% of the outstanding balance.

\* T refers to the contract date

##### ii) Financial investments available-for-sale

For financial investments available-for-sale, the Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.



### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5k Impairment of financial assets (Contd.)**

##### **ii) Financial investments available-for-sale (Contd.)**

In the case of equity investments classified as available-for-sale, objective evidence would also include a “significant” or “prolonged” decline in the fair value of the investment below its cost. The Group treats “significant” generally as 20% and “prolonged” generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

#### **3.5l Hedge accounting**

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

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

##### **i) Fair value hedges**

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in “Investment and trading income” in the income statement. The change in the fair value of the hedged item is also recognised in “Investment and trading income” in the income statement.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

##### **ii) Cash flow hedges**

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the “Cash flow hedge reserve”. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in “Investment and trading income” in the income statement.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5l Hedge accounting**

##### **ii) Cash flow hedges (Contd.)**

When a hedging instrument expires, or is sold, terminated, exercised, 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 hedged forecast transaction is ultimately recognised in the income statement. 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 the income statement.

##### **iii) Hedge of a net investment**

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to the income statement.

##### **iv) Offsetting financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

#### **3.5m Impairment of non-financial assets**

The Group and the Bank assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU 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 companies 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 estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5m Impairment of non-financial assets (Contd.)**

The following assets have specific characteristics for impairment testing:

##### **i) Goodwill**

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

##### **ii) Intangible assets**

Intangible assets with finite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### **3.5n 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 3.5m on impairment of non-financial assets.

#### **3.5o Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash and bank balances with banks and other financial institutions, and short-term deposits maturing within one month.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

#### **3.5p Provisions**

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

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

#### **3.5q Contingent liabilities and contingent assets**

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

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5q Contingent liabilities and contingent assets (Contd.)**

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. The Group does not recognise contingent assets in the statements of financial position but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### **3.5r Financial guarantees**

In the ordinary course of business, the Group and the 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 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.

#### **3.5s Recognition of income and expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### **i) Interest/ financing income and similar income and expense**

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group and the Bank revise its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in profit or loss. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

##### **ii) Fee and commission income**

The Group and the Bank earn fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5s Recognition of income and expenses (Contd.)**

##### **ii) Fee and commission income (Contd.)**

###### **a. Fee income earned from services that are provided over a certain period of time**

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans 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 EIR on the loan. 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.

###### **b. Fee income from providing transaction services**

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria such as brokerage fees.

##### **iii) Dividend income**

Dividend income is recognised when the Group's and the Bank's right to receive the payment is established.

##### **iv) Net trading income**

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial assets and financial liabilities "held-for-trading". This includes any ineffectiveness recorded in hedging transactions.

##### **v) Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

#### **3.5t Employee benefits**

##### **i) Short-term benefits**

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

##### **ii) Defined contribution pension plan**

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

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5t Employee benefits (Contd.)**

##### **iii) Termination benefits**

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

##### **iv) 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 certain financial and performance criteria and such conditions as it may deem fit.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/ or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in "Personnel costs" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in "Personnel costs" is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

#### **3.5u Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the 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 its intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5v 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.

Dividends for the year that are approved after the reporting date are disclosed as a subsequent event and is deducted from equity in the following year.

#### **3.5w Income taxes**

##### **i) Current tax**

Current income tax assets and liabilities for the current period 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 in the countries where the Group and the Bank operate and generate taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity.

##### **ii) Deferred tax**

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or 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, when 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.

-

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that 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:

- When 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.

### **3. ACCOUNTING POLICIES (CONTD.)**

#### **3.5w Income taxes (Contd.)**

##### **ii) Deferred tax (Contd.)**

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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

#### **3.5x Segment reporting**

The Group's segmental reporting is based on the following operating segments: investment banking, corporate and institutional banking, treasury and markets with minor segments aggregated under group functions and others.

#### **3.5y Share capital and share issuance expenses**

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of 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.

#### **3.5z Treasury shares and contracts on own shares**

Own equity instruments of the Bank which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's and Bank's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

When the Group and the Bank hold own equity instruments on behalf of their clients, those holdings are not included in the Bank's 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 "Investment and trading income" in the income statement.

#### **3.5aa 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 recorded in the financial statements, as they are not assets of the Group and of the Bank.



#### **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:

##### **4.1 Impairment losses on loans, advances and financing**

The Group and the 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 allowance 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).

##### **4.2 Impairment losses on financial investments available-for-sale**

The Group and the Bank review its debt securities classified as financial investments available-for-sale at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans and advances.

The Group and the Bank also record impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group and the Bank evaluate, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

##### **4.3 Deferred tax assets**

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. 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.

##### **4.4 Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of financial models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 45.

**5. CASH AND SHORT-TERM FUNDS**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	53,411	22,808	26,692	6,599
Money at call and deposits maturing within one month:				
Licensed banks	779,082	886,151	704,581	813,997
Other financial institutions	32,537	23,601	32,396	23,601
	<u>865,030</u>	<u>932,560</u>	<u>763,669</u>	<u>844,197</u>

Included in the above are interbank lendings of RM811,619,000 (RM909,752,000 on 31 March 2011) and RM736,977,000 (RM837,598,000 on 31 March 2011) for the Group and the Bank respectively and short term deposits and monies held on behalf of remisers and clients amounting to approximately RM364,052,000 (RM265,907,000 on 31 March 2011) and RM290,251,000 (RM196,327,000 on 31 March 2011) for the Group and the Bank respectively.

**6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<u>2,498</u>	<u>676</u>	<u>1,808</u>	<u>-</u>

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

**7. DERIVATIVE FINANCIAL ASSETS/LIABILITIES**

The Group	Contract/ Notional Amount RM'000	2012		Contract/ Notional Amount RM'000	2011	
		Fair value			Fair value	
		Assets	Liabilities		Assets	Liabilities
		RM'000	RM'000		RM'000	RM'000
<b>Trading derivatives</b>						
Foreign exchange related contracts:						
One year or less	1,293	1	1	2,375	10	-
Equity related contracts:						
One year or less	30,429	86	-	2,247	-	66
Over three years	20	-	2	13,480	303	303
Total	31,742	87	3	18,102	313	369
<b>The Bank</b>						
<b>Trading derivatives</b>						
Equity related contracts:						
One year or less	30,429	86	-	2,247	-	66

**8. FINANCIAL ASSETS HELD-FOR-TRADING**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>				
<b>Quoted Securities:</b>				
In Malaysia:				
Shares	29,222	3,687	29,222	3,687
Unit trusts	1,555	1,111	1,555	1,111
Outside Malaysia:				
Shares	44	2,587	-	-
Total financial assets held-for-trading	30,821	7,385	30,777	4,798

**9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>				
<b>Money Market Instruments*:</b>				
Negotiable instruments of deposits	-	15,784	-	15,784
<b>Quoted Securities:</b>				
<b>In Malaysia:</b>				
Unit trusts	11,335	514	11,110	-
Shares	2	-	-	-
	11,337	514	11,110	-
<b>Unquoted Securities:</b>				
Private debt securities	23,078	23,838	23,078	23,838
<b>At cost</b>				
<b>Unquoted Securities:</b>				
<b>In Malaysia:</b>				
Shares	13,988	13,993	11,788	11,793
<b>Outside Malaysia:</b>				
Shares	122	1,080	122	1,080
Total financial investments available-for-sale	48,525	55,209	46,098	52,495

\*The money market securities mature within one year.

**10. FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At Amortised Cost</b>				
<b>Unquoted Securities:</b>				
In Malaysia:				
Private debt securities	100	100	100	100
Total securities held-to-maturity	100	100	100	100

**11. LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>				
Share margin financing	223,102	233,251	223,102	233,251
Revolving credits	387,448	320,267	387,448	320,267
Staff loans	7,527	8,862	7,527	8,835
Gross loans, advances and financing	618,077	562,380	618,077	562,353
Less:				
Allowance for bad and doubtful debts and financing:				
Collective allowance	10,043	9,202	10,043	9,202
Individual allowance	3,561	4,912	3,561	4,912
	13,604	14,114	13,604	14,114
Net loans, advances and financing	604,473	548,266	604,473	548,239

(a) Gross loans, advances and financing analysed by type of customers are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Individuals	542,723	503,008	542,723	502,981
Domestic:				
Business enterprises:				
Small medium enterprise	13,459	3,869	13,459	3,869
Other domestic business enterprise	55,930	49,799	55,930	49,799
Foreign entities	5,965	5,704	5,965	5,704
	618,077	562,380	618,077	562,353

(b) Gross loans, advances and financing analysed by geographical distribution are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
In Malaysia	612,645	559,698	612,645	559,671
Outside Malaysia	5,432	2,682	5,432	2,682
	618,077	562,380	618,077	562,353

(c) Gross loans, advances and financing analysed by interest rate sensitivity are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Variable rate:				
Cost-plus	387,448	320,267	387,448	320,267
Fixed rate:				
Other fixed rates loans	230,629	242,113	230,629	242,086
	618,077	562,380	618,077	562,353

**11. LOANS, ADVANCES AND FINANCING (CONTD.)**

(d) Gross loans, advances and financing analysed by sectors are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Agriculture	4,856	2,000	4,856	2,000
Manufacturing	350	1,702	350	1,702
Wholesale, retail, restaurant and hotel	3,096	4,129	3,096	4,129
Real estate	5,947	1,659	5,947	1,659
Business activities	44,977	40,802	44,977	40,802
Education and health	1,861	-	1,861	-
Household, of which:				
Purchase of residential properties	4,766	6,071	4,766	6,071
Purchase of transport vehicles	2,761	2,791	2,761	2,764
Others	541,161	499,850	541,161	499,850
Others	8,302	3,376	8,302	3,376
	<b>618,077</b>	<b>562,380</b>	<b>618,077</b>	<b>562,353</b>

(e) Gross loans, advances and financing analysed by residual contractual maturity are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Maturing within one year	610,332	553,277	610,332	553,269
Over one year to three years	560	688	560	669
Over three to five years	342	766	342	766
Over five years	6,843	7,649	6,843	7,649
	<b>618,077</b>	<b>562,380</b>	<b>618,077</b>	<b>562,353</b>

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

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 April	5,920	6,839	5,920	6,839
Impaired during the year	9	13	9	13
Recoveries	(1,213)	(412)	(1,213)	(412)
Amount written off	(162)	(520)	(162)	(520)
At 31 March	<b>4,554</b>	<b>5,920</b>	<b>4,554</b>	<b>5,920</b>
Ratio of impaired loans, advances and financing to total loans, advances and financing	<b>0.74%</b>	<b>1.05%</b>	<b>0.74%</b>	<b>1.05%</b>

(g) All impaired loans, advances and financing reside in Malaysia.

**11. LOANS, ADVANCES AND FINANCING (CONTD.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Household, of which:				
Purchase of residential properties	97	87	97	87
Others	587	1,138	587	1,138
Others	3,870	4,695	3,870	4,695
	<u>4,554</u>	<u>5,920</u>	<u>4,554</u>	<u>5,920</u>

(i) Movements in allowances for impaired loans, advances and financing are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Collective allowance</b>				
At 1 April	9,202	6,624	9,202	6,624
Allowance during the year (Note 30)	865	2,589	865	2,589
Amount written off	(24)	(11)	(24)	(11)
At 31 March	<u>10,043</u>	<u>9,202</u>	<u>10,043</u>	<u>9,202</u>
% of total loans, advances and financing less individual allowances	<u>1.63%</u>	<u>1.65%</u>	<u>1.63%</u>	<u>1.65%</u>
<b>Individual allowance</b>				
At 1 April	4,912	5,817	4,912	5,817
Net charge to income statement (Note 30)	(1,213)	(397)	(1,213)	(397)
Amount written off	(138)	(508)	(138)	(508)
At 31 March	<u>3,561</u>	<u>4,912</u>	<u>3,561</u>	<u>4,912</u>

**12. 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.

**13. DEFERRED TAXATION**

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

**(a) Deferred tax assets**

	Note	<b>Group</b>		<b>Bank</b>	
		<b>2012</b> <b>RM'000</b>	<b>2011</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>	<b>2011</b> <b>RM'000</b>
At 1 April		18,571	3,166	18,378	2,852
Recognised in profit or loss	32	333	15,526	(2,633)	15,646
Recognised in equity		337	(120)	337	(120)
Exchange differences		-	(1)	-	-
At 31 March		<u>19,241</u>	<u>18,571</u>	<u>16,082</u>	<u>18,378</u>

The deferred tax income/(expense) relating to origination and reversal of temporary differences arising from:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b> <b>RM'000</b>	<b>2011</b> <b>RM'000</b>	<b>2012</b> <b>RM'000</b>	<b>2011</b> <b>RM'000</b>
Excess of capital allowances over depreciation	(2,454)	(2,455)	(2,454)	(2,455)
Unutilised tax losses	2,544	-	-	-
Unabsorbed capital allowances	(552)	150	-	-
Collective allowance for loans, advances and financing	214	2,301	214	2,301
Collective allowance for provision for commitments and contingencies	78	196	78	196
Allowances for investment recognised in equity	(762)	(1,099)	(762)	(1,099)
Provisions	20,173	18,506	19,006	18,506
Other temporary differences	-	972	-	929
	<u>19,241</u>	<u>18,571</u>	<u>16,082</u>	<u>18,378</u>

**Unrecognised tax losses**

At the reporting date, the Group has tax losses of approximately RM 832,591 (2011 : RM 1,115,475) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to no substantial changes in shareholdings of those subsidiaries under the Income Tax Act, 1967 and guidelines issued by the tax authority. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.



**14. INVESTMENTS IN SUBSIDIARIES**

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

		Issued and Paid-up		Effective	
	Principal	Ordinary Capital		Equity Interest	
	Activities	2012	2011	2012	2011
		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
AmGlobal Investments 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

**15. INVESTMENTS IN ASSOCIATES**

	<b>2012</b>		<b>2011</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>	<b>Group RM'000</b>	<b>Bank RM'000</b>
Unquoted shares, at cost	100	100	100	100
Share of post acquisition reserves	2,997	-	2,629	-
	<u>3,097</u>	<u>100</u>	<u>2,729</u>	<u>100</u>

As at 31 March 2012, the carrying values of the investments in associates are represented by:

	<b>Group</b>	
	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Group's share of aggregate net tangible assets	<u>3,097</u>	<u>2,729</u>

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

		<b>Issued and Paid-up Ordinary Capital</b>		<b>Effective Equity Interest</b>	
		<b>2012 RM'000</b>	<b>2011 RM'000</b>	<b>2012 %</b>	<b>2011 %</b>
<b>Incorporated in Malaysia</b>					
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.

The summarised financial information of the associates are as follows:

	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Total assets	17,413	22,160
Total liabilities	7,701	14,238
Operating revenue	7,319	5,676
Profit after tax	<u>1,842</u>	<u>1,286</u>

**16. OTHER ASSETS**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade receivables, net of allowance for doubtful debts for the Group of RM13,488,000 (RM12,772,000 in 2011) and the Bank of RM6,180,000 (RM8,810,000 in 2011)	930,882	704,802	638,168	463,041
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM4,516,000 (RM8,464,000 in 2011) and the Bank of RM4,516,000 (RM8,464,000 in 2011)	51,480	41,244	42,929	33,703
Interest/Dividends receivable	1,055	1,568	1,041	1,550
Income tax recoverable	29,903	34,846	29,898	34,501
Amount due from brokers	9,465	45,639	-	133
Amount due from:				
Holding company	667	773	667	749
Subsidiaries	-	-	120	314
Related companies	3,024	27,802	3,183	27,949
Assets acquired in exchange of debts, net of impairment loss of RM100,000 (RM100,000 in 31 March 2011)	165	165	165	165
	<u>1,026,641</u>	<u>856,839</u>	<u>716,171</u>	<u>562,105</u>

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:

	<b>Allowances For Trade Receivables RM'000</b>	<b>Allowances For Other Receivables RM'000</b>	<b>Allowances For Foreclosed Properties RM'000</b>
<b>2012</b>			
<b>Group</b>			
Balance at beginning of year	12,772	8,464	100
(Writeback)/charge for the year	1,543	58	-
Amount written-off	(789)	(4,006)	-
Exchange differences	(38)	-	-
Balance at end of year	<u>13,488</u>	<u>4,516</u>	<u>100</u>
<b>Bank</b>			
Balance at beginning of year	8,810	8,464	100
(Writeback)/charge for the year	(2,584)	58	-
Amount written-off	(46)	(4,006)	-
Balance at end of year	<u>6,180</u>	<u>4,516</u>	<u>100</u>

**16. OTHER ASSETS (CONTD.)**

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

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.

**17. PROPERTY AND EQUIPMENT**

<b>2012 Group</b>	<b>Long term Leasehold land RM'000</b>	<b>Leasehold Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Leasehold improvements RM'000</b>	<b>Computer equipment RM'000</b>	<b>Office equipment, furniture and fittings RM'000</b>	<b>Total RM'000</b>
<b>COST</b>							
At 1 April 2011	3,000	17,133	4,222	12,158	37,964	24,284	98,761
Additions	-	-	-	2,233	1,110	891	4,234
Disposals	-	-	(406)	(3)	(764)	(139)	(1,312)
Written off	-	-	-	-	(5,038)	(162)	(5,200)
Reclassification	-	-	-	(46)	(39)	2,239	2,154
Exchange differences	-	-	14	-	102	60	176
At 31 March 2012	<u>3,000</u>	<u>17,133</u>	<u>3,830</u>	<u>14,342</u>	<u>33,335</u>	<u>27,173</u>	<u>98,813</u>
<b>ACCUMULATED DEPRECIATION</b>							
At 1 April 2011	525	3,062	2,375	10,131	33,084	19,622	68,799
Additions	60	344	368	1,125	1,972	1,251	5,120
Disposals	-	-	(406)	(3)	(764)	(130)	(1,303)
Written off	-	-	-	-	(5,020)	(160)	(5,180)
Reclassification	-	-	-	(22)	(25)	2,335	2,288
Exchange differences	-	-	14	-	77	48	139
At 31 March 2012	<u>585</u>	<u>3,406</u>	<u>2,351</u>	<u>11,231</u>	<u>29,324</u>	<u>22,966</u>	<u>69,863</u>
<b>CARRYING AMOUNT</b>							
At 31 March 2012	<u>2,415</u>	<u>13,727</u>	<u>1,479</u>	<u>3,111</u>	<u>4,011</u>	<u>4,207</u>	<u>28,950</u>

**17. PROPERTY AND EQUIPMENT (CONTD.)**

<b>2011 Group</b>	<b>Long term Leasehold land RM'000</b>	<b>Leasehold Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Leasehold improvements RM'000</b>	<b>Computer equipment RM'000</b>	<b>Office equipment, furniture and fittings RM'000</b>	<b>Total RM'000</b>
<b>COST</b>							
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 differences	-	-	28	(1)	192	113	332
At 31 March 2011	<u>3,000</u>	<u>17,133</u>	<u>4,222</u>	<u>12,158</u>	<u>37,964</u>	<u>24,284</u>	<u>98,761</u>
<b>ACCUMULATED DEPRECIATION</b>							
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 differences	-	-	28	(1)	162	97	286
At 31 March 2011	<u>525</u>	<u>3,062</u>	<u>2,375</u>	<u>10,131</u>	<u>33,084</u>	<u>19,622</u>	<u>68,799</u>
<b>CARRYING AMOUNT</b>							
At 31 March 2011	<u>2,475</u>	<u>14,071</u>	<u>1,847</u>	<u>2,027</u>	<u>4,880</u>	<u>4,662</u>	<u>29,962</u>

**17. PROPERTY AND EQUIPMENT (CONTD.)**

<b>2012 Bank</b>	<b>Long term Leasehold land RM'000</b>	<b>Leasehold Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Leasehold improvements RM'000</b>	<b>Computer equipment RM'000</b>	<b>Office equipment, furniture and fittings RM'000</b>	<b>Total RM'000</b>
<b>COST</b>							
At 1 April 2011	3,000	17,133	3,309	11,952	30,978	19,742	86,114
Additions	-	-	-	2,223	548	546	3,317
Disposals	-	-	-	(2)	(508)	(44)	(554)
Written off	-	-	-	-	(3,618)	(93)	(3,711)
Reclassification/adjustments	-	-	-	(46)	(39)	2,240	2,155
At 31 March 2012	<u>3,000</u>	<u>17,133</u>	<u>3,309</u>	<u>14,127</u>	<u>27,361</u>	<u>22,391</u>	<u>87,321</u>
<b>ACCUMULATED DEPRECIATION</b>							
At 1 April 2011	525	3,062	1,433	9,988	27,825	15,898	58,731
Additions	60	344	368	1,087	1,269	803	3,931
Disposals	-	-	-	(2)	(508)	(38)	(548)
Written off	-	-	-	-	(3,618)	(93)	(3,711)
Reclassification/adjustments	-	-	-	(22)	(24)	2,335	2,289
At 31 March 2012	<u>585</u>	<u>3,406</u>	<u>1,801</u>	<u>11,051</u>	<u>24,944</u>	<u>18,905</u>	<u>60,692</u>
<b>CARRYING AMOUNT</b>							
As at 31 March 2012	<u>2,415</u>	<u>13,727</u>	<u>1,508</u>	<u>3,076</u>	<u>2,417</u>	<u>3,486</u>	<u>26,629</u>

**17. PROPERTY AND EQUIPMENT (CONTD.)**

<b>2011 Bank</b>	<b>Long term Leasehold land RM'000</b>	<b>Leasehold Buildings RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Leasehold improvements RM'000</b>	<b>Computer equipment RM'000</b>	<b>Office equipment, furniture and fittings RM'000</b>	<b>Total RM'000</b>
<b>COST</b>							
At 1 April 2010	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)
At 31 March 2011	<u>3,000</u>	<u>17,133</u>	<u>3,309</u>	<u>11,952</u>	<u>30,978</u>	<u>19,742</u>	<u>86,114</u>
At 1 April 2010	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
At 31 March 2011	<u>525</u>	<u>3,062</u>	<u>1,433</u>	<u>9,988</u>	<u>27,825</u>	<u>15,898</u>	<u>58,731</u>
<b>CARRYING AMOUNT</b>							
At 31 March 2011	<u>2,475</u>	<u>14,071</u>	<u>1,876</u>	<u>1,964</u>	<u>3,153</u>	<u>3,844</u>	<u>27,383</u>



**17. PROPERTY AND EQUIPMENT (CONTD.)**

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

	<b>Motor vehicles RM'000</b>	<b>Leasehold improvements RM'000</b>	<b>Computer hardware RM'000</b>	<b>Office equipment, furniture and fittings RM'000</b>	<b>Total RM'000</b>
<b>2012</b>					
<b>Group</b>					
Cost	1,208	9,218	24,240	18,482	53,148
<b>Bank</b>					
Cost	647	9,196	20,880	15,587	46,310
<b>2011</b>					
<b>Group</b>					
Cost	1,604	6,382	29,127	14,887	52,000
<b>Bank</b>					
Cost	651	6,376	24,689	12,084	43,800

**18. INTANGIBLE ASSETS**

The net carrying amount of intangible assets are as follows:

		Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Goodwill	(a)	11,243	11,243	-	-
Computer software	(b)	2,429	2,544	2,406	2,520
		<u>13,672</u>	<u>13,787</u>	<u>2,406</u>	<u>2,520</u>

## (a) Goodwill

i) The movement in goodwill is as follows:

	Group and Bank	
	2012 RM'000	2011 RM'000
At beginning and end of year	<u>11,243</u>	<u>11,243</u>

ii) Impairment tests for goodwill

Goodwill is reviewed for impairment

	Group RM'000
Investment Banking	<u>11,243</u>

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 7.85% (2011: 8.68%). Cash flow projection is based on the most recent three-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the fourth to tenth years are extrapolated using the growth rate of 5.0% 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.

**18. INTANGIBLE ASSETS (CONTD.)****(b) Computer Software**

The movement in computer software is as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>COST</b>				
At 1 April	12,332	11,447	12,022	11,146
Additions	591	798	582	786
Disposal	(204)	-	-	-
Written-Off	(3)	-	(3)	-
Reclassification	-	88	-	90
Adjustment	(14)	(1)	(14)	-
At 31 March	<u>12,702</u>	<u>12,332</u>	<u>12,587</u>	<u>12,022</u>
<b>ACCUMULATED AMORTISATION</b>				
At 1 April	9,788	9,146	9,502	8,865
Additions	699	642	689	637
Disposal	(204)	-	-	-
Written-Off	(3)	-	(3)	-
Adjustment	(7)	-	(7)	-
At 31 March	<u>10,273</u>	<u>9,788</u>	<u>10,181</u>	<u>9,502</u>
<b>CARRYING AMOUNT</b>	<u>2,429</u>	<u>2,544</u>	<u>2,406</u>	<u>2,520</u>

**19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<u>878,697</u>	<u>878,225</u>	<u>878,697</u>	<u>878,225</u>

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

**20. DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Negotiable instruments of deposits	-	12,982	-	12,982

The maturity structure of deposits from customers is as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Due within six months	-	12,982	-	12,982

The deposits are sourced totally from business enterprises.

**21. TERM FUNDING**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Foreign financial institutions	41,402	2,401	-	-

Term loans of a foreign subsidiary represent secured loans obtained from a foreign bank at the interest rate ranging from 2.35% to 2.70% per annum in the amount of SGD17,000,000 and are repayable in full within one year.

**22. OTHER LIABILITIES**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade payables	1,075,576	873,906	806,702	607,646
Other payables and accruals	111,869	116,503	103,728	109,916
Provision for commitments and contingencies	7,640	7,955	7,640	7,955
Amounts due to:				
Subsidiaries	-	-	1,035	224
Related companies	6,713	163	6,329	-
Tax payable	3	11	-	-
Zakat payable	38	38	38	38
	<u>1,201,839</u>	<u>998,576</u>	<u>925,472</u>	<u>725,779</u>

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:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest payable	6,284	5,802	6,284	5,802

**22. OTHER LIABILITIES (CONTD.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of year	7,955	10,001	7,955	10,001
Writeback for the year	(315)	(2,046)	(315)	(2,046)
Balance at end of year	<u>7,640</u>	<u>7,955</u>	<u>7,640</u>	<u>7,955</u>

**23. SHARE CAPITAL**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised:		
Ordinary shares of RM1.00 each		
Balance at the beginning and end of the year	<u>2,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at the beginning and end of the year	<u>200,000</u>	<u>200,000</u>

**24. RESERVES**

Reserves as at 31 March 2012 and 2011 are analysed as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other reserves	240,874	240,528	202,285	203,298
Retained earnings	92,443	135,347	102,299	130,227
Total reserves	<u>333,317</u>	<u>375,875</u>	<u>304,584</u>	<u>333,525</u>

**24. 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
<b>At 1 April 2010</b>	2,815	200,000	7,656	3,126	24,172	237,769
<b>Other comprehensive income</b>						
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
<b>At 31 March 2011</b>	<u>2,815</u>	<u>200,000</u>	<u>7,656</u>	<u>3,350</u>	<u>26,707</u>	<u>240,528</u>
<b>At 1 April 2011</b>	2,815	200,000	7,656	3,350	26,707	240,528
<b>Other comprehensive income</b>						
Financial investments available-for-sale:						
Net loss on fair value changes	-	-	-	(1,013)	-	(1,013)
Foreign currency translation	-	-	-	-	1,359	1,359
	-	-	-	(1,013)	1,359	346
<b>At 31 March 2012</b>	<u>2,815</u>	<u>200,000</u>	<u>7,656</u>	<u>2,337</u>	<u>28,066</u>	<u>240,874</u>

Bank	Statutory reserve RM'000	Available-for- sale reserve RM'000	Total RM'000
<b>At 1 April 2010</b>	200,000	3,074	203,074
<b>Other comprehensive income</b>			
Financial investments available-for-sale:			
Net gain on fair value changes	-	224	224
Foreign currency translation	-	-	-
	-	224	224
<b>At 31 March 2011</b>	<u>200,000</u>	<u>3,298</u>	<u>203,298</u>
<b>At 1 April 2011</b>	200,000	3,298	203,298
<b>Other comprehensive income</b>			
Financial investments available-for-sale:			
Net loss on fair value changes	-	(1,013)	(1,013)
	-	(1,013)	(1,013)
<b>At 31 March 2012</b>	<u>200,000</u>	<u>2,285</u>	<u>202,285</u>

**Note:**

- (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) Merger reserve represents reserve arising from the acquisition of AmResearch and AmFutures which are accounted for using the merger accounting method.
- (iv) Available-for-sale reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- (v) Exchange fluctuation reserve arises on translation of foreign subsidiaries.

**25. INTEREST INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term funds and deposits with financial institutions	16,010	11,468	12,901	8,932
Financial investments available-for-sale	1,596	1,511	1,596	1,511
Loans and advances	32,345	28,572	32,345	28,571
Others	1,629	1,511	145	229
Gross interest income	51,580	43,062	46,987	39,243
Amortisation of premium less accretion of discounts	929	1,243	929	1,243
	<b>52,509</b>	<b>44,305</b>	<b>47,916</b>	<b>40,486</b>

**26. INTEREST EXPENSE**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	709	1,080	208	517
Deposits of banks and other financial institutions	26,481	19,532	26,480	19,532
Redeemable unsecured subordinated bonds	-	3,707	-	3,707
Others	1,261	1,142	-	40
	<b>28,451</b>	<b>25,461</b>	<b>26,688</b>	<b>23,796</b>

**27. OTHER OPERATING INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fee and commission income:				
Brokerage fees and commissions	79,581	102,037	57,627	71,209
Corporate advisory	27,268	30,062	26,637	26,074
Fees on loans and securities	18,077	31,187	18,077	31,187
Guarantee fees	684	764	684	764
Portfolio management fees	621	3,252	621	3,252
Underwriting commissions	9,216	8,970	7,028	5,725
Other fee income	34,156	36,630	30,936	33,649
	<u>169,603</u>	<u>212,902</u>	<u>141,610</u>	<u>171,860</u>
Investment and trading income:				
Foreign exchange loss	(85)	(630)	(87)	(628)
(Loss)/gain on revaluation of derivatives	(2,192)	487	(2,192)	487
Gross dividend income from:				
Unquoted subsidiaries	-	-	3,256	-
Financial assets held-for-trading	191	374	180	374
Financial investments available-for-sale	1,330	911	1,330	911
Gain/(loss) on revaluation of financial assets held-for-trading	1,367	(994)	475	(142)
Net (loss)/gain from sale of financial assets held-for-trading	(327)	2,326	1,708	2,509
Net gain from sale of financial investments available-for-sale	1,206	3,468	1,206	3,468
Portfolio income	38,057	27,783	38,057	27,783
	<u>39,547</u>	<u>33,725</u>	<u>43,933</u>	<u>34,762</u>
Other income:				
Gain on disposal of property and equipment - net	208	328	9	328
Non-trading foreign exchange gain	592	989	164	472
Rental income	2,346	2,209	2,346	2,209
Others	125	1,062	96	1,031
	<u>3,271</u>	<u>4,588</u>	<u>2,615</u>	<u>4,040</u>
	<u>212,421</u>	<u>251,215</u>	<u>188,158</u>	<u>210,662</u>



**28. OTHER OPERATING EXPENSES**

	Note	Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Personnel/Staff costs:					
- Salaries, allowances and bonuses		99,809	109,129	80,264	92,100
- Shares/options granted under Group Executive Share Scheme		8,699	10,548	7,607	9,976
- Others		46,121	47,359	39,339	41,098
		<u>154,629</u>	<u>167,036</u>	<u>127,210</u>	<u>143,174</u>
Establishment costs:					
- Amortisation of computer software	18(b)	699	642	689	637
- Computerisation costs		7,256	15,302	455	8,627
- Depreciation of property and equipment	17	5,120	5,124	3,931	3,985
- Rental		12,988	13,100	9,485	9,987
- Others		5,000	5,393	3,064	3,739
		<u>31,063</u>	<u>39,561</u>	<u>17,624</u>	<u>26,975</u>
Marketing and communication expenses:					
- Advertising		4,964	4,211	4,771	4,031
- Sales commission		1,748	3,251	1,748	896
- Travel and entertainment		3,669	4,253	2,867	3,321
- Others		5,711	4,964	4,482	3,750
		<u>16,092</u>	<u>16,679</u>	<u>13,868</u>	<u>11,998</u>
Administration and general expenses					
- Professional fees		6,537	2,811	6,064	2,309
- Others		16,408	5,769	14,522	3,906
		<u>22,945</u>	<u>8,580</u>	<u>20,586</u>	<u>6,215</u>
Service transfer pricing recovery, net		<u>(20,450)</u>	<u>(40,877)</u>	<u>(15,973)</u>	<u>(37,339)</u>
		<u>204,279</u>	<u>190,979</u>	<u>163,315</u>	<u>151,023</u>

Included in the above expenditure are the following statutory disclosures:

	Note	Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Auditors' remuneration:					
Group auditor:					
Statutory audit		326	306	125	120
Special audit/Limited review		31	34	31	34
Directors' remuneration	29	2,967	11,942	2,909	11,888
Hire of motor vehicles and office equipment		1,171	1,376	685	1,069
Property and equipment written off		20	16	-	12
Sundry receivables written off		<u>2,450</u>	<u>250</u>	<u>2,450</u>	<u>250</u>

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 RM17,193,000 (RM18,674,000 in 2011) and RM14,864,000 (RM16,586,000 in 2011), respectively.

**29. DIRECTORS' REMUNERATION**

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

	<b>Fees RM'000</b>	<b>Salaries RM'000</b>	<b>Other remuneration RM'000</b>	<b>Bonus RM'000</b>	<b>Benefits-in kind RM'000</b>	<b>Total RM'000</b>
<b>2012</b>						
<b>Executive Directors:</b>						
Kok Tuck Cheong*	29	720	872	564	102	2,287
<b>Non-Executive Directors:</b>						
Tan Sri Azman Hashim	-	-	264	-	7	271
Tan Sri Datuk Dr Aris Osman	72	-	23	-	-	95
Tan Sri Datuk Clifford Francis Herbert	82	-	21	-	-	103
Dato' Izham Mahmud	70	-	17	-	-	87
Tun Mohammed Hanif Omar	60	-	14	-	-	74
Cheah Tek Kuang	29	-	21	-	-	50
	313	-	360	-	7	680
Total Directors' Remuneration	342	720	1,232	564	109	2,967
<b>2011</b>						
<b>Executive Directors:</b>						
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
<b>Non-Executive Directors:</b>						
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

\*Resigned as an Executive Director with effect from 1st January 2012

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(Writeback of allowance)/allowance for impaired loans and financing:				
Individual allowance - net (Note 11)	(1,213)	(397)	(1,213)	(397)
Collective allowance (Note 11)	865	2,589	865	2,589
Impaired loans and financing				
Written off	-	36	-	36
Recovered	(2)	(4)	(2)	(4)
	<u>(350)</u>	<u>2,224</u>	<u>(350)</u>	<u>2,224</u>

**31. IMPAIRMENT LOSS ON FINANCIAL INVESTMENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Available-For-Sale				
Unquoted shares	-	1,000	-	1,000
	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>

**32. TAXATION**

	Note	Group		Bank	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Estimated current tax payable		22,264	28,641	21,851	27,946
(Over)/under provision of taxation in respect of prior years		(3,306)	13,768	(3,222)	13,837
Transfer from deferred tax assets					
Relating to origination and reversal of temporary differences	13	(551)	(1,150)	(560)	(1,270)
Under/(over) provided in previous year	13	218	(14,376)	3,193	(14,376)
		(333)	(15,526)	2,633	(15,646)
Total income tax expense from continuing operations		18,625	26,883	21,262	26,137

As at the end of the current financial year, the Group and the Bank have tax exempt income totalling RM8,698,282 (RM8,086,315 as at 31 March 2011) and RM8,373,750 (RM7,662,283 as at 31 March 2011) respectively pertaining to subsidiaries.

Domestic current income tax is calculated at the statutory tax rate of 25.0% (2011: 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:

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation from:	63,839	99,533	81,370	95,926
Taxation at Malaysian statutory tax rate of 25.0% (2011: 25.0%)	15,960	24,883	20,343	23,982
Effect of different tax rates in certain subsidiaries	1,141	(119)	-	-
(Over)/Under provision of tax expense in prior year	(3,306)	13,768	(3,222)	13,837
Tax loss and capital allowance not recognised	3,066	184	-	-
Under/(over) provision of deferred tax in prior year	218	(14,376)	3,193	(14,376)
Income not subject to tax	(3,015)	(501)	(3,165)	(396)
Expenses not deductible for tax purposes	4,561	3,044	4,113	3,090
Tax expense for the year	18,625	26,883	21,262	26,137

**33. OTHER COMPREHENSIVE INCOME**

Components of other comprehensive income:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Exchange differences on translation of foreign operations	1,359	2,535	-	-
Available-for-sale financial assets:				
(Loss)/gains arising during the year	(144)	3,812	(144)	3,812
Less : Reclassification adjustments for gain/(loss) included in the income statement	1,206	3,468	1,206	3,468
Total other comprehensive income	9	2,879	(1,350)	344
Income tax relating to the components of other comprehensive income	337	(120)	337	(120)
Total other comprehensive income, net of tax	346	2,759	(1,013)	224

Income tax relating to the components of other comprehensive income:

	<b>Before tax</b>	<b>Tax</b>	<b>After tax</b>
	<b>RM'000</b>	<b>expenses</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>			
<b>2012</b>			
Exchange differences on translation of foreign operations	1,359	-	1,359
Available-for-sale financial assets	(1,350)	337	(1,013)
	9	337	346
<b>2011</b>			
Exchange differences on translation of foreign operations	2,535	-	2,535
Available-for-sale financial assets	344	(120)	224
	2,879	(120)	2,759
<b>Bank</b>			
<b>2012</b>			
Available-for-sale financial assets	(1,350)	337	(1,013)
	(1,350)	337	(1,013)
<b>2011</b>			
Exchange differences on translation of foreign operations	-	-	-
Available-for-sale financial assets	344	(120)	224
	344	(120)	224

**34. 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.

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to shareholder of the Bank	45,214	72,650	60,108	69,789
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)	22.6	36.3	30.1	34.9

**(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.

**35. DIVIDENDS**

Dividends paid by the Bank are as follows:

	<b>Bank</b>
	<b>RM'000</b>
<b>In respect of financial year ended 31 March 2012</b>	
Interim ordinary dividend paid - 24.0%, less 25.0% taxation, on 200,000,000 ordinary shares of RM1.00 each	36,000
<b>In respect of financial year ended 31 March 2011</b>	
First and final ordinary dividend paid - 33.3%, less 25.0% taxation, on 200,000,000 ordinary shares of RM1.00 each	50,000
	<u>86,000</u>

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 has been reported in the directors' report for that financial year and paid on 24 August 2011 to AMMB Holdings Berhad.

An interim ordinary dividend of 24.0% less 25.0% taxation in respect of the current financial year ended 31 March 2012 amounting to RM36,000,000 was paid on 30 November 2011 to AMMB Holdings Berhad.

A proposed final ordinary dividend in respect of the financial year ended 31 March 2012 of 15.7%, 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 RM23,600,000 has 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 2013.

**36. RELATED PARTY TRANSACTIONS**

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

The related parties of the Group and the Bank are:

**(i) Subsidiaries**

Details of the subsidiaries are shown in Note 14.

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

**(ii) Associates**

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

**(iii) Key management personnel**

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

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

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

**(v) Companies which have significant influence over the Group**

These are entities who are substantial shareholders of the Bank.

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

	<b>Companies in which certain Directors have substantial interest</b>		<b>Substantial shareholders</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Expenses</b>				
Cleaning and maintenance	1	12	-	-
Rental of premises	8,437	8,771	-	-
Insurance premiums	488	281	-	-
Training expenses	-	321	-	-
Professional fees	-	-	-	-
Travelling expenses	601	715	-	-
Food and beverage	60	68	-	-
Other expenses	32	68	-	-
	<b>9,619</b>	<b>10,236</b>	<b>-</b>	<b>-</b>
<b>Capital expenditure</b>				
Purchase of computer hardware, software and related consultancy services	26	-	-	-

**36. RELATED PARTY TRANSACTIONS (CONTD.)**

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

	Subsidiaries		Associates		Related Companies	
	2012	2011	2012	2011	2012	2011
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Income</b>						
Interest on deposits and placements	-	-	-	-	17,974	14,503
Interest on loans and financing	-	-	-	-	-	396
Rental income	-	-	-	-	2,095	2,033
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,069</u>	<u>16,932</u>
<b>Expenses</b>						
Interest on deposits and placements	-	-	-	-	26,506	19,544
Service transfer pricing expenses/ (income), net	6,528	4,470	(501)	(600)	(22,000)	(41,209)
	<u>6,528</u>	<u>4,470</u>	<u>(501)</u>	<u>(600)</u>	<u>4,506</u>	<u>(21,665)</u>

The significant outstanding balances of the Bank with its related parties are as follows :

	Subsidiaries		Associates		Related Companies	
	2012	2011	2012	2011	2012	2011
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due from:</b>						
Cash and short-term funds	-	-	-	-	686,973	798,245
Deposits and placements with banks and other financial institutions	-	-	-	-	1,808	-
Interest receivable	-	-	-	1,269	757	1,269
Others	120	314	227	624	2,635	27,057
	<u>120</u>	<u>314</u>	<u>227</u>	<u>1,893</u>	<u>692,173</u>	<u>826,571</u>
<b>Amount due to:</b>						
Deposits and placements with banks and other financial institutions	-	-	-	-	878,697	878,225
Interest payables	-	-	-	-	6,284	5,802
Others	1,035	224	-	-	6,328	-
	<u>1,035</u>	<u>224</u>	<u>-</u>	<u>-</u>	<u>891,309</u>	<u>884,027</u>



**36. 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 (2011 - RM NIL).

(d) Key management personnel compensation

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

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fees	342	294	284	266
Salaries and other remuneration	6,178	8,666	6,178	8,666
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	769	5,025	769	5,025
Total short-term employee benefits	<u>7,289</u>	<u>13,985</u>	<u>7,231</u>	<u>13,957</u>

**37. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

	<b>2012</b>	<b>2011</b>
	<b>Group and Bank</b>	
Outstanding credit exposures with connected parties (RM'000)	2,818	254
Percentage of outstanding credit exposures to connected parties as a proportion to total credit exposures	0.35%	0.03%
Percentage of outstanding credit exposures with connected parties which is impaired 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.

**38. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT**

Investment portfolio funds managed by the Group and the Bank on behalf of customers as at 31 March 2012 amounted to RM4,454,504,000 (RM4,152,225,000 as at 31 March 2011).

**39. CAPITAL COMMITMENTS**

As at 31 March 2012, capital commitments pertaining to the Group and the Bank are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	359	415	359	266
	<u>459</u>	<u>515</u>	<u>459</u>	<u>366</u>
Authorised but not contracted for:				
Purchase of office equipment, information technology equipment and solutions	1,686	1,316	1,686	669
	<u>2,145</u>	<u>1,831</u>	<u>2,145</u>	<u>1,035</u>

**40. LEASE COMMITMENTS**

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

	<b>Group</b>	<b>Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>12 months ending 31 March</u>		
Within one year	19,616	16,111
One to five years	18,182	17,602
More than five years	2	-
	<u>37,800</u>	<u>33,713</u>

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

**41. COMMITMENTS AND CONTINGENCIES**

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:

	2012	2011
<b>Group</b>	<b>Principal Amount</b>	
	<b>RM'000</b>	<b>RM'000</b>
<b>Commitments</b>		
Irrevocable commitments to extend credit maturing:		
- within one year	353,134	223,263
- more than one year	175	-
	<u>353,309</u>	<u>223,263</u>
<b>Contingent Liabilities</b>		
Guarantees given on behalf of customers	181,890	209,579
Underwriting liabilities	148,100	-
	<u>329,990</u>	<u>209,579</u>
<b>Derivative Financial Instruments</b>		
Foreign exchange related contracts:		
- One year or less	1,293	2,375
Equity related contracts:		
- One year or less	30,429	2,247
- Over five years	20	13,480
	<u>31,742</u>	<u>18,102</u>
	<u>715,041</u>	<u>450,944</u>
<b>Bank</b>		
<b>Commitments</b>		
Irrevocable commitments to extend credit maturing:		
- within one year	353,134	223,263
- more than one year	175	-
	<u>353,309</u>	<u>223,263</u>
<b>Contingent Liabilities</b>		
Guarantees given on behalf of customers	181,890	209,579
Underwriting liabilities	148,100	-
	<u>329,990</u>	<u>209,579</u>
<b>Derivative Financial Instruments</b>		
Equity related contracts:		
- One year or less	30,429	2,247
	<u>30,429</u>	<u>2,247</u>
	<u>713,728</u>	<u>435,089</u>

#### 41. COMMITMENTS AND CONTINGENCIES (CONTD.)

As at 31 March 2012, other commitments and contingencies of the Group and the Bank are as follows:

AmTrustee Berhad ("AmTrustee"), an associated company of the Bank was served with a Writ and Statement of Claim dated 12 December 2005 by solicitors acting for Meridian Asset Management Sdn Bhd ("Meridian") for alleged loss and damage amounting to RM27,606,169.65 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian ("Meridian Suit").

AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for Malaysian Assurance Alliance Berhad ("MAA") for alleged loss and damages amounting to RM19,640,178 together with interest and costs. ("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. The claim by MAA in the MAA Suit is part of the portion of the claim as mentioned in the above Meridian Suit.

In the MAA Suit, AmTrustee filed a Third Party Notice against Meridian on 6 November 2006 seeking indemnification/contribution from Meridian. Meridian in turn filed a counter claim against AmTrustee over AmTrustee's Third Party Notice which in essence introduced the same argument and claim as in their Meridian Suit.

Parties have filed several interim applications in the Meridian Suit amongst which was an Application by Meridian to add the Bank to the Meridian Suit as the 2nd Defendant and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian. The Learned Judge dismissed Meridian's Application to add the Bank as a Party to the Meridian's Suit ("Decision") and allowed Meridian's Application to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

No Appeal was lodged by Meridian to the Court of Appeal against the Decision. With no appeal filed against the Decision, there is no litigation pending today against the Bank by Meridian.

AmTrustee was also 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 was taken against AmTrustee by Meridian to indemnify Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007. AmTrustee filed an Application to Strike out the Third Party Notice. The court allowed AmTrustee's Application. Meridian appealed against this decision to the Court of Appeal and the Court of Appeal dismissed the appeal on 1 November 2010. With this Order, AmTrustee is no longer involved in KWAP's claim against Meridian.

AmTrustee had filed an Application for Stay of Proceeding of both the MAA Suit and Meridian Suit pending the full and final disposal of a criminal proceeding involving a key witness/ex-employee of Meridian. This Application was dismissed by the High Court. On Appeal to the Court of Appeal the appeal was allowed. With that both the Meridian and the MAA Suits are now stayed pending the disposal of the criminal proceeding.

Decision on the criminal proceeding was delivered against the key witness/ex-employee of Meridian on 12 December 2011 and the key witness has filed an Appeal against the decision. No date has been fixed on this appeal as of date.

On the basis of an appeal filed by the key witness, solicitors have sought clarification from the High Court on the Stay Order granted in the civil matter, before taking any further steps in the civil proceedings. The clarification is for court's direction on whether the interpretation of the Stay Order of the civil proceeding pending the disposal of the criminal trial should also include any appeal thereon, as parties have differing views on the same. Solicitors are of the view that given the Stay Order specifies the stay is until final disposal of the criminal trial, the finality should also include any appeal thereon. The clarification from the Court is very important and necessary before parties could proceed to take any further action as if the Stay Order still subsists, any action taken by the parties will amount to a contempt of court.

#### **41. COMMITMENTS AND CONTINGENCIES (CONTD.)**

The Managing Judge had directed AmTrustee's Solicitors to seek formal clarification on the Stay Order from the Court of Appeal that upheld the Stay Order. AMTB's Application was filed at the Court of Appeal and is fixed for hearing on 18 June 2012. The High Court's civil matters are fixed for Case Management on 31 May 2012. Based on documents and evidence in their possession, solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claim by Meridian and MAA and further that AmTrustee has filed a third party proceeding against Meridian for indemnity or contribution from Meridian in respect of the claim initiated by MAA.

Based on documents and evidence in their possession, solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claim by Meridian and MAA and further that AmTrustee has filed a third party proceeding against Meridian for indemnity or contribution from Meridian in respect of the claim initiated by MAA.

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.

**42. 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.

<b>2012 Group</b>	<b>Less than 12 months RM'000</b>	<b>Over 12 months RM'000</b>	<b>Total RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	865,030	-	865,030
Deposits and placements with banks and other financial institutions	2,498	-	2,498
Derivative financial assets	87	-	87
Financial assets held-for-trading	30,821	-	30,821
Financial investments available-for-sale	-	48,525	48,525
Financial investments held-to-maturity	-	100	100
Loans, advances and financing	596,878	7,595	604,473
Other assets	945,093	81,548	1,026,641
Statutory deposit with Bank Negara Malaysia	-	12,123	12,123
Deferred tax assets	-	19,241	19,241
Investments in associates	-	3,097	3,097
Property and equipment	-	28,950	28,950
Intangible assets	-	13,672	13,672
<b>Total Assets</b>	<b>2,440,407</b>	<b>214,851</b>	<b>2,655,258</b>
<b>LIABILITIES</b>			
Deposits and placements of banks and other financial institutions	878,697	-	878,697
Derivative financial liabilities	1	2	3
Term funding	41,402	-	41,402
Other liabilities	1,088,576	113,263	1,201,839
<b>Total Liabilities</b>	<b>2,008,676</b>	<b>113,265</b>	<b>2,121,941</b>
<b>2011 Group</b>			
	<b>Less than 12 months RM'000</b>	<b>Over 12 months RM'000</b>	<b>Total RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	932,560	-	932,560
Securities purchased under resale agreements	-	-	-
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	539,338	8,928	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
<b>Total Assets</b>	<b>2,276,851</b>	<b>191,577</b>	<b>2,468,428</b>
<b>LIABILITIES</b>			
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
<b>Total Liabilities</b>	<b>1,773,556</b>	<b>118,997</b>	<b>1,892,553</b>

**42. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)**

<b>2012 Bank</b>	<b>Less than 12 months RM'000</b>	<b>Over 12 months RM'000</b>	<b>Total RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	763,669	-	763,669
Deposits and placements with banks and other financial institutions	1,808	-	1,808
Derivative financial assets	86	-	86
Financial assets held-for-trading	30,777	-	30,777
Financial investments available-for-sale	-	46,098	46,098
Financial investments held-to-maturity	-	100	100
Loans, advances and financing	596,878	7,595	604,473
Other assets	643,179	72,992	716,171
Statutory deposit with Bank Negara Malaysia	-	12,123	12,123
Deferred tax assets	-	16,082	16,082
Investments in subsidiaries	-	88,231	88,231
Investments in associates	-	100	100
Property and equipment	-	26,629	26,629
Intangible assets	-	2,406	2,406
<b>Total Assets</b>	<b>2,036,397</b>	<b>272,356</b>	<b>2,308,753</b>
<b>LIABILITIES</b>			
Deposits and placements of banks and other financial institutions	878,697	-	878,697
Other liabilities	820,350	105,122	925,472
<b>Total Liabilities</b>	<b>1,699,047</b>	<b>105,122</b>	<b>1,804,169</b>
<b>2011 Bank</b>	<b>Less than 12 months RM'000</b>	<b>Over 12 months RM'000</b>	<b>Total RM'000</b>
<b>ASSETS</b>			
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	539,311	8,928	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
<b>Total Assets</b>	<b>1,897,826</b>	<b>252,751</b>	<b>2,150,577</b>
<b>LIABILITIES</b>			
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
<b>Total Liabilities</b>	<b>1,504,945</b>	<b>112,107</b>	<b>1,617,052</b>



#### 43. 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.

**43. 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:

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Before deducting proposed dividends:				
Core capital ratio	21.7%	25.4%	21.0%	24.7%
Risk-weighted capital ratio	21.7%	25.4%	21.0%	24.7%
After deducting proposed dividend:				
Core capital ratio	20.6%	23.0%	19.7%	21.7%
Risk-weighted capital ratio	20.6%	23.0%	19.7%	21.7%

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

The capital adequacy ratios of AmlInvestment Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). AmlInvestment 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.

**43. CAPITAL MANAGEMENT (CONTD.)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
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	28,066	26,707	-	-
Unappropriated profits at end of year	92,444	135,347	102,299	130,227
Total	530,981	572,525	502,299	530,227
Less: Goodwill	(11,243)	(11,243)	-	-
Deferred tax assets, net	(20,003)	(19,670)	(16,844)	(19,477)
Total tier 1 capital	499,735	541,612	485,455	510,750
Deduction in excess of allowable Tier 2 Capital	(13,860)	(15,476)	(102,091)	(103,707)
Maximum allowable Tier 1 Capital	485,875	526,136	383,364	407,043
Tier 2 capital				
Collective allowance for bad and doubtful debts #	9,218	8,362	9,218	8,362
Total tier 2 capital	9,218	8,362	9,218	8,362
Less: Excess tier 2 capital	-	-	-	-
Maximum allowable tier 2 capital	9,218	8,362	9,218	8,362
Total capital funds	495,093	534,498	392,582	415,405
Less: Investment in capital of related financial institutions	(23,078)	(23,838)	(23,078)	(23,838)
Less: Investment in subsidiaries	-	-	(88,231)	(88,231)
Deduction in excess of allowable Tier 2 capital made against Tier 1 Capital	13,860	15,476	102,091	103,707
Capital base	485,875	526,136	383,364	407,043

#Excludes collective allowance on impaired loans restricted from Tier 2 capital of the Group and the Bank of RM825,000 for 2012 (2011 : RM841,000).

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

	<b>Group</b>		<b>Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Credit risk	1,454,156	1,552,679	1,103,164	1,219,262
Market risk	244,639	16,843	244,709	9,729
Operational risk	541,955	505,180	478,318	416,225
	2,240,750	2,074,702	1,826,191	1,645,216

## 44. RISK MANAGEMENT

### 44.1 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.

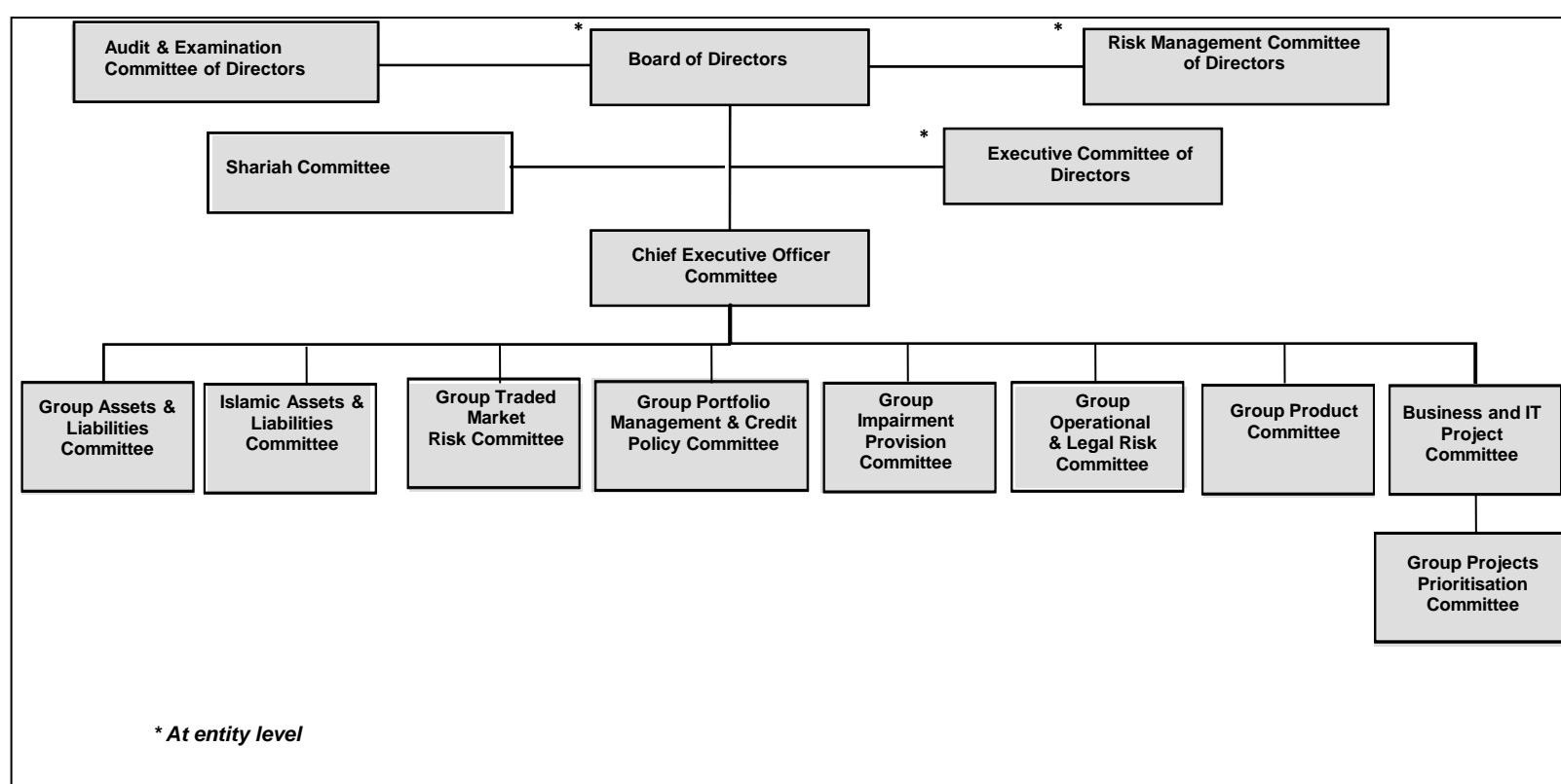
The Risk Appetite Framework is approved annually by the Board of Directors taking into account the banking subsidiaries of AmBank Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management 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:



**44. RISK MANAGEMENT (CONTD.)****44.1 General Risk Management (Contd.)****Risk Management Governance (Contd.)**

<b>Committee</b>	<b>Roles &amp; Responsibilities</b>
Risk Management Committee of Directors ("RMCD")	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Report and advise the Board of Directors on risk issues.</li> </ul>
Audit & Examination Committee of Directors ("AEC")	<ul style="list-style-type: none"> <li>- Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group.</li> <li>- Provide assistance to Board of Directors in ensuring the Islamic Banking operations of the Group are Shariah compliant.</li> </ul>
Shariah Committee	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Executive Committee of Directors ("EXCO")	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Review credit facilities and commitment that exceeds certain thresholds.</li> </ul>
Chief Executive Officer Committee ("CEO Committee")	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Report and advise the Board of Directors on risk issues.</li> </ul>
Group Assets and Liabilities Committee (Conventional and Islamic) ("GALCO")	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Islamic Assets and Liabilities Committee	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Group Traded Market Risk Committee ("GTMR")	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Group Portfolio Management and Credit Policy Committee ("GPMCP")	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Group Impairment Provision Committee	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Group Operational and Legal Risk Committee ("GOLRC")	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Group Product Committee ("GPC")	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
Business and IT Project Committee ("BITPC")	<ul style="list-style-type: none"> <li>- Responsible to review and approve (or where required recommend for approval) requests relating to the Group's major Business and IT investments.</li> <li>- To ensure all projects are aligned to the Business and IT plans, appropriate prioritisation of Business and IT projects, and the allocation of resources.</li> </ul>

**44. RISK MANAGEMENT (CONTD.)****44.1 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.
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**44.2 Credit Risk Management**

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

<b>Identification</b>	<ul style="list-style-type: none"> <li>• Accurate identification/recognition of credit risk on transactions and/ or positions</li> <li>• Selection of asset and portfolio mix</li> </ul>
<b>Assessment/ Measurement</b>	<ul style="list-style-type: none"> <li>• Loss given default ("LGD")</li> <li>• Exposure at default ("EAD")</li> </ul>
<b>Control/ Mitigation</b>	<ul style="list-style-type: none"> <li>• Portfolio Limits, Counterparty Limits, Benchmark Returns</li> <li>• Collateral and tailored facility structures</li> </ul>
<b>Monitoring/ Review</b>	<ul style="list-style-type: none"> <li>• Monitoring of portfolio and reporting</li> <li>• Watchlist review</li> <li>• Post mortem review</li> </ul>

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 as well as Shariah compliance risk.

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).

**44. RISK MANAGEMENT (CONTD.)**

**44.2 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.

**44.2.1 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.

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.1a 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 and Insurance	Government and Statutory Bodies	Real Estate	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	RM'000	RM'000	RM'000
<b>Group 2012</b>															
Cash and short-term funds	-	-	-	-	-	-	-	865,030	-	-	-	-	-	-	865,030
Deposit and placement with banks and other financial institutions	-	-	-	-	-	-	-	2,498	-	-	-	-	-	-	2,498
Derivative financial assets	-	-	-	-	-	-	-	86	-	-	1	-	-	-	87
Financial investments available-for-sale															
<i>Money Market Securities</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	23,078	-	-	-	-	-	-	23,078
Financial investments held-to-maturity															
<i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Loans, advances and financing															
Other loans and financing	4,856	-	350	-	-	3,096	-	-	-	5,947	44,977	1,861	548,209	5,220	614,516
Less : Collective allowance															(10,043)
															604,473
Other financial assets	284	-	2,350	103	140	864	-	289,351	17,907	1,275	295,037	46	365,107	227	972,691
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	12,123	-	-	-	-	-	12,123
	5,140	-	2,700	103	140	3,960	-	1,180,143	30,030	7,222	340,015	1,907	913,316	5,447	2,480,080
Contingent liabilities	-	-	-	-	94,462	7,600	-	-	-	36,428	191,500	-	-	-	329,990
Commitments	1,193	-	429	-	3,709	200	-	-	-	3,662	165,253	400	176,467	1,996	353,309
Total	1,193	-	429	-	98,171	7,800	-	-	-	40,090	356,753	400	176,467	1,996	683,299



**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.1a 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 and Insurance	Government and Statutory Bodies	Real Estate	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	RM'000	RM'000	RM'000
<b>Group 2011</b>															
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															
<i>Money Market Securities</i>	-	-	-	-	-	-	-	15,784	-	-	-	-	-	-	15,784
<i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	23,838	-	-	-	-	-	-	23,838
Financial investments held-to-maturity															
<i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Loans, advances and financing															
Other loans and financing	2,000	-	1,702	-	-	4,129	-	-	-	1,659	36,894	-	507,708	3,376	557,468
Less : Collective allowance															(9,202)
															548,266
Other financial assets	44	-	219	42	372	10	872	404,536	14,075	72	190	20	383,707	309	804,468
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-		2,031			-	-	-	2,031
	2,044	-	1,921	42	372	4,139	872	1,377,807	16,106	1,731	37,084	20	891,415	3,685	2,337,238
Contingent liabilities	-	-	-	-	80,164	-	-	-	-	36,428	92,987	-	-	-	209,579
Commitments	-	-	-	-	1,149	-	-	-	-	3,572	205,167	200	12,925	250	223,263
Total	-	-	-	-	81,313	-	-	-	-	40,000	298,154	200	12,925	250	432,842

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.1a 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 and Insurance	Government and Central Bank	Real Estate	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	RM'000	RM'000	RM'000
<b>Bank 2012</b>															
Cash and short-term funds	-	-	-	-	-	-	-	763,669	-	-	-	-	-	-	763,669
Derivative financial assets	-	-	-	-	-	-	-	86	-	-	-	-	-	-	86
Financial investments available-for-sale <i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	23,078	-	-	-	-	-	-	23,078
Financial investments held-to-maturity <i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Loans, advances and financing															
Other loans and financing	4,856	-	350	-	-	3,096	-	-	-	5,947	44,977	1,861	548,209	5,220	614,516
Less : Collective allowance															(10,043)
															604,473
Other financial assets	284	-	2,350	103	140	864	-	280,165	17,907	1,275	2,548	46	364,883	227	670,792
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	12,123	-	-	-	-	-	12,123
	5,140	-	2,700	103	140	3,960	-	1,067,098	30,030	7,222	47,525	1,907	913,092	5,447	2,084,364
Contingent liabilities	-	-	-	-	94,462	7,600	-	-	-	36,428	191,500	-	-	-	329,990
Commitments	1,193	-	429	-	3,709	200	-	-	-	3,662	165,253	400	176,467	1,996	353,309
Total	1,193	-	429	-	98,171	7,800	-	-	-	40,090	356,753	400	176,467	1,996	683,299

44. RISK MANAGEMENT (CONTD.)

44.2 Credit Risk Management (Contd.)

44.2.1a 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 and Insurance	Government and Central Bank	Real Estate	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	RM'000	RM'000	RM'000
<b>Bank 2011</b>															
Cash and short-term funds	-	-	-	-	-	-	-	844,197	-	-	-	-	-	-	844,197
Financial investments available-for-sale															
<i>Money Market Securities</i>	-	-	-	-	-	-	-	15,784	-	-	-	-	-	-	15,784
<i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	23,838	-	-	-	-	-	-	23,838
Financial investments held-to-maturity															
<i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Loans, advances and financing															
Other loans and financing	2,000	-	1,702	-	-	4,129	-	-	-	1,659	36,894	-	507,681	3,376	557,441
Less : Collective allowance															(9,202)
															548,239
Other financial assets	44	-	219	5	372	10	832	110,788	14,075	72	190	20	383,707	309	510,643
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-		2,031			-	-	-	2,031
	2,044	-	1,921	5	372	4,139	832	994,707	16,106	1,731	37,084	20	891,388	3,685	1,954,034
Contingent liabilities	-	-	-	-	80,164	-	-	-	-	36,428	92,987	-	-	-	209,579
Commitments	-	-	-	-	1,149	-	-	-	-	3,572	205,167	200	12,925	250	223,263
Total	-	-	-	-	81,313	-	-	-	-	40,000	298,154	200	12,925	250	432,842

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.1b Geographical Analysis of the Group**

	<b>In Malaysia RM'000</b>	<b>Outside Malaysia RM'000</b>	<b>Total RM'000</b>
<b>Group 2012</b>			
Cash and short-term funds	838,599	26,431	865,030
Deposit and placement with banks and other financial institutions	2,498	-	2,498
Derivative financial assets	86	1	87
Financial investments available-for-sale <i>Unquoted Private Debt Securities</i>	-	23,078	23,078
Financial investments held-to-maturity <i>Unquoted Private Debt Securities</i>	100	-	100
Loans, advances and financing			
Other loans and financing	609,084	5,432	614,516
Less : Collective allowance	-	-	(10,043)
	<u>609,084</u>	<u>5,432</u>	<u>604,473</u>
Other financial assets	686,588	286,103	972,691
Statutory deposits with Bank Negara Malaysia	12,123	-	12,123
Total financial assets	<u>2,149,078</u>	<u>341,045</u>	<u>2,480,080</u>
Contingent liabilities	329,990	-	329,990
Commitments	353,309	-	353,309
Total commitment & contingent liabilities	<u>683,299</u>	<u>-</u>	<u>683,299</u>

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.1b Geographical Analysis of the Group**

	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
<b>Group 2011</b>			
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			
<i>Money Market Securities:</i>	15,784	-	15,784
<i>Unquoted Private Debt Securities</i>	-	23,838	23,838
Financial investments held-to-maturity			
<i>Unquoted Private Debt Securities</i>	100	-	100
Loans, advances and financing			
Other loans and financing	554,786	2,682	557,468
Less : Collective allowance	-	-	(9,202)
	554,786	2,682	548,266
Other financial assets	556,121	248,347	804,468
Statutory deposits with Bank Negara Malaysia	2,031	-	2,031
Total financial assets	2,049,099	288,139	2,328,036
Contingent liabilities	209,579	-	209,579
Commitments	223,263	-	223,263
Total commitment & contingent liabilities	432,842	-	432,842

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.1b Geographical Analysis of the Bank**

	<b>In Malaysia RM'000</b>	<b>Outside Malaysia RM'000</b>	<b>Total RM'000</b>
<b>Bank 2012</b>			
Cash and short-term funds	760,305	3,364	763,669
Derivative financial assets	86	-	86
Financial investments available-for-sale <i>Unquoted Private Debt Securities</i>	-	23,078	23,078
Financial investments held-to-maturity <i>Unquoted Private Debt Securities</i>	100	-	100
Loans, advances and financing Other loans and financing	609,084	5,432	614,516
Less : Collective allowance	-	-	(10,043)
	<u>609,084</u>	<u>5,432</u>	<u>604,473</u>
Other financial assets	669,448	1,344	670,792
Statutory deposits with Bank Negara Malaysia	12,123	-	12,123
Total financial assets	<u>2,051,060</u>	<u>33,218</u>	<u>2,074,235</u>
Contingent liabilities	329,990	-	329,990
Commitments	353,309	-	353,309
Total commitment & contingent liabilities	<u>683,299</u>	<u>-</u>	<u>683,299</u>

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.1b Geographical Analysis of the Bank**

	<b>In Malaysia RM'000</b>	<b>Outside Malaysia RM'000</b>	<b>Total RM'000</b>
<b>Bank 2011</b>			
Cash and short-term funds	843,909	288	844,197
Financial investments available-for-sale			
<i>Money Market Securities:</i>	15,784	-	15,784
<i>Unquoted Private Debt Securities</i>	-	23,838	23,838
Financial investments held-to-maturity			
<i>Unquoted Private Debt Securities</i>	100	-	100
Loans, advances and financing			
Other loans and financing	554,759	2,682	557,441
Less : Collective allowance	-	-	(9,202)
	<u>554,759</u>	<u>2,682</u>	<u>548,239</u>
Other financial assets	509,322	1,321	510,643
Statutory deposits with Bank Negara Malaysia	2,031	-	2,031
Total financial assets	<u>1,925,905</u>	<u>28,129</u>	<u>1,944,832</u>
Contingent liabilities	209,579	-	209,579
Commitments	<u>223,263</u>	<u>-</u>	<u>223,263</u>
Total commitment & contingent liabilities	<u>432,842</u>	<u>-</u>	<u>432,842</u>

#### **44. RISK MANAGEMENT (CONTD.)**

##### **44.2 Credit Risk Management (Contd.)**

###### **44.2.2 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.



**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.2 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 Classification	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 categorised as either :

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

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

A loan is classified as impaired under the following circumstances:

- 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
- 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.
- for loans with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default<sup>1</sup> 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.
- 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.

<sup>1</sup> "Default" is defined for loans with repayment schedules on a quarterly basis or longer as 1 day past due + 30 days.

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.2a 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						Gross Amount			Fair Value of Collateral
	Strong Credit Profile	Satisfactory Risk	Sub-standard	Unrated	Past Due but not Impaired	Impaired	Total	Individually Impaired	Individual Allowance	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group 2012</b>										
Derivative financial assets	-	-	-	87	-	-	87	-	-	-
Financial investments available-for-sale										
<i>Money Market Securities:</i>	-	-	-	-	-	-	-	-	-	-
<i>Unquoted Private Debt Securities</i>	-	-	23,078	-	-	-	23,078	-	-	-
Financial investments held-to-maturity										
<i>Unquoted Private Debt Securities</i>	100	-	-	-	-	-	100	-	-	-
Gross loans, advances and financing										
Other loans and financing	606,093	7,430	-	-	-	4,554	618,077	4,554	(3,561)	1,508,437
Other financial assets	303,539	12,151	9,166	575,537	60,877	27,190	988,460	27,190	(15,769)	
Statutory deposits with Bank Negara Malaysia	12,123	-	-	-	-	-	12,123	-	-	-
	921,855	19,581	32,244	575,624	60,877	31,744	1,641,925	31,744	(19,330)	1,508,437
Contingent liabilities	130,890	-	-	199,100	-	-	329,990	-	-	-
Commitments	11,929	23,813	6,915	310,652	-	-	353,309	-	-	-
Total	142,819	23,813	6,915	509,752	-	-	683,299	-	-	-

\* The amounts presented are gross of impairment losses.

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.2a 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						Gross Amount			Fair Value of Collateral
	Strong Credit Profile	Satisfactory Risk	Sub-standard	Unrated	Past Due but not Impaired	Impaired	Total	Individually Impaired	Individual Allowance	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group 2011</b>										
Derivative financial assets	-	-	-	313	-	-	313	-	-	-
Financial investments available-for-sale										
<i>Money Market Securities:</i>	15,784	-	-	-	-	-	15,784	-	-	-
<i>Unquoted Private Debt Securities</i>	23,838	-	-	-	-	-	23,838	-	-	-
Financial investments held-to-maturity										
<i>Unquoted Private Debt Securities</i>	100	-	-	-	-	-	100	-	-	-
Gross loans, advances and financing										
Other loans and financing	547,685	8,775	-	-	-	5,920	562,380	5,920	(4,912)	1,449,526
Other financial assets	137,446	15,260	15,402	600,304	32,988	21,401	822,801	21,401	(18,333)	
Statutory deposits with Bank Negara Malaysia	2,031	-	-	-	-	-	2,031	-	-	-
	726,884	24,035	15,402	600,617	32,988	27,321	1,427,247	27,321	(23,245)	1,449,526
Contingent liabilities	143,242	66,337	-	-	-	-	209,579	-	-	-
Commitments	8,831	20,143	3,942	190,347	-	-	223,263	-	-	-
Total	152,073	86,480	3,942	190,347	-	-	432,842	-	-	-

\* The amounts presented are gross of impairment losses.

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.2a 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						Gross Amount Individually Impaired	Individual Allowance	Fair Value of Collaterals
	Strong Credit Profile	Satisfactory Risk	Sub-standard	Unrated	Past Due but not Impaired	Impaired			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank 2012</b>									
Derivative financial assets	-	-	-	86	-	-	86	-	-
Financial investments available-for-sale									
<i>Money Market Securities:</i>	-	-	-	-	-	-	-	-	-
<i>Unquoted Private Debt Securities</i>	-	-	23,078	-	-	-	23,078	-	-
Financial investments held-to-maturity									
<i>Unquoted Private Debt Securities</i>	100	-	-	-	-	-	100	-	-
Gross loans, advances and financing									
Other loans and financing	606,093	7,430	-	-	-	4,554	618,077	4,554	(3,561)
Other financial assets	303,818	12,151	9,166	336,431	7,693	11,664	680,923	11,664	(10,131)
Statutory deposits with Bank Negara Malaysia	12,123	-	-	-	-	-	12,123	-	-
	922,134	19,581	32,244	336,517	7,693	16,218	1,334,387	16,218	(13,692)
Contingent liabilities	130,890	-	-	199,100	-	-	329,990	-	-
Commitments	11,929	23,813	6,915	310,652	-	-	353,309	-	-
Total	142,819	23,813	6,915	509,752	-	-	683,299	-	-

\* The amounts presented are gross of impairment losses.

**44. RISK MANAGEMENT (CONTD.)****44.2 Credit Risk Management (Contd.)****44.2.2a 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						Total	Gross Amount Individually Impaired	Individual Allowance	Fair Value of Collaterals
	Strong Credit Profile	Satisfactory Risk	Sub-standard	Unrated	Past Due but not Impaired	Impaired				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
<b>Bank 2011</b>										
Financial investments available-for-sale										
<i>Money Market Securities:</i>	15,784	-	-	-	-	-	15,784	-	-	-
<i>Unquoted Private Debt Securities</i>	23,838	-	-	-	-	-	23,838	-	-	-
Financial investments held-to-maturity										
<i>Unquoted Private Debt Securities</i>	100	-	-	-	-	-	100	-	-	-
Gross loans, advances and financing										
Other loans and financing	547,685	8,748	-	-	-	5,920	562,353	5,920	(4,912)	1,449,526
Other financial assets	137,883	15,260	15,402	339,602	1,328	18,022	527,497	18,022	(16,854)	
Statutory deposits with Bank Negara Malaysia	2,031	-	-	-	-	-	2,031	-	-	-
	727,321	24,008	15,402	339,602	1,328	23,942	1,131,603	23,942	(21,766)	1,449,526
Contingent liabilities	143,242	66,337	-	-	-	-	209,579	-	-	-
Commitments	8,831	20,143	3,942	190,347	-	-	223,263	-	-	-
Total	152,073	86,480	3,942	190,347	-	-	432,842	-	-	-

\* The amounts presented are gross of impairment losses.

**44. RISK MANAGEMENT (CONTD.)****44.2.2b 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 months RM'000	Total RM'000
<b>Group 2012</b>				
Other financial assets	29,070	28,238	3,569	60,877
<b>2011</b>				
Other financial assets	31,926	162	900	32,988
<b>Bank 2012</b>				
Other financial assets	75	5,423	2,195	7,693
<b>2011</b>				
Other financial assets	672	162	494	1,328

**44.2.2c 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 2012, the Group and the Bank do not have any financial assets whose terms have been renegotiated which are not impaired.

**44.2.2d 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:

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Residential properties	265	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 2012.

**44. RISK MANAGEMENT (CONTD.)**

**44.2 Credit Risk Management (Contd.)**

**44.2.2e 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.

#### **44. RISK MANAGEMENT (CONTD.)**

##### **44.3 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 market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to a liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by Bank Negara Malaysia. 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. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. 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 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.

The Group has put in place a Contingency Funding Plan to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring 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 Contingency 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 adjusted loans/financing to deposit ratio, which compares loans/financing and advances to customers as a percentage of customer deposit accounts, together with term funding with a remaining term to maturity in excess of three years.

In preparation to the impending implementation of Basel III liquidity metrics, the Group is putting in place the measurement mechanism and strategizing for ensuring availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Group is confident of meeting Bank Negara Malaysia's requirements on Basel III liquidity metrics in accordance with its recently approved timetable for implementation.

##### **44.3.1 Liquidity Metrics**

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

##### **Adjusted Customer Loans to Deposits Ratio ("LDR")**

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

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.



**44. RISK MANAGEMENT (CONTD.)****44.3 Liquidity Risk and Funding Management****44.3.2 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.

	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
<b>Group 2012</b>								
<b>Financial Assets</b>								
Cash and short-term funds	865,792	-	-	-	-	-	-	865,792
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	12,123	-	12,123
Deposit and placement with banks and other financial institutions	-	2,511	-	-	-	-	-	2,511
Financial assets held-for-trading	-	-	-	-	-	-	30,821	30,821
Loans, advances and financing	223,074	56,748	134,764	179,689	32,803	3,857	-	630,935
Financial investments available-for-sale	-	-	799	803	28,385	-	24,928	54,915
Financial investments held-to-maturity	-	-	-	-	-	100	-	100
Other financial assets	972,691	-	-	-	-	-	-	972,691
<b>Total Undiscounted Financial Assets</b>	<b>2,061,557</b>	<b>59,259</b>	<b>135,563</b>	<b>180,492</b>	<b>61,188</b>	<b>16,080</b>	<b>55,749</b>	<b>2,569,888</b>
<b>Financial Liabilities</b>								
Deposits and placements of banks and other financial institutions	155,030	368,595	366,853	-	-	-	-	890,478
Debt issued and other borrowed funds	41,402	-	-	-	-	-	-	41,402
Other financial liabilities	1,082,289	-	-	-	-	-	-	1,082,289
<b>Total Undiscounted Financial Liabilities</b>	<b>1,278,721</b>	<b>368,595</b>	<b>366,853</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,014,169</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>782,836</b>	<b>(309,336)</b>	<b>(231,290)</b>	<b>180,492</b>	<b>61,188</b>	<b>16,080</b>	<b>55,749</b>	<b>555,719</b>

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.

**2012**

	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	181,890	-	-	-	-	-	-	181,890
Obligation under underwriting commitments	7,600	140,500	-	-	-	-	-	148,100
Other undrawn commitments to lend	7,956	7,242	11,561	13,901	1,406	311,243	-	353,309
<b>Total commitments and guarantees</b>	<b>197,446</b>	<b>147,742</b>	<b>11,561</b>	<b>13,901</b>	<b>1,406</b>	<b>311,243</b>	<b>-</b>	<b>683,299</b>

**44. RISK MANAGEMENT (CONTD.)****44.3 Liquidity Risk and Funding Management****44.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)**

<b>Group</b>	<b>Up to 1</b>	<b>&gt;1 to 3</b>	<b>&gt;3 to 6</b>	<b>&gt;6 to 12</b>	<b>&gt;1 to 5</b>	<b>Over</b>	<b>No maturity</b>	<b>Total</b>
<b>2011</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>5 years</b>	<b>specified</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>								
Cash and short-term funds	933,823	-	-	-	-	-	-	933,823
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,031	-	2,031
Deposit and placement with banks and other financial institutions	-	676	-	-	-	-	-	676
Financial assets held-for-trading	-	-	-	-	-	-	7,385	7,385
Loans, advances and financing	235,925	42,461	32,265	237,352	23,156	17,436	-	588,595
Financial investments available-for-sale	-	-	16,789	101	25,654	-	15,914	58,458
Financial investments held-to-maturity	-	-	-	-	-	100	-	100
Other financial assets	804,468	-	-	-	-	-	-	804,468
<b>Total Undiscounted Financial Assets</b>	<b>1,974,216</b>	<b>43,137</b>	<b>49,054</b>	<b>237,453</b>	<b>48,810</b>	<b>19,567</b>	<b>23,299</b>	<b>2,395,536</b>
<b>Financial Liabilities</b>								
Deposits and placements of banks and other financial institutions	274,813	318,928	294,572	-	-	-	-	888,313
Deposits from customers	-	-	13,200	-	-	(218)	-	12,982
Debt issued and other borrowed funds	2,401	-	-	-	-	-	-	2,401
Other financial liabilities	874,069	-	-	-	-	-	-	874,069
<b>Total Undiscounted Financial Liabilities</b>	<b>1,151,283</b>	<b>318,928</b>	<b>307,772</b>	<b>-</b>	<b>-</b>	<b>(218)</b>	<b>-</b>	<b>1,777,765</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>822,933</b>	<b>(275,791)</b>	<b>(258,718)</b>	<b>237,453</b>	<b>48,810</b>	<b>19,785</b>	<b>23,299</b>	<b>617,771</b>

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**

	<b>Up to 1</b>	<b>&gt;1 to 3</b>	<b>&gt;3 to 6</b>	<b>&gt;6 to 12</b>	<b>&gt;1 to 5</b>	<b>Over</b>	<b>No maturity</b>	<b>Total</b>
	<b>month</b>	<b>months</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>5 years</b>	<b>specified</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Financial guarantees	209,579	-	-	-	-	-	-	209,579
Other undrawn commitments to lend	26,363	26,547	38,291	124,613	7,449	-	-	223,263
<b>Total commitments and guarantees</b>	<b>235,942</b>	<b>26,547</b>	<b>38,291</b>	<b>124,613</b>	<b>7,449</b>	<b>-</b>	<b>-</b>	<b>432,842</b>

**44. RISK MANAGEMENT (CONTD.)****44.3 Liquidity Risk and Funding Management****44.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)**

	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
<b>Bank 2012</b>								
<b>Financial Assets</b>								
Cash and short-term funds	764,431	-	-	-	-	-	-	764,431
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	12,123	-	12,123
Deposit and placement with banks and other financial institutions	-	1,821	-	-	-	-	-	1,821
Financial assets held-for-trading	-	-	-	-	-	-	30,777	30,777
Loans, advances and financing	223,074	56,748	134,764	179,689	32,803	3,857	-	630,935
Financial investments available-for-sale	-	-	799	803	28,385	-	22,501	52,488
Financial investments held-to-maturity	-	-	-	-	-	100	-	100
Other financial assets	670,792	-	-	-	-	-	-	670,792
<b>Total Undiscounted Financial Assets</b>	<b>1,658,297</b>	<b>58,569</b>	<b>135,563</b>	<b>180,492</b>	<b>61,188</b>	<b>16,080</b>	<b>53,278</b>	<b>2,163,467</b>
<b>Financial Liabilities</b>								
Deposits and placements of banks and other financial institutions	155,030	368,595	366,853	-	-	-	-	890,478
Other financial liabilities	814,066	-	-	-	-	-	-	814,066
<b>Total Undiscounted Financial Liabilities</b>	<b>969,096</b>	<b>368,595</b>	<b>366,853</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,704,544</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>689,201</b>	<b>(310,026)</b>	<b>(231,290)</b>	<b>180,492</b>	<b>61,188</b>	<b>16,080</b>	<b>53,278</b>	<b>458,923</b>

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.

**2012**

	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	181,890	-	-	-	-	-	-	181,890
Obligation under underwriting commitments	7,600	140,500	-	-	-	-	-	148,100
Other undrawn commitments to lend	7,956	7,242	11,561	13,901	1,406	311,243	-	353,309
<b>Total commitments and guarantees</b>	<b>197,446</b>	<b>147,742</b>	<b>11,561</b>	<b>13,901</b>	<b>1,406</b>	<b>311,243</b>	<b>-</b>	<b>683,299</b>

**44. RISK MANAGEMENT (CONTD.)****44.3 Liquidity Risk and Funding Management****44.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)**

	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
<b>Bank 2011</b>								
<b>Financial Assets</b>								
Cash and short-term funds	845,460	-	-	-	-	-	-	845,460
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,031	-	2,031
Financial assets held-for-trading	-	-	-	-	-	-	4,798	4,798
Loans, advances and financing	235,925	42,461	32,265	237,325	23,156	17,436	-	588,568
Financial investments available-for-sale	-	-	16,789	101	25,654	-	13,200	55,744
Financial investments held-to-maturity	-	-	-	-	-	100	-	100
Other financial assets	510,643	-	-	-	-	-	-	510,643
<b>Total Undiscounted Financial Assets</b>	<b>1,592,028</b>	<b>42,461</b>	<b>49,054</b>	<b>237,426</b>	<b>48,810</b>	<b>19,567</b>	<b>17,998</b>	<b>2,007,344</b>
<b>Financial Liabilities</b>								
Deposits and placements of banks and other financial institutions	274,813	318,928	294,572	-	-	-	-	888,313
Deposits from customers	-	-	13,200	-	-	(218)	-	12,982
Other financial liabilities	607,870	-	-	-	-	-	-	607,870
<b>Total Undiscounted Financial Liabilities</b>	<b>882,683</b>	<b>318,928</b>	<b>307,772</b>	<b>-</b>	<b>-</b>	<b>(218)</b>	<b>-</b>	<b>1,509,165</b>
<b>Net Undiscounted Financial Assets/(Liabilities)</b>	<b>709,345</b>	<b>(276,467)</b>	<b>(258,718)</b>	<b>237,426</b>	<b>48,810</b>	<b>19,785</b>	<b>17,998</b>	<b>498,179</b>

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	>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	209,579	-	-	-	-	-	-	209,579
Other undrawn commitments to lend	26,363	26,547	38,291	124,613	7,449	-	-	223,263
<b>Total commitments and guarantees</b>	<b>235,942</b>	<b>26,547</b>	<b>38,291</b>	<b>124,613</b>	<b>7,449</b>	<b>-</b>	<b>-</b>	<b>432,842</b>

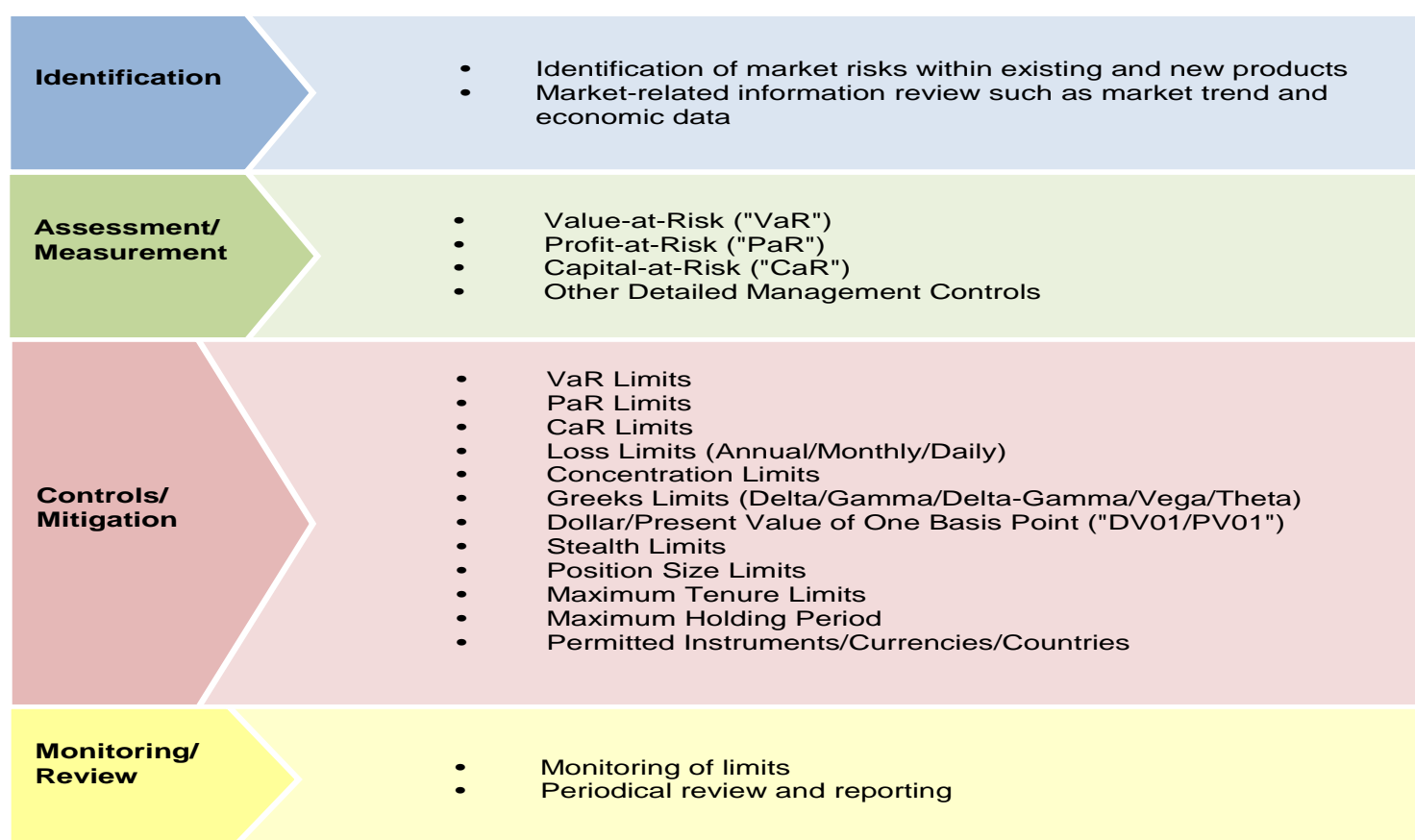
#### 44. RISK MANAGEMENT (CONTD.)

##### 44.4 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 Group Market Risk ("GMR"). For Islamic products and activities, the Shariah compliance risk is also assessed and monitored.

##### Traded Market Risk ("TMR")

The TMR management process is depicted in the diagram below.



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 of Directors ("Board") and Executive Management approved limit structures. This is done via robust measurement, limit setting, 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 (i.e. Annual Loss Limit). 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 controls (i.e. Greeks/DV01/PV01) 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.

GMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GTMRC, RMCD and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits. Business Units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by senior management.

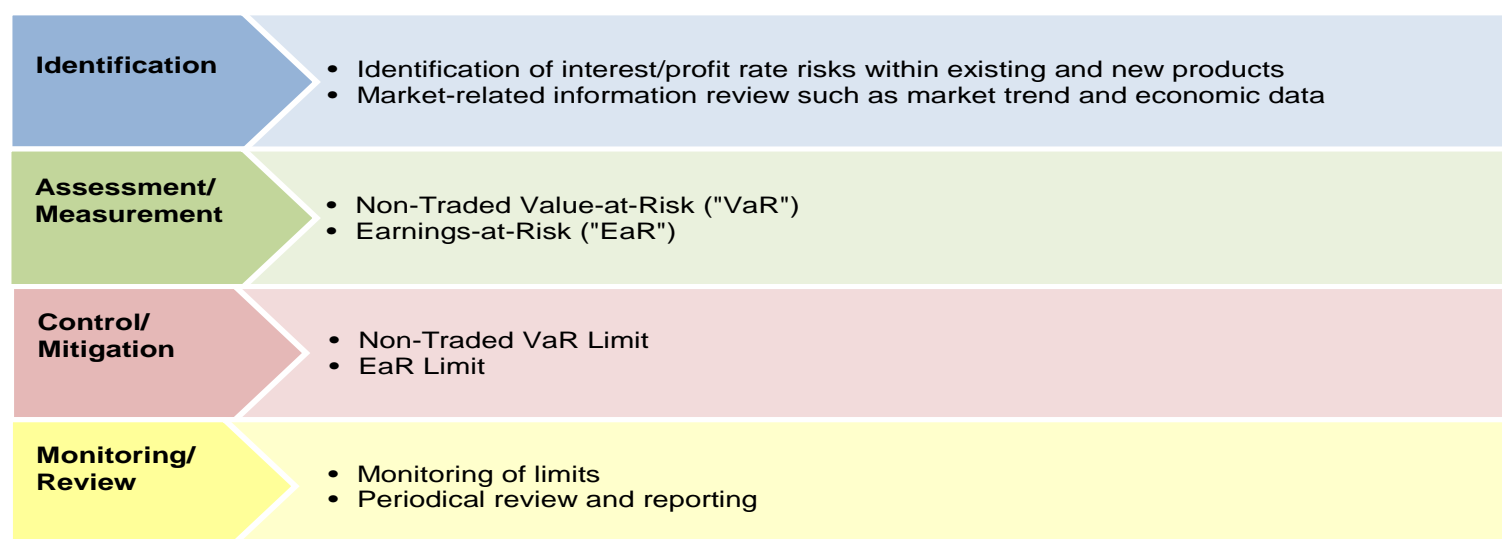
**44. RISK MANAGEMENT (CONTD.)****44.4 Market Risk Management (Contd.)****Traded Market Risk (Contd.)**

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

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

**Non-Traded Market Risk****Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")**

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



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 tenure 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.

**44. RISK MANAGEMENT (CONTD.)****44.4 Market Risk Management (Contd.)****Non-Traded Market Risk (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.

**Market Risk Sensitivity****(i) Interest Rate Risk/Rate of Return Risk**

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

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**

	2012		2011	
	Interest Rate + 100 bps (RM'000)	Interest Rate - 100 bps (RM'000)	Interest Rate + 100 bps (RM'000)	Interest Rate - 100 bps (RM'000)
Impact on Profit before taxation	6,098	(6,098)	5,829	(5,829)
Impact on Equity	720	(699)	(420)	475

**The Bank**

	2012		2011	
	Interest Rate + 100 bps (RM'000)	Interest Rate - 100 bps (RM'000)	Interest Rate + 100 bps (RM'000)	Interest Rate - 100 bps (RM'000)
Impact on Profit before taxation	5,458	(5,458)	5,156	(5,156)
Impact on Equity	749	(729)	(390)	444

**Note:**

The sensitivity analysis presented for non-traded market risk excluded non-interest bearing assets and liabilities. The disclosure presented conforms with the Group's and the Bank's method of managing interest rate risk in the banking book by including all fixed and floating rate financial assets and liabilities.

**44. RISK MANAGEMENT (CONTD.)****44.4 Market Risk Management (Contd.)****ii) Foreign Exchange Risk**

Foreign 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 exchange rates with all other variables remain constant.

**Impact on Profit before taxation**

Currency	2012		2011	
	Currency Rate	Currency Rate	Currency Rate	Currency Rate
	+ 10 % (RM'000)	- 10 % (RM'000)	+ 10 % (RM'000)	- 10 % (RM'000)
<b>The Group</b>				
USD	679	(679)	1,091	(1,091)
SGD	122	(122)	60	(60)
EUR	7	(7)	13	(13)
GBP	64	(64)	47	(47)
Others	542	(542)	324	(324)
<b>The Bank</b>				
USD	(282)	282	47	(47)
SGD	117	(117)	60	(60)
EUR	5	(5)	8	(8)
Others	-	-	1	(1)

**Impact on Equity**

Currency	2012		2011	
	Currency Rate	Currency Rate	Currency Rate	Currency Rate
	+ 10 % (RM'000)	- 10 % (RM'000)	+ 10 % (RM'000)	- 10 % (RM'000)
<b>The Group</b>				
SGD	7,724	(7,724)	8,696	(8,696)



**44. RISK MANAGEMENT (CONTD.)****44.4 Market Risk Management (Contd.)****iii) Equity Price Risk**

Equity price risk arises from the adverse movements in the price of equities. Equity price 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**

	2012		2011	
	Equity Price + 10% (RM'000)	Equity Price - 10% (RM'000)	Equity Price + 10% (RM'000)	Equity Price - 10% (RM'000)
Impact on Profit before taxation	6,129	(6,129)	508	(508)
Impact on Equity	1,111	(1,111)	-	-

**The Bank**

	2012		2011	
	Equity Price + 10% (RM'000)	Equity Price - 10% (RM'000)	Equity Price + 10% (RM'000)	Equity Price - 10% (RM'000)
Impact on Profit before taxation	6,121	(6,121)	249	(249)
Impact on Equity	1,111	(1,111)	-	-

**44.5 Operational Risk Management**

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

Operational risk 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 activities and undertaking business continuity planning. These are supported by independent reviews by the Group's Internal Audit team.

**44.6 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 operational risk.

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

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

**45. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Except as detailed in the following tables, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

**45.1 Financial instruments not measured at fair value 2012**

	<b>Group</b>		<b>Bank</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>				
Cash and short-term funds	865,030	865,030	763,669	763,669
Deposits and placements with banks and other financial institutions	2,498	2,498	1,808	1,808
Financial investments available-for-sale	14,110	14,110	11,910	11,910
Financial investments held-to-maturity	100	100	100	100
Loans, advances and financing	604,473	604,473	604,473	604,473
Other financial assets	969,000	969,000	666,822	666,822
	<u>1,590,181</u>	<u>1,590,181</u>	<u>1,285,113</u>	<u>1,285,113</u>
<b>Financial Liabilities</b>				
Deposits and placements of banks and other financial institutions	878,697	878,697	878,697	878,697
Term funding	41,402	41,402	-	-
Other financial liabilities	1,075,575	1,075,575	806,702	806,702
	<u>1,995,674</u>	<u>1,995,674</u>	<u>1,685,399</u>	<u>1,685,399</u>

**45.2 Financial instruments measured at fair value**

The following table presents the assets and liabilities that are measured at fair value at 31 March 2012:

	<b>&lt; ----- Group ----- &gt;</b>				<b>&lt; ----- Bank ----- &gt;</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial Assets</b>								
Derivative financial assets	87	-	-	87	86	-	-	86
Financial assets held-for-trading	30,821	-	-	30,821	30,777	-	-	30,777
Financial investments available-for-sale	11,335	23,078	-	34,413	11,110	23,078	-	34,188
	<u>42,243</u>	<u>23,078</u>	<u>-</u>	<u>65,321</u>	<u>41,973</u>	<u>23,078</u>	<u>-</u>	<u>65,051</u>
<b>Financial Liabilities</b>								
Derivative financial liabilities	3	-	-	3	-	-	-	-
	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**45.3 Determination of fair value**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

**45.3a Assets For Which Fair Value Approximates Carrying Value**

For financial assets and financial liabilities that have a short-term maturity (less than three months), demand deposits and savings accounts without a specific maturity, the carrying amounts approximate to their fair value. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was initially recognised.

## 45. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

### 45.3b Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were initially recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

### 45.3c Contingent Liabilities And Undrawn Credit Facilities

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

### 45.3d Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivative products valued using a valuation technique with significant non-market observable inputs are long dated contracts (interest rate swaps, currency swaps, forwards foreign exchange contracts, option contracts and certain credit default swaps). These derivatives are valued using models that calculate the present value such as credit models (e.g., default rate models or credit spread models) and the binomial model for options. The models incorporate various nonobservable assumptions that include the credit spread of the reference asset for credit default swaps, and market rate volatilities.

### 45.3e Financial Investments Available-for-Sale

Financial investments available-for-sale valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

### 45.3f Other Trading Assets

Other trading assets valued using a valuation technique consists of certain debt securities and asset-backed securities. The Group and Bank value the securities using discounted cash flow valuation models which incorporate observable and unobservable data. Observable inputs include assumptions regarding current rates of interest and broker statements. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

## 45.4 Determination of Fair Value Hierarchy

The Group and Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group or Bank. Therefore, unobservable inputs reflect the Group's and the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Bank's own data.

#### **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 among 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 2011).

**46. BUSINESS SEGMENT ANALYSIS**

<b>2012 Group</b>	<b>Investment Banking RM'000</b>	<b>Corporate and Institutional Banking RM'000</b>	<b>Markets RM'000</b>	<b>Group Functions and Others RM'000</b>	<b>Total RM'000</b>
Revenue	230,793	21,934	5,209	41,919	299,855
Income	229,621	21,659	5,209	14,915	271,404
Expenses	(139,518)	(18,660)	(1)	(46,100)	(204,279)
Profit/(loss) before provisions	90,103	2,999	5,208	(31,185)	67,125
Provisions	690	(5,240)	-	1,264	(3,286)
Profit/(loss) after provisions	90,793	(2,241)	5,208	(29,921)	63,839
Taxation and zakat	(23,310)	(297)	(1,302)	6,284	(18,625)
Net profit/(loss) for the period	67,483	(2,538)	3,906	(23,637)	45,214
<b>Other information:</b>					
Cost to income ratio	60.8%	86.2%	0.0%	309.1%	75.3%
Gross loans/ financing	610,550	-	-	7,527	618,077
Net loans/ financing	597,096	-	-	7,377	604,473
Gross impaired loans, advances and financing	4,554	-	-	-	4,554
Total deposits	47,783	-	-	830,914	878,697

**46. BUSINESS SEGMENT ANALYSIS (CONTD.)**

	<b>Investment Banking RM'000</b>	<b>Corporate and Institutional Banking RM'000</b>	<b>Markets RM'000</b>	<b>Group Functions and Others RM'000</b>	<b>Total RM'000</b>
<b>2011 Group</b>					
Revenue	230,068	49,990	11,561	26,309	317,928
Income	229,037	49,529	11,561	2,340	292,467
Expenses	(138,841)	(29,830)	-	(22,308)	(190,979)
Profit/(loss) before provisions	90,196	19,699	11,561	(19,968)	101,488
Provisions	(3,245)	91	179	1,020	(1,955)
Profit/(loss) after provisions	86,951	19,790	11,740	(18,948)	99,533
Taxation and zakat	(21,905)	(4,685)	(2,935)	2,642	(26,883)
Net profit/(loss) for the period	65,046	15,105	8,805	(16,306)	72,650
<b>Other information</b>					
Cost to income ratio	60.6%	60.2%	0.0%	953.3%	65.3%
Gross loans/ financing	553,545	-	-	8,835	562,380
Net loans/ financing	539,592	-	-	8,674	548,266
Gross impaired loans, advances and financing	5,920	-	-	-	5,920
Total deposits	2,532	-	-	888,675	891,207

Included in the above is Islamic Banking business profit before taxation of RM31.2 million for the year ended 31 March 2012 (RM18.8 million for the year ended 31 March 2011).

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

**47. RESTATEMENT OF COMPARATIVES**

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

<b>Income statement for the financial year ended 31 March 2011</b>	<b>As previously reported RM'000</b>	<b>Reclassifications RM'000</b>	<b>As restated RM'000</b>
<b>Group</b>			
Operating revenue	372,169	(54,241)	317,928
Other operating income	305,713	(54,498)	251,215
Other operating expenses	(245,477)	54,498	(190,979)
<b>Bank</b>			
Operating revenue	329,926	(56,627)	273,299
Other operating income	267,289	(56,627)	210,662
Other operating expenses	(207,650)	56,627	(151,023)

**48. ISLAMIC BANKING BUSINESS**

The statements of financial position as at 31 March 2012 and the results for the financial year ended 31 March 2012 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 2012**

		<b>Group and Bank</b>	
		<b>2012</b>	<b>2011</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>			
Cash and short-term funds	(ii)	173,984	133,819
Other receivables, deposits and prepayments		18,863	26,014
Deferred tax assets	(iii)	1,541	1,542
Property and equipment	(iv)	58	78
Intangible assets	(v)	6	8
<b>TOTAL ASSETS</b>		<b>194,452</b>	<b>161,461</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Other liabilities	(vi)	58,447	48,721
<b>Total Liabilities</b>		<b>58,447</b>	<b>48,721</b>
<b>ISLAMIC BANKING FUNDS</b>			
Capital funds	(vii)	30,000	30,000
Reserves		106,005	82,740
<b>Islamic Banking Funds</b>		<b>136,005</b>	<b>112,740</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>194,452</b>	<b>161,461</b>
<b>COMMITMENT &amp; CONTINGENCIES</b>	(xiii)	<b>114,078</b>	<b>129,415</b>

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



**48. ISLAMIC BANKING BUSINESS (CONTD.)****INCOME STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

	<b>Note</b>	<b>Group and Bank</b>	
		<b>2012</b>	<b>2011</b>
		<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	(viii)	1,221	928
Total attributable income		1,221	928
Income attributable to the depositors	(ix)	(26)	(12)
Profit attributable to the Group and the Bank		1,195	916
Income derived from investment of Islamic banking funds	(x)	33,362	21,235
Total net income		34,557	22,151
Sundry receivables written off		-	(960)
Other operating expenses	(xi)	(3,344)	(2,401)
Profit before taxation		31,213	18,790
Taxation	(xii)	(7,948)	(4,709)
Profit after taxation		23,265	14,081

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

**48. ISLAMIC BANKING BUSINESS (CONTD.)**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2012**

	<b>Capital Funds RM'000</b>	<b>Distributable Retained Earnings RM'000</b>	<b>Total RM'000</b>
<b>Group and Bank</b>			
<b>At 1 April 2010</b>	30,000	68,659	98,659
Profit for the year	-	14,081	14,081
<b>At 31 March 2011</b>	<u>30,000</u>	<u>82,740</u>	<u>112,740</u>
<b>At 1 April 2011</b>	30,000	82,740	112,740
Profit for the year	-	23,265	23,265
<b>At 31 March 2012</b>	<u>30,000</u>	<u>106,005</u>	<u>136,005</u>

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

**48. ISLAMIC BANKING BUSINESS (CONTD.)****STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2012**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	31,213	18,790
Add/(less) adjustments for:		
Depreciation of property and equipment	23	23
Amortisation of computer software	2	2
Sundry receivables written off	-	960
Operating profit before working capital changes	31,238	19,775
(Increase)/decrease in operating assets:		
Other receivables, deposits and prepayments	7,153	(16,016)
Increase/(decrease) in operating liabilities:		
Other liabilities	1,778	6,344
Net cash generated from operating activities	40,169	10,103
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(4)	(11)
Purchase of computer software	-	(7)
Net cash used in investing activities	(4)	(18)
Net increase in cash and cash equivalents	40,165	10,085
Cash and cash equivalents at beginning of year	133,819	123,734
Cash and cash equivalents at end of year	173,984	133,819

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

**48. 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, Assoc. Prof. Dr Amir Husin bin Mohd Nor, Assoc. Prof. Datin Dr. Noor Naemah binti Abdul Rahman, Encik Adnan bin Yusoff, Asst. Professor Dr. Tajul Aris bin Ahmad Bustami and Dr. Asmak binti Ab 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**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and bank balances	287	4,481
Money on call and deposits maturing within one month:		
Licensed banks	173,697	129,338
	<u>173,984</u>	<u>133,819</u>

**(iii) DEFERRED TAX ASSETS**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at beginning of year	1,542	(8)
Net transfer to income statement (Note xii)	(1)	1,550
Balance at end of year	<u>1,541</u>	<u>1,542</u>
The deferred taxation is in respect of the following:		
Temporary difference between depreciation and tax allowance	(12)	(11)
Temporary differences from provisions	1,553	1,553
	<u>1,541</u>	<u>1,542</u>

**48. ISLAMIC BANKING BUSINESS (CONTD.)****(iv) PROPERTY AND EQUIPMENT**

<b>Group and Bank</b>	<b>Leasehold improvements RM'000</b>	<b>Computer hardware RM'000</b>	<b>Office equipment, furniture and fittings RM'000</b>	<b>Total RM'000</b>
<b>2012</b>				
<b>COST</b>				
Balance at beginning of year	88	68	84	240
Additions	-	4	-	4
Disposal	-	(7)	-	(7)
At end of year	<u>88</u>	<u>65</u>	<u>84</u>	<u>237</u>
<b>ACCUMULATED DEPRECIATION</b>				
Balance at beginning of year	65	54	43	162
Additions	10	5	8	23
Disposal	-	(6)	-	(6)
At end of year	<u>75</u>	<u>53</u>	<u>51</u>	<u>179</u>
<b>NET BOOK VALUE</b>				
As at 31 March 2012	<u>13</u>	<u>12</u>	<u>33</u>	<u>58</u>
<b>2011</b>				
<b>COST</b>				
Balance at beginning of year	88	72	78	238
Additions	-	5	6	11
Reclassification/Transfer	-	(9)	-	(9)
At end of year	<u>88</u>	<u>68</u>	<u>84</u>	<u>240</u>
<b>ACCUMULATED DEPRECIATION</b>				
Balance at beginning of year	55	57	36	148
Additions	10	6	7	23
Reclassification/Transfer	-	(9)	-	(9)
At end of year	<u>65</u>	<u>54</u>	<u>43</u>	<u>162</u>
<b>NET BOOK VALUE</b>				
As at 31 March 2011	<u>23</u>	<u>14</u>	<u>41</u>	<u>78</u>

**48. ISLAMIC BANKING BUSINESS (CONTD.)****(v) INTANGIBLE ASSETS****Computer Software****COST**

At beginning of year

Additions

At end of year

**ACCUMULATED AMORTISATION**

At beginning of year

Additions

At end of year

**NET CARRYING AMOUNT****Group and Bank****2012****2011****RM'000****RM'000**

19

12

-

7

19

19

11

9

2

2

13

11

6

8

**(vi) OTHER LIABILITIES****Group and Bank****2012****2011****RM'000****RM'000**

Other payables and accruals

7,258

13,939

Amount due to head office

21,053

-

Taxation and zakat payable

30,136

34,782

58,447

48,721

**48. ISLAMIC BANKING BUSINESS (CONTD.)****(vii) CAPITAL FUNDS**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Allocated:		
Balance at beginning and end of year	<u>30,000</u>	<u>30,000</u>
Utilised:		
Balance at beginning and end of year	<u>30,000</u>	<u>30,000</u>

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

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of other deposits	<u>1,221</u>	<u>928</u>

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**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Other deposit and placement from Head Office	<u>26</u>	<u>12</u>

**48. ISLAMIC BANKING BUSINESS (CONTD.)****(x) INCOME DERIVED FROM INVESTMENT OF ISLAMIC BANKING FUNDS**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Finance income and hibah:		
Money at call and deposits with financial institutions	<u>3,942</u>	<u>4,675</u>
Fee and commission income:		
Brokerage fees and commissions	1,166	1,875
Corporate advisory	1,120	85
Guarantee fees	1,492	1,651
Other fee income	<u>25,642</u>	<u>12,949</u>
	<u>29,420</u>	<u>16,560</u>
Total	<u>33,362</u>	<u>21,235</u>

**(xi) OTHER OPERATING EXPENSES**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Personnel costs	2,610	1,785
Establishment costs	226	256
Marketing and communication expenses	211	119
Administration and general expenses	256	195
Service transfer pricing expenses	<u>41</u>	<u>46</u>
	<u>3,344</u>	<u>2,401</u>

**(xii) TAXATION**

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Estimated current tax payable	7,745	4,675
Underprovision of tax expense in prior year	202	1,584
Transfer from deferred tax assets	<u>1</u>	<u>(1,550)</u>
Total	<u>7,948</u>	<u>4,709</u>



#### 48. 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 2012, the commitments and contingencies outstanding are as follows:

	2012 Principal Amount RM'000	2011 Principal Amount RM'000
<b>Group and Bank</b>		
<b>Contingent Liabilities</b>		
Al-Kafalah guarantees	<u>114,078</u>	<u>129,415</u>

**48. ISLAMIC BANKING BUSINESS (CONTD.)****(xiv) NET INCOME FROM ISLAMIC BANKING BUSINESS**

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

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds	1,221	928
Less: Income attributable to depositors	(26)	(12)
Income attributable to the Group and the Bank	1,195	916
Income derived from Islamic banking funds	33,362	21,235
	<u>34,557</u>	<u>22,151</u>

**(xv) CAPITAL ADEQUACY RATIO**

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

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
Before deducting proposed dividends:		
Core capital ratio	51.4%	44.5%
Risk-weighted capital ratio	51.4%	44.5%
After deducting proposed dividend:		
Core capital ratio	51.4%	44.5%
Risk-weighted capital ratio	51.4%	44.5%

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

The capital adequacy ratios of AmlInvestment Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II). AmlInvestment 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.

**48. ISLAMIC BANKING BUSINESS (CONTD.)****(xv) CAPITAL ADEQUACY RATIO (CONTD.)**

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

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier 1 capital		
Islamic Banking funds	30,000	30,000
Retained earnings at end of year	<u>106,005</u>	<u>82,740</u>
Total	<u>136,005</u>	<u>112,740</u>
Less: Deferred tax asset - net	<u>(1,541)</u>	<u>(1,542)</u>
Total tier 1 capital	<u>134,464</u>	<u>111,198</u>
Total Tier 1 and Capital base	<u>134,464</u>	<u>111,198</u>

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

	<b>Group and Bank</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk	168,476	172,320
Operational risk	<u>93,271</u>	<u>77,825</u>
	<u>261,747</u>	<u>250,145</u>