

AmBank (M) Berhad
(Company No. 8515-D)
(Incorporated in Malaysia)
And Its Subsidiary Companies

Financial Statements
For the Financial Year Ended
31 March 2008
(In Ringgit Malaysia)

Company No. 8515-D

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

FINANCIAL STATEMENTS

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AmBank (M) Berhad
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DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2008.

PRINCIPAL ACTIVITIES

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

The principal activities of its subsidiary companies are disclosed in Note 14 to the financial statements.

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

SIGNIFICANT EVENTS

- (1) On 18 May 2007, upon obtaining the necessary approvals from the shareholders' and the relevant authorities, the ultimate holding company of the Group, AMMB Holdings Berhad (AHB) implemented the following:
 - (i) Increase in the authorised share capital of AHB from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each to RM5,200,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each and 200,000,000 converting preference shares ("CPS") of RM1.00 each;
 - (ii) Issue of 163,934,426 CPS to ANZ Funds Pty Ltd ("ANZ Funds") at an issue price of RM3.05 per CPS amounting to RM500,000,000, which are convertible into 163,934,426 new ordinary shares of RM1.00 each in AHB; and
 - (iii) Issue of the RM575,000,000 nominal value Ten(10) Year Unsecured Exchangeable Bonds ("EBs") by the Bank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in AHB at an exchange price of RM3.05 per share.

Pursuant to the completion of AHB's Rights Issue on 15 January 2008, the EB conversion price was adjusted from RM3.05 per share to RM2.95 per share.

On 13 March 2008, the CPS were converted into 163,934,426 new ordinary shares of RM1.00 each on the basis of one new ordinary share of RM1.00 each in exchange for every one CPS of RM1.00 each.

- (2) AHB had utilised a total of RM450,000,000 from the proceeds of CPS for the subscription of AMFB Holdings Berhad ("AMFB")'s rights issue of 30,000,000 new ordinary shares of RM1.00 each at an issue price of RM5.00 per share amounting to RM150,000,000 and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stocks issued by AMFB on rights entitlement basis. The issue price of RM5.00 per share is arrived at based on 17.6% premium on the net tangible assets per share of AMFB of approximately RM4.25 as at 31 March 2007.
- (3) AMFB had subscribed for RM150,000,000 Irredeemable Non-cumulative Convertible Preference Shares of RM1.00 each and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stocks issued by the Bank on rights entitlement basis to further increase the capital funds of the Bank.

SIGNIFICANT EVENTS (CONTD.)

- (4) Upon obtaining the necessary approvals from the relevant authorities, the Bank completed the sale of corporate and retail non-performing loans following the receipt of the sale proceeds totalling RM328.5 million from ABS Enterprise One Berhad, Neptune ABS One Berhad and Neptune ABS Two Berhad.
- (5) Upon obtaining the necessary approvals from the relevant authorities, the Bank had issued five Tranches of Medium Term Notes ("MTN") totaling RM860 million under a RM2.0 billion nominal value MTN Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN issued under the MTN Programme had been included as Tier 2 capital under the capital adequacy framework for financial institutions in compliance with the Risk Weighted Capital Adequacy Framework issued by Bank Negara Malaysia ("BNM").

- (6) Upon obtaining the necessary approvals from the relevant authorities, on 11 March 2008, the Bank proposed an issuance of up to Singapore Dollar ("SGD") 425 million Non-Innovative Tier 1 Capital ("NIT1"), comprising Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are stapled to Subordinated Notes ("SubNotes") issued by AmCapital (L) Inc ("AmCapital") ("Stapled Securities").

The Stapled Securities will be issued and offered to certain non-United States of America resident persons as defined in Section 902(k) of Regulation S in offshore transactions under the United States Securities Act of 1933 ("US Securities Act"), as amended from time to time. In addition, the Stapled Securities may only be issued to or offered for sale or subscription by persons outside Malaysia.

The NCPCS and SubNotes cannot be traded separately until the occurrence of certain Assignment Events.

To facilitate the Proposed Issuance of NIT1, the Bank had, on 26 February 2008 acquired three (3) ordinary shares of USD1.00 each, representing the entire issued and paid-up share capital of AmCapital, presently a dormant company, for a cash consideration of USD3.00, thereby making AmCapital a wholly owned subsidiary.

AmCapital was incorporated on 2 January 2008 and has an authorised share capital of USD10,000 divided into 10,000 ordinary shares of USD1.00 each of which three (3) ordinary shares of USD1.00 each have been issued and are fully paid-up. AmCapital was incorporated for the purpose of issuing the SubNotes.

The Stapled Securities are rated BB by both Fitch Ratings Ltd. and Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, Inc.

SUBSEQUENT EVENTS

- (1) On 9 April 2008, the Bank issued the Sixth Tranche of MTN amounting to RM600 million. The proceeds raised will be utilised for the refinancing of existing subordinated debts and general working capital requirements. To date, AmBank has issued a total of RM1,460 million MTN under the RM2.0 billion nominal value MTN Programme.
- (2) On 11 March 2008, AHB announced a Proposed Group Internal Restructuring involving:
 - (a) the transfer of the fund-based activities of AmInvestment Bank Berhad ("AmInvestment Bank"), a 100%-owned subsidiary of AmInvestment Group Berhad ("AIGB") to the Bank and its wholly-owned subsidiary, AmIslamic Bank Berhad ("AmIslamic") (the "Proposed Business Transfer"); and
 - (b) the re-alignment of the AHB shareholding structure of certain operating subsidiaries to fully constitute the Capital Market Group and Asset Management Group (the "Proposed Internal Transfer").

On 11 March 2008, AmInvestment Bank entered into separate Business Transfer Agreements with AmBank and AmIslamic respectively in respect of the Proposed Business Transfer. Bank Negara Malaysia (“BNM”) and the Ministry of Finance (“MOF”) had on 19 December 2007 approved the Proposed Business Transfer. It was implemented by way of a vesting order (the “Order”) of the High Court of Malaya (the “Court”) to be obtained by AmInvestment Bank, the Bank and AmIslamic pursuant to section 50 of the Banking and Financial Institutions Act 1989, whereby:-

- (i) Subject to exclusions as may be agreed between AmInvestment Bank and the Bank, the Bank will acquire the assets and assume the liabilities relating to AmInvestment Bank’s conventional fund-based activity, based on the book value of the assets and liabilities which shall include AmInvestment Bank’s 100% shareholding interest in AmInternational (L) Ltd, a licensed offshore bank; and
- (ii) Subject to exclusions as may be agreed between AmInvestment Bank and AmIslamic, AmIslamic will acquire the assets and assume the liabilities relating to AmInvestment Bank’s Islamic fund-based activity, based on the book value of the assets and liabilities as at the date the Order comes into effect.

Approvals from Labuan Offshore Financial Services Authority for the transfer of AmInternational (L) Ltd , Foreign Investment Committee and High Court of Malaya for the Proposed Business Transfer were obtained on 21 December 2007, 7 March 2008 and 7 April 2008 respectively.

On 12 April 2008, the Bank and AmIslamic completed the Business Transfer for a cash consideration of RM1.37 billion based on the book value of the assets and liabilities as at 11 April 2008 pursuant to the Business Transfer Agreement entered into with AmInvestment Bank. Details of the proposed Business Transfer is disclosed in Note 53 to the financial statements.

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before zakat and taxation	737,804	583,294
Zakat	(601)	-
Taxation	<u>(271,074)</u>	<u>(204,787)</u>
Profit for the year	<u>466,129</u>	<u>378,507</u>
Attributable to:		
Equity holder of the Bank	466,145	378,507
Minority interests	<u>(16)</u>	<u>-</u>
Profit for the year	<u>466,129</u>	<u>378,507</u>

BUSINESS PLAN AND STRATEGY

The ultimate holding company, AMMB Holdings Berhad (“The Group”) is committed to enhancing its status as the premier financial services group in Malaysia and the market leader in key products segments. Pivoting on the key themes of simplicity and service quality, the Group will provide a combination of quality products at competitive pricing and superior service to its customers. Investments are geared towards both enhancing infrastructure and developing new capabilities in operational processes, risk management, MIS, human capital and talent development, and building a world-class sales culture.

18 May 2007 marks a commemorative milestone in the history of the Group. The strategic partnership with Australia and New Zealand Banking Group Limited (“ANZ”) was sealed, inscribing a journey of new beginnings, fresh horizons and novel frontiers. The Group will capitalize on ANZ’s exposure to international businesses, banking systems and cross border capabilities in Asia and the Pacific to considerably elevate its brand equity. Revenue and balance sheet growth will be major focus areas across all divisions including retail, business banking, investment banking and insurance.

On the retail and commercial businesses, enhancements are underway to deliver more comprehensive customer service proposition. Initiatives include innovative new, repackaged and bundled products, including the housing and commercial property loan catered for refinancing sectors, the prepaid cards joint ventures with large external corporations, and micro financing schemes for the small-medium enterprises. Business processes have been reengineered with the assistance of ANZ’s expertise in distribution channel management, product development and risk management.

A key strategic agenda is to grow transactional deposits (savings and current account). Deposits growth initiatives revolve around acquiring new main back accounts, increasing activation, combating dormancy and closures, increasing cash management and trade services utilisation, and cross-selling to the Group’s customer base. Retail and commercial divisions will also continue to expand branch network, electronic channels, internet banking, mobile banking and business relationships in order to grow deposits plus other fee income products and services.

The Group will continue to be a significant player in the auto financing sector, but redirecting growth towards the more profitable business segments. Assets quality continues to improve in part due to the Group successfully disposing legacy non-performing loans (“NPL”) amounting to RM549 million in financial year ended 31 March 2008. This was complemented by improved debt collections strategies and recoveries management.

OUTLOOK FOR THE NEXT FINANCIAL YEAR

Macroeconomic conditions are uncertain, with US economic downturn spiralling potential global recessionary impacts in the most economies worldwide. Nevertheless, strong commodity prices, domestic demand and more diversified export markets and products, will continue to benefit Malaysia, and the economy is expected to expand by 4% to 5% in 2008. The banking sector expects moderating demand for financing, by both households and businesses, particularly with the implementation of the Ninth Malaysia Plan (“9MP”).

The equity markets will be impacted by the broad trends affecting most regional markets, nevertheless the debt markets are expected to remain robust in view of the strong domestic liquidity. Active promotion of Islamic financing by the Malaysian government and growing demand for Syariah compliant securities from local and international investors provide an impetus for the issuance of the capital market securities.

The Group is well positioned to weather global and regional volatilities. Steps have been taken to strengthen its balance sheet and capital position, laying the foundation for asset growth initiatives moving forward. Building on its well-known brand and solid customer franchise, the Group will leverage growth opportunities and strongly compete with leading local, regional and international banks in its home market.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of the operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

DIVIDENDS

No dividend on ordinary shares has been paid or declared by the Bank since the end of the previous financial year. The directors do not recommend the payment of any dividend on ordinary shares in respect of the current financial year.

RESERVES AND ALLOWANCES

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

ISSUANCE OF SHARES AND DEBENTURES

There were no issuance of ordinary shares and debentures during the financial year.

SHARE OPTIONS

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

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

- a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- b) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year, other than those incurred in the normal course of business.

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

CHANGE OF CIRCUMSTANCES

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

CURRENT ASSETS

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

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

DIRECTORS

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

Tan Sri Dato' Azman Hashim
 Tun Mohammed Hanif Omar
 Tan Sri Datuk Clifford Francis Herbert
 Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
 Tan Kheng Soon
 Cheah Tek Kuang
 Anthony John Healy (appointed on 01.10.2007)

In accordance with Article 87 of the Bank's Articles of Association, Tan Kheng Soon retires by rotation at the forthcoming Annual General Meeting and, being eligible offers himself for re-election. In accordance with Article 95 of the Bank's Articles of Association, Mr. Anthony John Healy, who was appointed to the Board after the last Annual General Meeting, retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS

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

DIRECT INTERESTS

In the ultimate holding company,
AMMB Holdings Berhad

Shares	No. of ordinary shares of RM1.00 each				
	Balance at 1.4.2007	Exercise of Warrants/Bought	Rights Issue	Sold	Balance at 31.3.2008
Tan Kheng Soon	18,000	–	7,000	–	25,000
Cheah Tek Kuang	23,800	46,189	8,811	–	78,800
Anthony John Healy	–	150,000	–	–	150,000

Warrants 2003/2008	No. of Warrants of RM1.00 each			
	Balance at 1.4.2007	Bought	Sold/ Exercised	Balance at 31.3.2008
Cheah Tek Kuang	46,189	–	46,189	–

**In a related company,
AmInvestment Group Berhad**

Shares	No. of ordinary shares of RM1.00 each			Balance at 31.3.2008
	Balance at 1.4.2007	Bought	Sold	
Tan Sri Dato' Azman Hashim	94,554,848	–	94,554,848	–
Tun Mohammed Hanif Omar	200,000	–	200,000	–
Tan Sri Datuk Clifford Francis Herbert	50,000	–	50,000	–
Tan Kheng Soon	35,000	–	35,000	–
Cheah Tek Kuang	370,100	–	370,100	–

DEEMED INTERESTS

**In the ultimate holding company,
AMMB Holdings Berhad**

Shares	Name of Company	No. of ordinary shares of RM1.00 each				Balance at 31.3.2008
		Balance at 1.4.2007	Exercise of Warrants/ Bought	Rights Issue	Sold	
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad	700,742,421	41,572,771	53,350,147	315,514,006	480,151,333
	AMDB Equipment Trading Sdn Bhd	439,047	–	–	439,047	–

Warrants 2003/2008	Name of Company	No. of Warrants of RM1.00 each			Balance at 31.3.2008
		Balance at 1.4.2007	Bought	Sold/ Exercised	
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad	40,602,771	–	40,602,771	–
	AMDB Equipment Trading Sdn Bhd	22,682	–	22,682	–

**In a related company,
AmInvestment Group Berhad**

Shares	Name of Company	No. of ordinary shares of RM1.00 each			Balance at 31.3.2008
		Balance at 1.4.2007	Bought	Sold*	
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad	157,656,926	–	157,656,926	–
	AMDB Equipment Trading Sdn Bhd	100,646	–	100,646	–
	Azman Hashim Holdings Sdn Bhd	209,502	–	209,502	–
	AMMB Holdings Bhd	673,200,000	–	–	673,200,000

*Pursuant to the privatisation of the related company, AmInvestment Group Berhad by the ultimate holding company, AMMB Holdings Berhad.

By virtue of the directors' shareholding in the ultimate holding company, these directors are deemed to have an interest in the shares of the Bank and its related companies.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 41 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, other than for the related party transactions as shown in Note 40 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

CORPORATE GOVERNANCE

(a) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the “Board”) remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Bank and its subsidiary companies. 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 monthly to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

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

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

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

(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. Nomination Committee
2. Remuneration Committee
3. Audit and Examination Committee
4. Risk Management Committee
5. Executive Committee

The roles and responsibilities of each Committee are set out under the 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 2008 ("FY2008")						
	Board of Directors	Nomination Committee	Remuneration Committee	Audit and Examination Committee	Risk Management Committee	Executive Committee
Tan Sri Dato' Azman Hashim	13 (Chairman)	2	2	N/A	N/A	16 (Chairman)
Tun Mohammed Hanif Omar	13	2 (Chairman)	2 (Chairman)	11	N/A	16
Tan Sri Datuk Clifford Francis Herbert	13	2	2	11 (Chairman)	6 (Chairman)	N/A
Dato' Larry Gan Nyap Liou @ Gan Nyap Liow	13	N/A	N/A	10	6	N/A
Tan Kheng Soon	13	2	N/A	N/A	5	N/A
Cheah Tek Kuang	13	2	N/A	N/A	N/A	15
Anthony John Healy	5 (Non-Executive Director effective 1.10.2007)	# (Member effective 1.10.2007)	# (Member effective 1.10.2007)	5 (Member effective 1.10.2007)	N/A	6 (Member effective 1.10.2007)
Number of meetings held in FY2008	13	2	2	11	6	16

Note:

1. All attendances reflect the number of meetings attended during Directors' duration of service.
2. N/A represents "not a Member".
3. # Appointed as Member on 1.10.2007 and no meeting was held during the period from 1.10.2007 to 31.3.2008

Nomination Committee

This Committee comprises six (6) directors of which three (3) are Independent Non-Executive Directors. It is responsible for regularly reviewing the board structure, size and composition, as well as making recommendation to the Board 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 performance of the Board, Committees of the Board and of individual Directors, the mix of skills and experience and other qualities and competencies that Non-Executive Directors should bring to the Board.

During the financial year, two (2) meetings were held to consider nominations and to review the membership of the Board and Board Committees. In addition, the Nomination Committee also reviewed the performance of the Committees and Board's effectiveness as a whole and the contribution of each Director to the effectiveness of the Board.

Remuneration Committee

All members of this Committee are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board the framework or broad policy for the remuneration of the Directors, the Chief Executive Officer and other Senior Management staff.

Remuneration is determined at levels which enable the Bank to attract and retain the Directors, the Chief Executive Officer and Senior Management staff with the relevant experience and expertise in managing the Bank effectively.

Audit and Examination Committee

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Bank's assets and shareholders' investments.

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board acting through the AEC. The AEC met during the year to review the scope of both the internal audit functions and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The financial statements were reviewed by the AEC prior to their submission to the directors of the Bank for adoption.

In addition, the AEC has reviewed the requirements for approval and disclosure of related party transactions, 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 oversees the overall management of credit, market, liquidity, operational, legal, capital and strategic risks impacting the Bank, and to ensure that the risk management process is in place and functioning.

The Committee is independent from management and comprises only Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced and reviews high-level risk exposures, and capital allocation decisions 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 Internal Audit Department reports to the AEC and to the Group Chief Internal Auditor. It assists the Board in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Internal Audit's annual audit plan each year, 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 results of the AEC meetings are formally tabled to the Board for noting and action, where necessary. The Group Chief Internal Auditor and the external auditors also attend the AEC meetings by invitation and the AEC holds separately meetings with the Chief Internal Auditor and external auditors whenever necessary.

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

The Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive audit risk assessment of all significant auditable areas identified in the Bank. The structured audit risk assessment approach ensures that all risk-rated auditable 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.

The Internal Audit also participates actively in major system development activities and project committees to advise on risk management and internal control measures.

Executive Committee

The Executive Committee ("EXCO") comprises the Chairman of the Bank, an Executive Director, a Non-Executive Director and one Independent Non-executive Director of the Board. The EXCO is authorised to consider and approve loans, guarantees and other facilities, interbank deposits, participation in syndicated facilities, bonds, share issues, purchase and sale of securities, other transactions involving the granting of credit facilities or utilization of the Bank's resources and generally transact and do and decide on all matters and things relating to the Bank including matters which may be usual in connection with the business of a licensed commercial bank and finance company and all matters and things incidental thereto and additionally determine the lending and business policies of the Bank and:

- i) To consider and approve credit facilities and commitments that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt.
- ii) To consider credit facilities and commitments either individually or in aggregate approved by the Credit and Commitments Committee, with the powers to, in the interest of the Bank, cause the facilities and commitments approved to be rejected or the terms and conditions of the facilities to be varied.

(c) MANAGEMENT INFORMATION

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

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

HOLDING AND ULTIMATE HOLDING COMPANIES

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

RATING BY EXTERNAL AGENCIES

The Bank's long term financial institution rating of A2 (Stable) was upgraded to A1 (Stable), by Rating Agency Malaysia Berhad ("RAM"), and the short term rating of P1 was re-affirmed. Additionally, the Bank's ratings was complemented by international ratings of Baa2 (Stable) /P-3 by Moody's Investors Services, BBB- (Stable) /A-3 by Standard and Poor's Ratings Group, BBB- (Stable)/ F3 by Fitch Ratings Ltd and A-(Stable)/A2 from Capital Intelligence Ltd.

The Bank's RM200.0 million Redeemable Unsecured Subordinated Bonds' long-term rating of A3 (Stable) was upgraded by RAM to A2 (Stable). The Bank's RM575.0 million Exchangeable Bonds and RM2.0 billion Medium Term Note Programme were rated A2 (Stable) by RAM.

The Hybrid Securities rating was re-affirmed Ba2 by Moody's Investor Services, BB by Standard and Poor's Ratings Group and BB by Fitch Ratings Ltd.

RAM upgraded the long-term financial institution rating for Amlslamic Bank Berhad, the Bank's wholly owned Islamic subsidiary from A2 (Stable) to A1 (Stable), while re-affirming the short term rating at P1. Concurrently, a long term rating of Amlslamic's Subordinated Sukuk Musyarakah was upgraded from A3 (Stable) to A2 (Stable).

SHARIAH COMMITTEE

The Shariah Committee was established under Bank Negara Malaysia's "Guidelines on the Governance of Shariah Committee for Islamic Financial Institutions" (BNM/GPS1) to advise and provide guidance to the Board of Directors on all matters pertaining to Shariah principles including product development, marketing and implementation activities. The Shariah advisors also assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

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 DATO' AZMAN HASHIM
Chairman

Kuala Lumpur, Malaysia
13 May 2008

CHEAH TEK KUANG
Chief Executive Officer

AmBank (M) Berhad
(Incorporated in Malaysia)

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

We, **Tan Sri Dato' Azman Hashim** and **Cheah Tek Kuang**, being two of the directors of **AmBank (M) Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements as set on pages 19 to 128 are drawn up in accordance with the provisions of the Companies Act, 1965 and the 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 2008 and of the results and the cash flows of the Group and of the Bank for the financial year then ended.

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

TAN SRI DATO' AZMAN HASHIM
Chairman

CHEAH TEK KUANG
Chief Executive Officer

Kuala Lumpur, Malaysia
13 May 2008

AmBank (M) Berhad
(Incorporated in Malaysia)

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

I, **Lim Hock Aun**, being the Officer primarily responsible for the financial management of **AmBank (M) Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 19 to 128 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed **LIM HOCK AUN** at KUALA
LUMPUR this 13 May 2008

LIM HOCK AUN

Before me,

COMMISSIONER FOR OATHS

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

**REPORT OF THE AUDITORS TO THE MEMBER OF
AmBank (M) Berhad**
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 19 to 128. These financial statements are the responsibility of the Bank's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements have been properly 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:
 - (i) the financial position of the Group and of the Bank as at 31 March 2008 and of the results and the cash flows of the Group and of the Bank for the financial year then ended; and
 - (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Bank and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary companies 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.

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
13 May 2008

Gladys Leong
No. 1902/04/10(J)
Partner

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

BALANCE SHEETS
AS AT 31 MARCH 2008

	Note	The Group		The Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
ASSETS					
Cash and short-term funds	5	8,933,353	9,982,586	7,411,342	8,129,295
Deposits and placements with banks and other financial institutions	6	1,968,500	2,244,808	1,977,093	1,838,200
Securities held-for-trading	7	1,771,247	1,117,257	1,671,478	972,646
Securities available-for-sale	8	119,413	598,751	119,413	598,751
Securities held-to-maturity	9	656,680	1,117,599	656,462	1,117,382
Derivative financial assets	10	71,663	19,570	71,663	19,570
Loans, advances and financing	11	47,949,516	43,465,547	39,948,718	37,095,578
Other assets	12	863,115	768,782	751,059	770,830
Statutory deposit with Bank Negara Malaysia	13	1,526,507	1,638,008	1,269,307	1,389,008
Deferred tax asset	43	629,628	857,790	468,529	630,832
Investment in subsidiary companies	14	–	–	813,849	813,849
Investment in associated companies	15	740	651	137	137
Prepaid land lease payments	16	4,404	4,509	3,193	3,278
Property and equipment	17	168,764	177,439	143,292	151,044
Intangible assets	18	61,484	54,476	60,876	54,412
TOTAL ASSETS		<u>64,725,014</u>	<u>62,047,773</u>	<u>55,366,411</u>	<u>53,584,812</u>

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

BALANCE SHEETS
AS AT 31 MARCH 2008

	Note	The Group		The Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	19	41,535,545	37,135,858	36,106,940	32,481,678
Deposits and placements of banks and other financial institutions	20	12,316,385	16,153,699	9,816,197	13,608,725
Derivative financial liabilities	10	85,659	137,072	85,659	137,072
Obligation on securities sold under repurchase agreements	21	–	444,319	–	444,319
Bills and acceptances payable	22	1,909,243	1,461,577	1,361,896	1,014,963
Recourse obligation on loans sold to Cagamas Berhad	23	208,839	702,640	208,839	702,640
Other liabilities	24	1,451,003	1,174,998	1,318,114	1,019,757
Subordinated term loans	25(a)	460,000	460,000	1,149,469	1,144,167
Hybrid securities	25(b)	689,469	684,167	–	–
Medium term notes	25(c)	860,000	–	860,000	–
Subordinated bonds	26	600,000	600,000	200,000	200,000
Exchangeable bonds	27	575,000	–	575,000	–
Irredeemable Convertible Unsecured Loan Stocks	28	131,604	–	131,604	–
Irredeemable Non-Cumulative Convertible Preference shares	29	150,000	–	150,000	–
Total Liabilities		60,972,747	58,954,330	51,963,718	50,753,321
Share capital	30	610,364	610,364	610,364	610,364
Reserves	31	3,141,862	2,483,022	2,792,329	2,221,127
Shareholder's Equity		3,752,226	3,093,386	3,402,693	2,831,491
Minority Interests	32	41	57	–	–
Total Equity		3,752,267	3,093,443	3,402,693	2,831,491
TOTAL LIABILITIES AND EQUITY		64,725,014	62,047,773	55,366,411	53,584,812
COMMITMENTS AND CONTINGENCIES	45	31,516,560	26,299,934	27,251,305	22,260,903
NET ASSETS PER SHARE (RM)	46	6.15	5.07	5.57	4.64

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

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

INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

	Note	The Group		The Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Revenue		4,348,741	3,817,588	3,514,990	3,009,442
Interest income	33	3,210,621	2,833,529	3,210,674	2,834,568
Interest expense	34	(1,777,173)	(1,631,687)	(1,777,681)	(1,633,653)
Net interest income		1,433,448	1,201,842	1,432,993	1,200,915
Net income from Islamic Banking business	35	493,028	518,768	–	–
Other operating income	36	305,727	175,926	304,316	174,874
Net income		2,232,203	1,896,536	1,737,309	1,375,789
Other operating expenses	37	(857,633)	(743,204)	(656,730)	(589,671)
Operating profit		1,374,570	1,153,332	1,080,579	786,118
Allowance for losses on loans and financing	38	(553,753)	(1,451,741)	(414,087)	(1,242,911)
Impairment loss	39	(83,101)	(225,086)	(83,198)	(225,124)
Profit/(loss) before share in results of associated company and taxation		737,716	(523,495)	583,294	(681,917)
Share in results of associated company		88	69	–	–
Profit/(loss) before zakat and taxation		737,804	(523,426)	583,294	(681,917)
Zakat		(601)	(786)	–	–
Taxation	42	(271,074)	81,987	(204,787)	130,049
Profit/(loss) from continuing operations		466,129	(442,225)	378,507	(551,868)
Profit/(loss) from discontinued operations	51	–	–	–	11,846
Profit/(loss) after zakat and taxation		466,129	(442,225)	378,507	(540,022)
Attributable to:					
Equity holder of the Bank		466,145	(442,212)	378,507	(540,022)
Minority interests		(16)	(13)	–	–
Profit/(loss) after taxation		466,129	(442,225)	378,507	(540,022)
Earnings per share (sen)	44				
Basic, for profit/(loss) from continuing operations		71.09	(72.45)	57.86	(90.42)
Basic, for profit from discontinued operations		–	–	–	1.94
Basic for the year		71.09	(72.45)	57.86	(88.48)
Fully diluted for profit from continuing operations		60.23	–	49.18	–

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

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008**

The Group	← Attributable to Equity Holder of the Bank →									Total Equity RM'000
	Share Capital RM'000	ICULS (equity component) RM'000	Non-distributable				Distributable		Minority Interest RM'000	
			Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Available For-Sale Reserve RM'000	Retained Profits RM'000		
Balance as at 1 April 2006										
As previously stated	610,364	–	710,660	585,832	349,050	377,492	2,728	903,647	70	3,539,843
Prior year adjustments (Note 56)	–	–	–	–	–	–	–	(7,454)	–	(7,454)
As restated	610,364	–	710,660	585,832	349,050	377,492	2,728	896,193	70	3,532,389
Issue of shares	–	–	–	–	–	–	–	–	–	–
Unrealised net gain on revaluation of securities available-for-sale	–	–	–	–	–	–	3,279	–	–	3,279
Loss for the year	–	–	–	–	–	–	–	(442,212)	(13)	(442,225)
Transfer to statutory reserve	–	–	–	47,390	–	–	–	(47,390)	–	–
Balance as at 31 March 2007	610,364	–	710,660	633,222	349,050	377,492	6,007	406,591	57	3,093,443

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

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008**

The Group	← Attributable to Equity Holder of the Bank →										
	Share Capital RM'000	ICULS (equity component) RM'000	Non-distributable				Distributable				Total Equity RM'000
			Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Available For-Sale Reserve RM'000	Retained Profits RM'000	Minority Interest RM'000		
Balance as at 1 April 2007											
As previously stated	610,364	–	710,660	633,222	349,050	377,492	6,007	493,861	57	3,180,713	
Prior year adjustments (Note 56)	–	–	–	–	–	–	–	(87,270)	–	(87,270)	
As restated	610,364	–	710,660	633,222	349,050	377,492	6,007	406,591	57	3,093,443	
Issue of Irredeemable Convertible Unsecured Loan Stocks	–	200,792	–	–	–	–	–	–	–	200,792	
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	–	(8,097)	–	–	(8,097)	
Profit/(loss) for the year	–	–	–	–	–	–	–	466,145	(16)	466,129	
Transfer to statutory reserve	–	–	–	137,676	–	–	–	(137,676)	–	–	
Balance as at 31 March 2008	610,364	200,792	710,660	770,898	349,050	377,492	(2,090)	735,060	41	3,752,267	

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

Company No. 8515-D

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008**

	← Attributable to Equity Holder of the Bank →							Total Equity RM'000
	Share Capital RM'000	ICULS (equity component) RM'000	Non-distributable			Distributable		
Share Premium RM'000			Statutory Reserve RM'000	Capital Reserve RM'000	Available For-Sale Reserve RM'000	Retained Profits RM'000		
The Bank								
Balance as at 1 April 2006								
As previously stated	610,364	–	710,660	585,832	–	2,728	1,466,104	3,375,688
Prior year adjustments (Note 56)	–	–	–	–	–	–	(7,454)	(7,454)
As restated	610,364	–	710,660	585,832	–	2,728	1,458,650	3,368,234
Unrealised net gain on revaluation of securities available-for-sale	–	–	–	–	–	3,279	–	3,279
Loss for the year	–	–	–	–	–	–	(540,022)	(540,022)
Balance as at 31 March 2007	610,364	–	710,660	585,832	–	6,007	918,628	2,831,491

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

Company No. 8515-D

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2008**

The Bank	← Attributable to Equity Holder of the Bank →								
	Share Capital RM'000	ICULS (equity component) RM'000	Non-distributable				Distributable		Total Equity RM'000
			Share Premium RM'000	Statutory Reserve RM'000	Capital Reserve RM'000	Available For-Sale Reserve RM'000	Retained Profits RM'000		
Balance as at 1 April 2007									
As previously stated	610,364	–	710,660	585,832	–	6,007	1,005,898	2,918,761	
Prior year adjustments (Note 56)	–	–	–	–	–	–	(87,270)	(87,270)	
As restated	610,364	–	710,660	585,832	–	6,007	918,628	2,831,491	
Issue of Irredeemable Convertible Unsecured Loan Stocks	–	200,792	–	–	–	–	–	200,792	
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(8,097)	–	(8,097)	
Profit for the year	–	–	–	–	–	–	378,507	378,507	
Transfer to statutory reserve	–	–	–	94,627	–	–	(94,627)	–	
Balance as at 31 March 2008	610,364	200,792	710,660	680,459	–	(2,090)	1,202,508	3,402,693	

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

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before zakat and taxation	737,804	(523,426)	583,294	(665,464)
Adjustments for:				
Loan and financing loss and allowances, net of writeback	808,722	1,702,915	653,942	1,483,585
Interest in suspense - net	95,775	108,112	95,775	108,112
Depreciation of property and equipment	37,741	42,345	37,180	41,841
Amortisation of intangible assets	20,681	18,993	20,589	18,984
Amortisation of prepaid land lease payments	105	105	85	85
Transfer (from)/to profit equalisation reserve	(18,320)	(60,887)	–	–
Accretion of discount less amortisation of premium	4,075	(6,487)	4,771	(3,176)
Property and equipment written off	1,325	679	1,325	883
Share of profits of associated company	(88)	(106)	–	–
Gross dividend income from securities available-for-sale	(774)	(5,825)	(774)	(5,825)
Gross dividend income from securities held-for-trading	(4,715)	(4,186)	(4,715)	(4,186)
Gross dividend income from securities held-to-maturity	(5,024)	(1,393)	(4,996)	(1,366)
Net (gain)/loss on sale of securities held-for-trading	(25,584)	(21,018)	(25,262)	(20,360)
Net gain on sale of securities available-for-sale	(22,569)	(19,913)	(22,569)	(19,913)
Net (gain)/loss on sale of securities held-to-maturity	(17,431)	(11,042)	(17,431)	(11,042)
Net (gain)/loss on revaluation of securities held-for-trading	34,655	(14,931)	33,757	(12,987)
Net (gain)/loss on revaluation of derivatives held-for-hedging	(66,036)	107,732	(66,036)	107,732
Impairment loss/(writeback) on securities	70,211	213,779	70,211	213,817
Impairment loss/(writeback) on foreclosed property	–	(45)	–	(45)
Gain on disposal of property and equipment	(429)	(1,094)	(429)	(271)
Gain on disposal of foreclosed properties	(975)	(1,840)	(975)	(1,840)
Gain on disposal of property held for sale	–	(33,762)	–	(33,762)
Impairment on amount recoverable under asset-backed securitisation transaction	10,000	10,000	10,000	10,000
Impairment loss on sundry receivables	2,890	1,352	2,987	1,352
Amortisation of cost capitalised for issue of Hybrid securities	816	1,853	816	1,853
Interest paid on ICULS (equity portion)	(5,216)	–	(5,216)	–
Loss/(gain) on foreign exchange contracts	19,415	(583)	19,415	(583)
Operating Profit Before Working Capital Changes	1,677,054	1,501,327	1,385,744	1,207,424

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(Increase)/Decrease In Operating Assets:				
Deposits and placements with banks and financial institutions	223,908	(1,168,975)	(191,293)	(764,596)
Securities held-for-trading	(667,001)	1,197,951	(711,962)	831,128
Loans, advances and financing	(5,388,466)	(4,557,050)	(3,602,857)	(4,479,940)
Other assets	(131,981)	(171,580)	(17,934)	(137,798)
Statutory deposit with Bank Negara Malaysia	111,501	(105,445)	119,701	(125,239)
Increase/(Decrease) In Operating Liabilities:				
Deposits from customers	4,399,687	4,641,031	3,625,262	4,308,346
Deposits and placements of banks and other financial institutions	(3,837,314)	2,740,150	(3,792,528)	3,147,383
Obligation on securities sold under repurchase agreements	(444,319)	(660,302)	(444,319)	(660,302)
Bills and acceptances payable	447,666	551,957	346,933	330,707
Recourse obligation of loans sold to Cagamas Berhad	(493,801)	(1,076,315)	(493,801)	(1,076,315)
Other liabilities	297,232	79,015	301,112	114,442
Cash Generated (Used in)/From Operations	(3,805,834)	2,971,764	(3,475,942)	2,695,240
Zakat paid	(786)	–	–	–
Net taxation refund	10,512	895	10,862	–
Net Cash Generated From/ (Used in) Operating Activities	(3,796,108)	2,972,659	(3,465,080)	2,695,240
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchase of securities available-for-sale	458,572	(247,459)	458,572	(244,180)
Net sale of securities held-to maturity	443,241	40,803	443,241	40,764
Net dividend received from securities held-for-trading	3,873	3,300	3,873	3,300
Net dividend received from securities available-for-sale	774	5,551	774	5,551
Net dividend received from securities held-to-maturity	4,121	1,003	4,099	984
Proceeds from disposal of assets held for sale	–	230,000	–	230,000
Proceeds from disposal of property and equipment	432	5,715	432	491
Purchase of intangible assets	(10,720)	(36,626)	(10,564)	(36,553)
Purchase of property and equipment	(47,363)	(39,088)	(47,245)	(38,336)
Proceeds from disposal of foreclosed property	8,945	8,830	8,945	8,830

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Additional investment in subsidiaries	–		–	784,068
Transfer of cash and cash equivalents from subsidiary company	–		–	(1,160,139)
Net assets transferred from subsidiary company	–		–	(784,068)
Net Cash Generated From/(Used In) Investing Activities	861,875	(27,971)	862,127	(1,189,288)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of subordinated term loan	–	(680,000)	–	(680,000)
Proceeds from subordinated bonds	–	400,000	–	–
Proceeds from Medium term notes	860,000	–	860,000	–
Proceeds from Exchangeable bonds	575,000		575,000	–
Proceeds from Irredeemable Convertible Unsecured Loan Stocks	300,000		300,000	–
Proceeds from Irredeemable Non-cumulative Convertible Preference Shares	150,000		150,000	–
Net Cash Generated/(Used In) From Financing Activities	1,885,000	(280,000)	1,885,000	(680,000)
Net Increase/(decrease) In Cash And Cash Equivalents	(1,049,233)	2,664,688	(717,953)	825,952
Cash And Cash Equivalents At Beginning Of Year	9,982,586	7,317,898	8,129,295	7,303,343
Cash And Cash Equivalents At End Of Year (Note 5)	8,933,353	9,982,586	7,411,342	8,129,295

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

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

Notes To The Financial Statements
For the year ended 31 March 2008

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

The principal activities of its subsidiary companies are disclosed in Note 14.

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

The Bank is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 22nd Floor, Bangunan AmBank Group, Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business for the Retail and Business Banking Divisions are located at Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur and Menara Dion, Jalan Sultan Ismail, 50250 Kuala Lumpur respectively.

The financial statements of the Group and of the Bank have been approved and authorised for issue by the Board of Directors on 29 April 2008.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Bank have been prepared under the historical cost convention unless otherwise indicated and in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, and the applicable Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines.

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

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

The preparation of financial statements in conformity with FRS requires management to exercise judgement use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those adopted in the previous audited annual financial statements except for the adoption of the following:

- (i) The new and revised FRSs that are applicable to the Group and the Bank with effect from the financial period beginning on or after 1 April 2007:

FRS 117 : Leases
FRS 124 : Related Party Disclosures

- (ii) BNM Revised Guidelines on Financial Reporting for Licensed Institutions dated 5 October 2004 on the accounting treatment of derivative financial instruments which are transacted for the purpose of hedging.

- (iii) The Group and the Bank has not early adopted the following FRSs, amendments to FRS and IC Interpretations, which are effective for financial year beginning 1 July 2007:

FRS

FRS 107 : Cash Flow Statements
FRS 111 : Construction Contracts
FRS 112 : Income Taxes
FRS 118 : Revenue
FRS 119 : Employee Benefits
FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance
FRS 134 : Interim Financial Reporting
FRS 137 : Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6 : Liabilities arising from Participating In a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7 : Applying the Restatement Approach to FRS 129 Financial Accounting in Hyperinflationary Economies
IC Interpretation 8 : Scope of FRS 2 Share-based Payments

The Malaysian Accounting Standards Board ("MASB") had also issued FRS 139 Financial Instruments: Recognition and Measurement for which the MASB has yet to announce the effective date. The Group has not early adopted this standard.

The adoption of FRS 117 and 124 does not result in significant changes in accounting policies of the Group. The impact of adoption of BNM Revised Guidelines on Financial Reporting for Licensed Institution dated 5 October 2004 on the accounting treatment of derivative financial instruments which are transacted for the purpose of hedging and principal effects of the change in accounting policies resulting from the adoption of FRS 117 are disclosed in Note 56 to the financial statements.

(a) Basis of Accounting

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

(b) Basis of Consolidation

The financial statements of the Group include the financial statements of the Bank and all its subsidiary companies listed under Note 14 made up to the end of the financial year.

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

Under the purchase method, the excess of the cost of investments in the subsidiary companies over the attributable share in the fair value of the net assets of the subsidiary companies at the date of the acquisition is taken up as goodwill on consolidation. The interest of minority shareholders is stated at the minority shareholders' proportion of the fair values of the assets and liabilities recognised. The results of subsidiary companies acquired or disposed during the financial year are included in the consolidated financial statements from the effective date of acquisition or up to the effective date of disposal.

All significant intercompany transactions and balances have been eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

Where the merger accounting method is used, the cost of investment in the Bank's records are recorded at the nominal value of ordinary shares issued and the difference between the carrying value of the investment and the nominal value of ordinary shares acquired is treated as a merger reserve or merger deficit. The results and financial position of companies being merged are included as if the merger had been effected throughout the current financial year and earliest period presented and comparatives have been restated.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

(c) Operating Revenue

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

(d) Interest and Financing Income and Expense Recognition

Interest and financing income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest and financing income includes the amortisation of premium or accretion of discount. Interest and financing income on investments are recognised on an effective yield basis.

Interest and financing income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements. Interest and financing income from hire purchase financing and block discounting of the Group and Bank is recognised using the 'sum-of-digits' method.

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

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

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

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

(e) Recognition of Fees and Other Income

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

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

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

Property rental are recognised on an accrual basis.

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

(f) Employee Benefits

(i) Short-Term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

(ii) Defined Contribution Plan

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

(iii) Termination Benefits

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

(g) Allowance for Doubtful Debts and Financing

Based on management's evaluation of the portfolio of loans, advances and financing, specific allowances for doubtful debts and financing are made when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

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

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

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

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

- (i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:
 - (a) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
 - (b) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.
- (ii) Specific allowance of 20.0% is provided on non-performing loans which are four (4) to less than six (6) months-in-arrears.

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

(h) Provisions

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

(i) Profit Equalisation Reserve ("PER")

PER is a mechanism to reduce the fluctuation in the profit rates payable to depositors under the Islamic banking business. It is provided based on the Framework of the Rate of Return issued by BNM. The account of PER is appropriated from and written back to the total Islamic banking gross income. PER is reflected under "other liabilities" of the Group.

(j) Impairment of Assets

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

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

(k) Income Tax

Income tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statements except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Temporary differences are not recognised for goodwill or from the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

(l) Securities

The holdings of the securities portfolio of the Group and the Bank are recognised based on the following categories and valuation methods:

(i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values or the derecognition of securities held-for-trading are recognised in the income statements.

(ii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statements.

(iii) Securities held-to-maturity

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

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

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

(m) Trade and Other Receivables

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

(n) Other Assets

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

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

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

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

(ii) Foreclosed Properties

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

(o) Investment in Subsidiary Companies

A subsidiary company is a company in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. It is generally accompanied by a shareholding of more than 50.0% of voting rights. Potential voting rights that are exercisable or convertible are considered when determining whether an entity is considered a subsidiary company.

Investment in subsidiary companies, which are eliminated on consolidation, are stated in the Bank's financial statements at cost less impairment, if any.

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

(p) Investment in Associated Companies

An associated company 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.

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

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves from the date that significant influence commences and until the date that significant influence ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

The results of the associated companies are taken from the latest audited accounts or unaudited management accounts of the associated companies, prepared at dates not more than three months prior to the end of the financial year of the Group.

Investments in associated companies are stated at cost less accumulated impairment losses, if any, in the Bank's balance sheet.

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

(q) Property and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts are derecognised. All other repairs and maintenance are charged to the income statement when they are incurred.

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

Freehold land and capital work in progress are not depreciated. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

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

Buildings	2%
Leasehold improvements	10% - 20%
Office equipment	10% - 20%
Furniture and fittings	10% - 25%
Computer equipment	20% - 33 $\frac{1}{3}$ %
Motor vehicles	20% - 25%

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

Gain or loss arising from disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in the income statements.

(r) Intangible Assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method over their expected useful lives of three to five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives of three to five years.

(s) Assets Purchased under lease

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

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

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

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

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

(t) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both.

Investment properties of the Group are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write off the cost of the assets to their residual value over their estimated useful lives.

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

(u) Non-current Assets (Or Disposal Groups) Held For Sale And Discontinued Operations

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

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

(v) Repurchase Agreements

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

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

(w) Bills and Acceptances Payable

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

(x) Trade and Other Payables

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

(y) Provision for Commitments and Contingencies

Based on management's evaluation of the guarantees given on behalf of customers, specific provision for commitments and contingencies are made when in the event of call or potential liability and there is a shortfall in the security value supporting these guarantees.

(z) Interest -Bearing Instruments

These are interest-bearing loans and bonds with remaining maturity of more than one year, and are recognised at the amount of proceeds received net of related expenses. All financial liabilities are measured at amortised cost using the effective interest method.

(aa) Hybrid Capital

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

(ab) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

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

(ac) Foreign Currencies

(i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is also the Bank’s functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the Bank, subsidiary and associated companies, transactions in currencies other than the entity’s functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction.

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

(iii) Foreign Operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of subsidiary and associated companies expressed in foreign currencies are translated into RM at the rates of exchange ruling at the balance sheet date while income statement is translated into RM at the average exchange rate for the year. Gains or losses arising on translation into RM are classified as equity and transferred to the Group’s exchange fluctuation reserve.

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

	31.03.2008	31.03.2007
United States Dollar (USD)	3.19	3.46
Hong Kong Dollar (HKD)	0.41	0.44
Australian Dollar (AUD)	2.92	2.79

(ad) Financial Instruments

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

(ae) Derivative Financial Instruments and Hedge Accounting

Fair values of derivative financial instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The fair values of the derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

(af) Cash Flow Statement

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

(ag) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash on hand and at bank, deposit at call and short term highly liquid investments, which have an insignificant risk of changes in value, net of outstanding overdrafts.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of the financial statements involved making certain estimates, assumptions concerning the future and judgments. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Fair value estimation

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

b) Classification between investment properties and property and equipment

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

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

c) Deferred tax assets

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

5. CASH AND SHORT-TERM FUNDS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Cash and balances with banks and other financial institutions	283,662	212,007	280,511	202,216
Money at call and deposit placements maturing within one month	<u>8,649,691</u>	<u>9,770,579</u>	<u>7,130,831</u>	<u>7,927,079</u>
	<u>8,933,353</u>	<u>9,982,586</u>	<u>7,411,342</u>	<u>8,129,295</u>

Included in the above are interbank lending by the Group and the Bank of RM8,645,858,000 (2007: RM9,770,579,000) and RM7,126,998,000(2007: RM7,927,079,000) respectively. Included in money at call and deposit placement maturing within one month is an amount of RM3,832,800 (2007:NIL) or USD1,200,000 (2007:NIL) representing collateral pledged with a counterparty pursuant to an interest rate swap agreement.

As at 31 March 2008, the net interbank lending of the Group and of the Bank are as follows:

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interbank lending				
Cash and short term funds	8,645,858	9,770,579	7,126,998	7,927,079
Deposits with banks and other financial institutions (Note 6)	<u>1,968,500</u>	<u>2,241,880</u>	<u>1,968,500</u>	<u>1,826,880</u>
	10,614,358	12,012,459	9,095,498	9,753,959
Interbank borrowing (Note 20)	<u>(1,987,372)</u>	<u>(2,233,545)</u>	<u>(1,865,722)</u>	<u>(2,203,545)</u>
Net interbank lending	<u>8,626,986</u>	<u>9,778,914</u>	<u>7,229,776</u>	<u>7,550,414</u>

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Licensed banks	279,700	316,480	288,293	285,073
Licensed merchant bank	688,800	1,600,400	688,800	1,550,400
Bank Negara Malaysia	<u>1,000,000</u>	<u>327,928</u>	<u>1,000,000</u>	<u>2,727</u>
	<u>1,968,500</u>	<u>2,244,808</u>	<u>1,977,093</u>	<u>1,838,200</u>

Included in the above are interbank lending by the Group and the Bank of RM1,968,500,000 (2007: RM2,241,880,000) and RM1,968,500,000 (2007: RM1,826,880,000) respectively.

7. SECURITIES HELD-FOR-TRADING

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value				
Money Market Securities:				
Islamic Treasury bills	34,544	214,745	–	166,303
Malaysian Government Securities	20,216	104,896	20,216	104,896
Malaysian Government Investment Certificates	43,612	39,736	8,391	–
Cagamas bonds	25,057	–	25,057	–
Cagamas Mudharabah Bearer Bonds	35,076	–	35,076	–
Negotiable instruments of deposit	979	–	979	–
Bank Negara Monetary Notes	–	167,330	–	167,330
	<u>159,484</u>	<u>526,707</u>	<u>89,719</u>	<u>438,529</u>
Quoted Securities:				
Shares in Malaysia	14,845	123,325	14,775	123,301
	<u>14,845</u>	<u>123,325</u>	<u>14,775</u>	<u>123,301</u>
Unquoted Securities:				
Private debt securities	1,419,156	462,231	1,389,222	405,822
Guaranteed private debt securities	177,762	4,994	177,762	4,994
	<u>1,596,918</u>	<u>467,225</u>	<u>1,566,984</u>	<u>410,816</u>
Total securities held-for-trading	<u>1,771,247</u>	<u>1,117,257</u>	<u>1,671,478</u>	<u>972,646</u>

Certain money market securities held-for-trading have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 21.

8. SECURITIES AVAILABLE-FOR-SALE

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At fair value:				
Money Market Securities:				
Negotiable instruments of deposit	–	399,995	–	399,995
Quoted Securities In Malaysia:				
Shares	17,689	33,927	17,689	33,927
Shares with options and/or collateral	6,014	67,643	6,014	67,643
Quoted Securities Outside Malaysia:				
Shares	78	229	78	229
Unquoted Securities In Malaysia:				
Guaranteed private debt securities	95,632	96,957	95,632	96,957
Total securities available-for-sale	<u>119,413</u>	<u>598,751</u>	<u>119,413</u>	<u>598,751</u>

Certain money market securities available-for-sale have been sold under repurchase agreements for funding purposes and their carrying values remain in the respective asset accounts while obligations to repurchase such securities at an agreed price on a specified future date are accounted for as a liability as mentioned in Note 21.

9. SECURITIES HELD-TO-MATURITY

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
At amortised cost				
Quoted Securities In Malaysia:				
Shares	218	8,099	121	8,001
Debt securities with options and/or collateral	137,607	418,571	137,607	418,571
Warrants	15	15	15	15
	<u>137,840</u>	<u>426,685</u>	<u>137,743</u>	<u>426,587</u>
Unquoted Securities In Malaysia:				
Shares	84,588	84,587	84,171	84,171
Debt securities	147,945	132,316	147,945	132,316
Debt securities with options and/or collateral	631,444	818,940	631,444	818,940
	<u>863,977</u>	<u>1,035,843</u>	<u>863,560</u>	<u>1,035,427</u>
Unquoted Securities Outside Malaysia:				
Shares	18	16	18	16
Total	1,001,835	1,462,544	1,001,321	1,462,030
Less: Accumulated impairment losses	<u>(345,155)</u>	<u>(344,945)</u>	<u>(344,859)</u>	<u>(344,648)</u>
Total securities held-to-maturity	<u>656,680</u>	<u>1,117,599</u>	<u>656,462</u>	<u>1,117,382</u>

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Market value				
Quoted Securities In Malaysia:				
Shares	813	5,465	813	5,42
Debt securities with options and/or collateral	136,422	242,921	136,422	242,921
Warrants	–	19	–	–
	<u>137,235</u>	<u>248,405</u>	<u>137,235</u>	<u>248,362</u>

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Bank and its customers to transfer, modify or reduce their foreign exchange and interest rate risks via hedge relationships. The Bank also transacts in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the hedge effectiveness criteria. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 54.

The table below shows the Group's and Bank's derivative financial instruments as at the balance sheet date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at balance sheet date are analysed below:

	2008			2007		
	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
The Group and The Bank						
Foreign exchange contracts						
- Currency forwards	3,080,755	26,529	45,361	1,356,741	19,570	18,987
Interest rate related contracts						
- Interest rate swaps	9,263,873	45,134	40,298	10,654,557	–	118,085
Total	12,344,628	71,663	85,659	12,011,298	19,570	137,072

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

11. LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Overdrafts	1,632,538	1,343,383	1,491,602	1,320,963
Term loans facilities:				
Housing loans/financing	11,314,355	11,074,856	10,502,152	10,218,542
Hire-purchase receivables	29,984,270	28,552,294	22,283,759	20,665,214
Other loans/financing	9,064,970	8,235,822	5,779,282	5,850,985
Card receivables	1,806,526	2,218,724	1,538,473	1,900,253
Bills receivables	33,524	17,765	29,762	10,905
Trust receipts	325,968	215,921	279,895	190,337
Claims on customers under acceptance credits	2,301,379	1,656,939	1,615,003	1,181,820
Revolving credits	1,739,800	1,385,432	1,617,334	1,314,677
Staff loans	155,954	159,849	155,954	159,849
Total	58,359,284	54,860,985	45,293,216	42,813,545
Unearned interest and unearned income	(6,482,805)	(6,022,061)	(3,658,470)	(3,432,582)
	51,876,479	48,838,924	41,634,746	39,380,963
Less: Islamic financing sold to Cagamas Berhad	(1,956,022)	(2,718,833)	–	–
Gross loans, advances and financing	49,920,457	46,120,091	41,634,746	39,380,963
Allowance for bad and doubtful debts and financing:				
– General (Note 11(vii))	(775,232)	(713,761)	(620,566)	(574,763)
– Specific (Note 11(vii))	(1,195,709)	(1,940,783)	(1,065,462)	(1,710,622)
Net loans, advances and financing	47,949,516	43,465,547	39,948,718	37,095,578
(i) The maturity structure of loans, advances and financing is as follows:				
Maturing within one year	16,016,547	13,763,566	13,332,360	11,301,520
One year to three years	10,620,440	9,651,439	8,628,157	8,973,837
Three years to five years	7,267,920	7,391,428	5,739,071	6,082,314
Over five years	16,015,550	15,313,658	13,935,158	13,023,292
Gross loans, advances and financing	49,920,457	46,120,091	41,634,746	39,380,963

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Domestic banking institutions	131	703	131	703
Domestic non-bank financial institutions	784,398	668,403	783,737	667,750
Domestic business enterprises				
– Small medium enterprises	5,251,998	4,592,600	4,544,974	4,073,959
– Others	7,433,010	6,278,504	6,444,277	5,688,351
Government and statutory bodies	70,011	82,174	48,700	60,995
Individuals	36,296,622	34,425,531	29,735,419	28,821,742
Other domestic entities	32,566	30,401	29,384	28,030
Foreign entities	51,721	41,775	48,124	39,433
Gross loans, advances and financing	<u>49,920,457</u>	<u>46,120,091</u>	<u>41,634,746</u>	<u>39,380,963</u>

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Fixed rate				
– Housing loans/financing	2,342,552	3,107,892	1,923,634	2,677,486
– Hire purchase receivables	23,104,400	21,050,206	18,648,791	17,243,010
– Other fixed rate loan/financing	7,546,616	6,329,882	4,182,191	3,845,471
Variable rate				
– Base lending rate plus	14,688,695	14,165,941	14,687,528	14,165,941
– Cost plus	1,870,813	1,086,576	1,825,221	1,069,461
– Other variable rates	367,381	379,594	367,381	379,594
Gross loans, advances and financing	<u>49,920,457</u>	<u>46,120,091</u>	<u>41,634,746</u>	<u>39,380,963</u>

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Purchase of securities	640,419	495,100	631,003	492,400
Purchase of transport vehicles	24,124,934	22,736,027	17,756,772	16,372,674
Purchase of landed property				
– Residential	10,949,947	10,726,030	10,529,842	10,293,915
– Non-residential	2,147,120	2,291,003	2,005,570	2,236,663
Purchase of fixed assets other than land and building	1,310,734	1,261,208	1,184,457	1,093,065
Personal use	2,031,712	1,646,300	329,609	315,515
Credit card	1,777,686	2,207,352	1,509,949	1,888,882
Purchase of consumer durables	3,892	4,648	2,708	3,289
Construction	296,127	328,316	288,034	325,812
Working capital	7,467,731	6,112,483	6,394,005	5,390,733
Other purpose	1,126,177	1,030,457	1,002,797	968,015
	51,876,479	48,838,924	41,634,746	39,380,963
Less: Islamic financing sold to Cagamas Berhad	(1,956,022)	(2,718,833)	–	–
Gross loans, advances and financing	49,920,457	46,120,091	41,634,746	39,380,963

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Purchase of securities	97,862	139,249	96,949	138,008
Purchase of transport vehicles	428,615	806,759	303,707	554,728
Purchase of landed property				
– Residential	962,785	1,372,806	881,418	1,274,591
– Non-residential	329,368	764,376	304,145	728,290
Purchase of fixed assets other than land and building	44,119	62,217	36,916	52,330
Personal use	30,856	50,004	30,404	49,029
Credit card	66,011	216,850	55,432	162,239
Purchase of consumer durables	485	327	485	327
Construction	93,553	166,814	91,049	164,310
Working capital	803,083	952,330	778,236	933,986
Other purpose	150,103	300,067	145,967	294,414
	3,006,840	4,831,799	2,724,708	4,352,252

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Gross				
Balance at 1 April	4,831,799	4,992,850	4,352,252	4,992,850
Non-performing during the year	1,233,176	1,800,547	1,027,145	1,577,054
Reclassification to performing loans, advances and financing	(735,886)	(809,969)	(632,369)	(767,214)
Amount recovered	(447,444)	(383,958)	(376,952)	(304,775)
Debt equity conversion	(53,918)	(6,182)	(53,918)	(6,182)
Amount written off	(1,273,028)	(761,489)	(1,043,591)	(628,505)
Sale of non-performing loans	(547,859)	–	(547,859)	–
Amount vested to subsidiary company	–	–	–	(510,976)
Balance at end of year	3,006,840	4,831,799	2,724,708	4,352,252
Less: Specific allowance	(1,195,709)	(1,940,783)	(1,065,462)	(1,710,622)
Non-performing loans, advances and financing – net	1,811,131	2,891,016	1,659,246	2,641,630
Gross loans, advances and financing	49,920,457	46,120,091	41,634,746	39,380,963
Add: Islamic financing sold to Cagamas Berhad	1,956,022	2,718,833	–	–
Balance at end of year	51,876,479	48,838,924	41,634,746	39,380,963
Less: Specific allowance	(1,195,709)	(1,940,783)	(1,065,462)	(1,710,622)
Net loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	50,680,770	46,898,141	40,569,284	37,670,341
Ratio of non-performing loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) – net	3.57%	6.16%	4.09%	7.01%

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
General Allowance				
Balance at 1 April	713,761	656,794	574,763	656,794
Allowance made during the year (Note 38)				
– Continuing operations	61,471	56,967	45,803	49,502
– Discontinued operations	–	–	–	775
Amount vested to subsidiary company	–	–	–	(132,308)
Balance at end of year	<u>775,232</u>	<u>713,761</u>	<u>620,566</u>	<u>574,763</u>
% of net loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	<u>1.53%</u>	<u>1.52%</u>	<u>1.53%</u>	<u>1.52%</u>
Specific Allowance				
Balance at 1 April	1,940,783	1,043,558	1,710,622	1,043,558
Allowance made during the year (Note 38)				
– Continuing operations	1,141,932	2,029,923	924,306	1,729,271
– Discontinued operations	–	–	–	18,509
Amount written back in respect of recoveries (Note 38)				
– Continuing operations	(394,681)	(383,975)	(316,167)	(295,188)
– Discontinued operations	–	–	–	(7,732)
Net charge to income statements	747,251	1,645,948	608,139	1,444,860
Debt equity conversion	(8,144)	(3,182)	(8,144)	(3,182)
Amount written off/ Adjustment to Asset Deficiency Account	(1,264,349)	(745,541)	(1,025,323)	(620,567)
Amount vested to subsidiary company	–	–	–	(154,047)
Sale of non-performing loans	<u>(219,832)</u>	<u>–</u>	<u>(219,832)</u>	<u>–</u>
Balance at end of year	<u>1,195,709</u>	<u>1,940,783</u>	<u>1,065,462</u>	<u>1,710,622</u>

12. OTHER ASSETS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deferred assets	39,891	43,939	39,891	43,939
Other receivables, deposits and prepayments (net)	656,386	555,787	544,330	557,835
Amount recoverable under asset-backed securitisation transaction net of impairment loss of RM30,500,000 (2007: RM20,500,000)	67,066	77,066	67,066	77,066
Foreclosed properties net of impairment loss of RM91,724,000 (2007: RM94,329,000)	99,772	91,990	99,772	91,990
	<u>863,115</u>	<u>768,782</u>	<u>751,059</u>	<u>770,830</u>
			The Group and Bank	
			2008	2007
			RM'000	RM'000

(i) **Deferred Assets**

Arising from takeover of Kewangan Usahasama Makmur Berhad	39,891	39,891
Arising from takeover of Abrar Finance Berhad	–	4,048
Balance at end of year	<u>39,891</u>	<u>43,939</u>

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

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

- (b) In 1998, the holding company, AMFB Holdings Berhad (“AMFB”), participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya, whereby certain assets and liabilities of Abrar Finance Berhad (“AFB”), a licensed finance company incorporated in Malaysia, were transferred with effect from 18 December 1998 to AMFB with financial assistance from BNM.

Subsequent to the vesting of assets and liabilities from AMFB to the Bank, the deferred assets arising from the takeover of AFB were vested over to the Bank.

The net asset deficiency representing the excess of liabilities over the assets transferred from AFB arising from the scheme, is shown as deferred asset, and is reduced progressively by net income derived from the utilisation of the deposit placed by BNM (referred to as commercial loan in Note 20) and net recoveries of defaulted loans of AFB computed based on a formula determined by BNM.

During the year, the net asset deficiency has been reduced to NIL and the deposit placed by BNM has been repaid in full.

- (ii) Included under the gross amount of other receivables, deposits and prepayments of the Group and Bank are outstanding balances totalling RM552,000 (2007: RM361,000) and RM18,835,000 (2007: RM95,034,000) respectively owing by other related companies. These amounts are interest-free and represent amounts paid on behalf.

- (iii) Other receivables, deposits and prepayments are net of allowance for doubtful debts of the Group and Bank which amounted to RM18,106,000 (2007:RM14,896,000) and RM15,883,000 (2007:RM12,793,000) respectively.

13. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2008 RM'000	2007 RM'000
Unquoted shares at cost	823,849	823,849
Impairment losses	(10,000)	(10,000)
Net	813,849	813,849

Details of the subsidiary companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2008 %	2007 %
AmIslamic Bank Berhad	Malaysia	Islamic Banking	100.0	100.0
AmTrade Services Limited *	Hong Kong	Trade finance services	100.0	100.0
AMBB Capital (L) Limited	Labuan, Malaysia	Special purpose vehicle	100.0	100.0
AmCapital (L) Inc	Labuan, Malaysia	Special purpose vehicle	100.0	—
AmProperty Holdings Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
Bougainvillea Development Sdn. Bhd.	Malaysia	Property investment and provision of property management services	100.0	100.0
MBf Information Services Sdn. Bhd.	Malaysia	Provision of computer system operation	100.0	100.0
MBf Trustees Berhad **	Malaysia	Trustee services	60.0	60.0
MBf Nominees (Tempatan) Sdn. Bhd.	Malaysia	Nominee services	100.0	100.0
MBf Equity Partners Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Natprop Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Teras Oak Pembangunan Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Komuda Credit & Leasing Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
AmCredit & Leasing Sdn Bhd	Malaysia	Dormant	100.0	100.0
Li & Ho Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Annling Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
MBf Nominees (Asing) Sdn. Bhd.	Malaysia	Dormant	100.0	100.0

14. INVESTMENT IN SUBSIDIARY COMPANIES (Con'td)

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2008 %	2007 %
Malco Properties Sdn. Bhd.	Malaysia	Dormant	51.0	51.0
Lekir Development Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Crystal Land Sdn. Bhd.	Malaysia	Dormant	80.0	80.0
Economical Enterprises Sdn. Bhd.	Malaysia	Dormant	100.0	100.0

* Audited by an affiliate of Ernst & Young

** The Board of Directors has approved the proposal to dispose the Group's effective interest in this subsidiary.

15. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Unquoted shares, at cost	100	100	150	150
Less: Impairment loss	—	—	(13)	(13)
	100	100	137	137
Share of post-acquisition results, net of tax	640	551	—	—
	<u>740</u>	<u>651</u>	<u>137</u>	<u>137</u>

The associated companies, which are incorporated in Malaysia are as follows:

	Principal Activity
AmTrustee Berhad	Trustee Services
MBf Trustees Berhad	Trustee Services

The effective equity interests are as follows:

	The Group		The Bank	
	Effective Equity Interest 2008	Effective Equity Interest 2007	Effective Equity Interest 2008	Effective Equity Interest 2007
AmTrustee Berhad	20%	20%	20%	20%
MBf Trustees Berhad	<u>60%</u>	<u>60%</u>	<u>20%</u>	<u>20%</u>

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

15. **INVESTMENT IN ASSOCIATED COMPANIES (Continued)**

During the financial year, the Board of Directors approved the proposal to dispose the Group's effective interest in MBf Trustees Berhad to a third party for a total cash consideration of RM 250,000 and the sale is expected to be completed in the next financial year. The financial effect of this disposal to the Bank and the Group is not material.

As at 31 March 2008, the carrying value of the investment in associated company is represented by:

	The Group	
	Effective Equity Interest	
	2008	2007
	RM'000	RM'000
Group's share of aggregate net tangible assets	1,081	993

16. PREPAID LAND LEASE PAYMENTS

	Long term leasehold land	The Group Short term leasehold land	Total	Long term leasehold land	The Bank Short term leasehold land	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST						
As at 1 April 2007	5,068	534	5,602	3,806	303	4,109
ACCUMULATED AMORTISATION						
As at 1 April 2007	879	214	1,093	682	149	831
Amortisation charge for the year	91	14	105	76	9	85
As at 31 March 2008	970	228	1,198	758	158	916
NET BOOK VALUE						
As at 31 March 2008	4,098	306	4,404	3,048	145	3,193

The long term leasehold properties for the Group and the Bank are for lease periods of 66-999 years and 85-855 years respectively and with unexpired lease periods of 52-873 years and 61-786 years respectively.

The short term leasehold properties for the Group and the Bank are for lease periods of 20-49 years and 20 years respectively and with unexpired lease periods of 0-32 years.

16. PREPAID LAND LEASE PAYMENTS (Cont'd)

	Long term leasehold land	The Group Short term leasehold land	Total	Long term leasehold land	The Bank Short term leasehold land	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST						
As at 1 April 2006						
- As previously stated	-	-	-	-	-	-
- Reclassification from property and equipment upon adoption of FRS 117 (Note 17)	5,139	384	5,523	3,806	153	3,959
Additions		150	150	-	150	150
Adjustments	(71)	-	(71)	-	-	-
As at 31 March 2007	5,068	534	5,602	3,806	303	4,109
ACCUMULATED AMORTISATION						
As at 1 April 2006						
- As previously stated	-	-	-	-	-	-
- Reclassification from property and equipment upon adoption of FRS 117 (Note 17)	799	200	999	606	140	746
Amortisation charge for the year	91	14	105	76	9	85
Adjustment	(11)	-	(11)	-	-	-
As at 31 March 2007	879	214	1,093	682	149	831
NET BOOK VALUE						
As at 31 March 2007	4,189	320	4,509	3,124	154	3,278

17. PROPERTY AND EQUIPMENT

The Group

	Freehold land	Freehold buildings	Leasehold buildings	Leasehold improve- ments	Office equipment, furniture and fittings	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST								
As at 1 April 2007	12,892	22,717	17,016	169,674	127,497	393,094	8,006	750,896
Additions	–	–	–	9,842	3,121	34,233	167	47,363
Disposals	–	–	–	–	(181)	–	–	(181)
Reclassified to Intangible Assets (Note 18)	–	–	–	–	–	(16,969)	–	(16,969)
Adjustments	–	–	–	363	85	(1,773)	–	(1,325)
As at 31 March 2008	<u>12,892</u>	<u>22,717</u>	<u>17,016</u>	<u>179,879</u>	<u>130,522</u>	<u>408,585</u>	<u>8,173</u>	<u>779,784</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
As at 1 April 2007	–	6,509	3,310	130,595	98,335	328,469	6,239	573,457
Current depreciation charge	–	453	318	13,109	11,211	12,124	526	37,741
Disposals	–	–	–	–	(178)	–	–	(178)
As at 31 March 2008	<u>–</u>	<u>6,962</u>	<u>3,628</u>	<u>143,704</u>	<u>109,368</u>	<u>340,593</u>	<u>6,765</u>	<u>611,020</u>
NET BOOK VALUE								
As at 31 March 2008	<u>12,892</u>	<u>15,755</u>	<u>13,388</u>	<u>36,175</u>	<u>21,154</u>	<u>67,992</u>	<u>1,408</u>	<u>168,764</u>

17. PROPERTY AND EQUIPMENT (Cont'd)

The Group

	Freehold land	Freehold buildings	Leasehold land	Leasehold buildings	Leasehold improve- ments	Office equipment, furniture and fittings	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST									
As at 1 April 2006									
– As previously stated	42,838	256,193	5,523	17,058	169,190	117,168	377,340	7,050	992,360
– Effects of adoption of FRS 117 (Note 16)	–	–	(5,523)	–	–	–	–	–	(5,523)
	42,838	256,193	–	17,058	169,190	117,168	377,340	7,050	986,837
Additions	–	–	–	100	8,663	9,362	19,522	1,291	38,938
Reclassified as asset held for sale	(27,738)	(228,871)	–	–	(1,749)	(2,260)	–	–	(260,618)
Disposals	(2,279)	(4,747)	–	–	–	(980)	(1,993)	(335)	(10,334)
Write offs	–	–	–	–	(3,313)	(7)	(23)	–	(3,343)
Adjustments	71	142	–	(142)	(3,117)	4,214	(1,752)	–	(584)
As at 31 March 2007	12,892	22,717	–	17,016	169,674	127,497	393,094	8,006	750,896
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES									
As at 1 April 2006									
– As previously stated	–	72,012	999	3,014	122,181	87,945	313,617	5,744	605,512
– Effects of adoption of FRS 117 (Note 16)	–	–	(999)	–	–	–	–	–	(999)
	–	72,012	–	3,014	122,181	87,945	313,617	5,744	604,513
Current depreciation charge	–	1,187	–	317	11,732	11,440	16,839	830	42,345
Reclassified as asset held for sale	–	(64,238)	–	–	(29)	(113)	–	–	(64,380)
Disposals	–	(2,484)	–	–	–	(930)	(1,964)	(335)	(5,713)
Write offs	–	–	–	–	(3,289)	(7)	(23)	–	(3,319)
Adjustments	–	32	–	(21)	–	–	–	–	11
As at 31 March 2007	–	6,509	–	3,310	130,595	98,335	328,469	6,239	573,457
NET BOOK VALUE									
As at 31 March 2007	12,892	16,208	–	13,706	39,079	29,162	64,625	1,767	177,439

17. PROPERTY AND EQUIPMENT (Cont'd)

The Bank

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST								
As at 1 April 2007	3,582	3,055	13,778	169,433	127,322	392,516	8,006	717,692
Additions	–	–	–	9,842	3,076	34,160	167	47,245
Disposals	–	–	–	–	(181)	–	–	(181)
Write offs	–	–	–	–	–	–	–	–
Reclassified to Intangible Assets (Note 18)	–	–	–	–	–	(16,489)	–	(16,489)
Adjustments	–	–	–	363	85	(1,773)	–	(1,325)
As at 31 March 2008	<u>3,582</u>	<u>3,055</u>	<u>13,778</u>	<u>179,638</u>	<u>130,302</u>	<u>408,414</u>	<u>8,173</u>	<u>746,942</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
As at 1 April 2007	–	514	2,610	130,551	98,268	328,466	6,239	566,648
Current depreciation charge	–	47	278	13,060	11,171	12,098	526	37,180
Disposals	–	–	–	–	(178)	–	–	(178)
Write offs	–	–	–	–	–	–	–	–
Adjustments	–	–	–	–	–	–	–	–
As at 31 March 2008	<u>–</u>	<u>561</u>	<u>2,888</u>	<u>143,611</u>	<u>109,261</u>	<u>340,564</u>	<u>6,765</u>	<u>603,650</u>
NET BOOK VALUE								
As at 31 March 2008	<u>3,582</u>	<u>2,494</u>	<u>10,890</u>	<u>36,027</u>	<u>21,041</u>	<u>67,850</u>	<u>1,408</u>	<u>143,292</u>

17. PROPERTY AND EQUIPMENT (Cont'd)

The Bank

	Freehold land RM'000	Freehold buildings RM'000	Leasehold land RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST									
As at 1 April 2006									
– As previously stated	31,320	232,116	3,959	13,678	169,156	117,163	377,341	7,050	951,783
– Effects of adoption of FRS 117 (Note 16)	–	–	(3,959)	–	–	–	–	–	(3,959)
	31,320	232,116	–	13,678	169,156	117,163	377,341	7,050	947,824
Additions	–	–	–	100	8,660	9,192	18,943	1,291	38,186
Reclassified as asset held for sale	(27,738)	(228,871)	–	–	(1,749)	(2,260)	–	–	(260,618)
Disposals	–	(190)	–	–	–	(980)	(1,993)	(335)	(3,498)
Write offs	–	–	–	–	(3,313)	(7)	(23)	–	(3,343)
Adjustments	–	–	–	–	(3,321)	4,214	(1,752)	–	(859)
As at 31 March 2007	3,582	3,055	–	13,778	169,433	127,322	392,516	8,006	717,692
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES									
As at 1 April 2006									
– As previously stated	–	63,991	746	2,333	122,162	87,937	313,617	5,744	596,530
– Effects of adoption of FRS 117 (Note 16)	–	–	(746)	–	–	–	–	–	(746)
	–	63,991	–	2,333	122,162	87,937	313,617	5,744	595,784
Current depreciation charge	–	810	–	277	11,707	11,381	16,836	830	41,841
Reclassified as asset held for sale	–	(64,238)	–	–	(29)	(113)	–	–	(64,380)
Disposals	–	(49)	–	–	–	(930)	(1,964)	(335)	(3,278)
Write offs	–	–	–	–	(3,289)	(7)	(23)	–	(3,319)
Adjustments	–	–	–	–	–	–	–	–	–
As at 31 March 2007	–	514	–	2,610	130,551	98,268	328,466	6,239	566,648
NET BOOK VALUE									
As at 31 March 2007	3,582	2,541	–	11,168	38,882	29,054	64,050	1,767	151,044

- (a) Included in the net book value of computer equipment and leasehold improvements are capital work-in-progress for the Group and the Bank of RM30,960,000 (2007: RM36,022,000).
- (b) Details of fully depreciated property and equipment of the Group and the Bank, which are still in use are as follows:

The Group and the Bank	Cost RM'000
Freehold building	75
Leasehold building	102
Leasehold improvements	108,176
Office equipment, furniture and fittings	74,906
Computer equipment	310,776
Motor vehicles	5,499
	<hr/>
	499,534
	<hr/>

18. Intangible Assets

The net carrying amount of intangible assets are as follows:

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Computer Software				
<u>Cost</u>				
At the beginning of the year	140,077	103,451	140,004	103,451
Additions	10,720	36,626	10,564	36,553
Reclassified from computer equipment (Note 17)	16,969	—	16,489	—
At the end of the year	<hr/> 167,766	<hr/> 140,077	<hr/> 167,057	<hr/> 140,004
<u>Accumulated Amortisation</u>				
At the beginning of the year	85,601	66,608	85,592	66,608
Amortisation for the year	20,681	18,993	20,589	18,984
At the end of the year	<hr/> 106,282	<hr/> 85,601	<hr/> 106,181	<hr/> 85,592
	<hr/> 61,484	<hr/> 54,476	<hr/> 60,876	<hr/> 54,412

19. DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Demand deposits	2,908,460	2,160,052	2,387,896	1,806,032
Savings deposits	3,340,718	3,160,423	2,539,686	2,492,693
Other deposits	3,001,589	634,217	3,001,589	634,217
Fixed/Investment deposits	32,268,126	31,164,516	28,167,666	27,538,634
Negotiable certificates of deposits	16,652	16,650	10,103	10,102
	<u>41,535,545</u>	<u>37,135,858</u>	<u>36,106,940</u>	<u>32,481,678</u>
(i) The maturity structure of deposits from customers is as follows:				
Due within six months	31,271,837	26,268,775	26,398,407	22,079,547
Six months to one year	7,631,423	7,069,385	7,208,812	6,723,767
One year to three years	1,824,914	2,939,042	1,779,145	2,896,396
Three years to five years	807,371	858,656	720,576	781,968
	<u>41,535,545</u>	<u>37,135,858</u>	<u>36,106,940</u>	<u>32,481,678</u>
(ii) The deposits are sourced from the following types of customers:				
Individuals	23,607,619	22,993,524	21,985,243	21,573,627
Business enterprises	11,992,998	9,288,795	9,798,044	7,686,515
Government and other statutory bodies	5,156,825	4,139,864	3,767,035	2,711,873
Others	778,103	713,675	556,618	509,663
	<u>41,535,545</u>	<u>37,135,858</u>	<u>36,106,940</u>	<u>32,481,678</u>

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Licensed banks	1,643,491	2,560,370	1,151,635	2,397,952
Licensed merchant banks	2,751,043	5,124,316	2,057,164	4,080,536
Non-banking institutions	6,535,453	7,199,793	5,223,423	5,869,102
Bank Negara Malaysia ("BNM")	1,386,398	1,269,220	1,383,975	1,261,135
	<u>12,316,385</u>	<u>16,153,699</u>	<u>9,816,197</u>	<u>13,608,725</u>

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

Negotiable instruments of deposits	3,783,256	6,500,933	2,320,863	4,960,317
Interbank borrowing (Note 5)	1,987,372	2,233,545	1,865,722	2,203,545
	<u>5,770,628</u>	<u>8,734,478</u>	<u>4,186,585</u>	<u>7,163,862</u>

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Soft deposit	135,000	135,000	135,000	135,000
Soft loans	493,000	493,000	493,000	493,000
Commercial loan	–	180,000	–	180,000
	<u>628,000</u>	<u>808,000</u>	<u>628,000</u>	<u>808,000</u>

The soft deposit of RM135,000,000 bears an interest of 1% (2007: 1%) per annum and the soft loans are interest free. The commercial loan of RM180,000,000 had been repaid during the year.

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

21. OBLIGATION ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements represent the obligations to repurchase those securities sold and are as follows:

	2008 RM'000	2007 RM'000
The Group and The Bank		
Included under securities held-for-trading (Note 7)	–	64,000
Included under securities available-for-sale (Note 8)	–	380,319
	<u>–</u>	<u>444,319</u>

22. BILLS AND ACCEPTANCES PAYABLE

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

23. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from loans (excluding Islamic financing) sold directly and indirectly to Cagamas Berhad with recourse to the Bank. Under this arrangement, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria.

24. OTHER LIABILITIES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Interest payable	355,135	329,002	310,698	289,445
Other creditors and accruals	1,002,285	742,155	956,609	690,119
Profit equalisation reserve	37,272	55,593	–	–
Lease deposits and advance rentals	55,676	47,444	50,807	40,193
Provision for zakat	601	786	–	–
Provision for taxation	34	18	–	–
	<u>1,451,003</u>	<u>1,174,998</u>	<u>1,318,114</u>	<u>1,019,757</u>

Included under other creditors and accruals of the Group and of the Bank are outstanding balances totalling RM4,757,000 (2007: RM6,853,000) and RM2,218,000 (2007: RM7,381,000) respectively owing to other related companies. The amounts are interest-free and represent amounts paid on behalf.

25(a) SUBORDINATED TERM LOANS

	Note	The Group		The Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Subordinated term loan					
– RM460 million	(i)	460,000	460,000	460,000	460,000
– USD 200 million (net of capitalised issuance expense of RM6,217,000 (2007: RM7,033,000))	(ii)	–	–	689,469	684,167
		<u>460,000</u>	<u>460,000</u>	<u>1,149,469</u>	<u>1,144,167</u>

- (i) The subordinated term loan represents an unsecured loan obtained from a related company, AmInvestment Bank Berhad for the purpose of supplementing the Bank's capital adequacy position and it is subordinated to all other liabilities. The term loan is repayable in a lump sum at the end of ten (10) years from the date of drawdown and interest is charged at a rate of 6.875% per annum for the first 5 years and 7.00% to 9.00% per annum or 3% per annum plus yield of 5-year Malaysian Government Securities, whichever is the higher for the next 5 years. The term loan was drawdown on 30 September 2003.

On 19 May 2006, the Bank entered into a Supplemental Facility Agreement with AmInvestment Bank Bhd whereby the subordinated term loan was novated to Quanto Assets Bhd, a special purpose vehicle. In accordance with the new terms of agreement, interest on the loan remains unchanged at 6.875% per annum for the primary period which ends on 30 September 2008 and 7.375% to 9.375% per annum for the next 5 years.

- (ii) The subordinated term loan which was on-lent from the proceeds of the issue of the Hybrid Securities as explained in Note 25(b) is for a period of 50 years to mature on 27 January 2056 with an option to make a first call on 27 January 2016.

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

25(b) **HYBRID SECURITIES**

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-cumulative Non-Voting Guaranteed Preference Shares – USD200 million (net of capitalised issuance expense of RM6,217,000 (2007: RM7,033,000))	<u>689,469</u>	<u>684,167</u>	<u>–</u>	<u>–</u>

On 27 January 2006, AMBB Capital (L) Limited, a wholly-owned subsidiary of the Bank issued United States (“USD”) 200,000,000 Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each (“Hybrid Securities”). The Hybrid Securities are guaranteed by the Bank on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Securities were on-lent to the Bank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing the Bank’s working capital requirements.

The salient features of the Hybrid Securities are as follows:

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

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

The Hybrid Securities are classified as liabilities in accordance with FRS 132: Financial Instruments - Disclosure and Presentation. FRS132 requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As the coupon of the Hybrid Securities will step up at the end of year ten to a level that is considered to be sufficiently higher than market rate, AMBB Capital (L) Limited is deemed likely to redeem the Hybrid Securities at that time. As such, they have been accounted for as long-term liabilities.

25(c) **MEDIUM TERM NOTES**

During the financial year, AmBank issued five Tranches of Medium Term Notes (“MTN”) at par totalling RM860 million under a RM2.0 billion nominal value MTN Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

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

The MTN issued under the MTN Programme is to be included as Tier 2 capital under the capital adequacy framework for financial institutions in compliance with the Risk Weighted Capital Adequacy Framework issued by Bank Negara Malaysia (“BNM”).

The salient features of the MTNs issued are as follows:

- (a) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23% per annum.
- (b) Tranche 2 and 3 totalling RM240 million was issued on 14 March 2008 as follows:
 - i. Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
 - ii. Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.
- (c) Tranche 4 and 5 totalling RM120 million was issued on 28 March 2008 as follows:
 - i. Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
 - ii. Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

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

- (a) Tranche 1 – at the beginning of the 5th year
- (b) Tranche 2 – at the beginning of the 6th year
- (c) Tranche 3 – at the beginning of the 8th year
- (d) Tranche 4 – at the beginning of the 6th year
- (e) Tranche 5 – at the beginning of the 8th year

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

26. SUBORDINATED BONDS

	Note	The Group		The Bank	
		2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Subordinated bonds – RM200 million	(i)	200,000	200,000	200,000	200,000
Subordinated Sukuk Musyarakah – RM400 million	(ii)	400,000	400,000	–	–
		<u>600,000</u>	<u>600,000</u>	<u>200,000</u>	<u>200,000</u>

- (i) Pursuant to a Trust Deed dated 24 April 2003, the Bank issued RM200,000,000 nominal amount of Negotiable Interest-bearing Redeemable Unsecured Subordinated Bonds (“Subordinated Bonds”) for the purpose of increasing the Bank’s capital funds.

The salient features of the Subordinated Bonds are as follows:

- (a) The Subordinated Bonds bear interest at 7.95% per annum for the first five years and subsequently at 8.45% to 10.45% per annum. The interest is payable on a semi-annual basis.
- (b) The Subordinated Bonds are for a period of ten years maturing on 30 April 2013. However, subject to the prior approval of Bank Negara Malaysia, the Bank may redeem the Subordinated Bonds on 30 April 2008 or on each anniversary date thereafter, at nominal value together with interest accrued to the date of redemption.

The RM200 million Subordinated Bonds had been fully redeemed on 30 April 2008.

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

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

The Subordinated Sukuk Musyarakah which has been awarded a long term rating of A3 by Rating Agency Malaysia is not listed on Bursa Securities Malaysia Berhad or on any other stock exchange but is traded and prescribed under the Scripless Securities Trading System maintained by BNM.

The Subordinated Sukuk Musyarakah qualify as Tier 2 capital of Amlslamic Bank.

27. EXCHANGEABLE BONDS

On 18 May 2007 the Bank issued RM575,000,000 Exchangeable Bonds (“EB”) to ANZ Funds Pty Ltd. The EB will mature on the 10th anniversary from the date of issue. Interest will accrue on the EB at a rate of 5% per annum for the first five years and 5.5% for the next five years. The EB are exchangeable into 188,524,590 new ordinary shares in the ultimate holding company, AMMB Holdings Berhad (“AHB”) at an exchange price of RM3.05 per share.

Pursuant to the completion of AHB’s Rights Issue on 15 January 2008, the EB conversion price was adjusted from RM3.05 per share to RM2.95 per share.

Bank Negara Malaysia has approved the Exchangeable Bonds as Tier 2 capital of the Bank under the capital adequacy framework.

28. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

On 18 May 2007, the Bank issued RM300 million Irredeemable Convertible Unsecured Loan Stocks (“ICULS”) to the holding company, AMFB Holdings Berhad. The ICULS is for a period of ten years to mature in 2017. Interest shall be payable on the loan stock at the interest rate of 6% per annum. The ICULS shall be convertible to new shares in the Bank and credited as fully paid on the basis of one new share for every Ringgit Malaysia Five (RM5.00) nominal amount of ICULS tendered. Bank Negara Malaysia has approved the ICULS as Tier 2 capital of the Bank under the capital adequacy framework.

The ICULS is classified separately into its liability and equity component as required by FRS 132: Financial Instruments – Disclosures and Presentation. FRS 132 requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for an equivalent financial instrument. The residual amount, representing the value of the equity conversion component is included in the statement of changes in equity.

29. IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES

On 18 May 2007, the Bank further issued RM150 million Irredeemable Non-Cumulative Convertible Preference Shares (“INCPS”) to the holding company, AMFB Holdings Berhad. The INCPS are perpetual securities and do not have a fixed maturity date. The dividend rate will be 6% per annum. The INCPS are convertible into new ordinary shares of the Bank on the basis of one (1) new ordinary share for every one (1) INCPS held. Bank Negara Malaysia has approved the INCPS as Tier 1 capital of the Bank under the capital adequacy framework.

30. SHARE CAPITAL

	The Group		The Bank	
	2008 RM’000	2007 RM’000	2008 RM’000	2007 RM’000
Authorised				
Balance at beginning and end of year				
Ordinary shares of RM1.00 each	1,386,250	1,386,250	1,386,250	1,386,250
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>
	<u>3,886,250</u>	<u>3,886,250</u>	<u>3,886,250</u>	<u>3,886,250</u>

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Issued and fully paid				
Ordinary shares of RM1.00 each				
Balance at beginning/end of year	<u>610,364</u>	<u>610,364</u>	<u>610,364</u>	<u>610,364</u>
Preference shares of RM1.00 each				
Balance at beginning of year				
Issued during the year (Note 29)	<u>150,000</u>	<u>–</u>	<u>150,000</u>	<u>–</u>
Balance at end of year	<u>150,000</u>	<u>–</u>	<u>150,000</u>	<u>–</u>

FRS 132: Financial Instruments – Disclosures and Presentation requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for an equivalent financial instrument.

31. RESERVES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Non-distributable Reserves:				
Share premium	710,660	710,660	710,660	710,660
Statutory reserve	770,898	633,222	680,459	585,832
Capital reserve	377,492	377,492	–	–
Securities available-for-sale reserve	(2,090)	6,007	(2,090)	6,007
Merger reserve	349,050	349,050	–	–
ICULS (Equity component) (Note 28)	<u>200,792</u>	<u>–</u>	<u>200,792</u>	<u>–</u>
Total non-distributable reserves	2,406,802	2,076,431	1,589,821	1,302,499
Distributable Reserves:				
Retained profits	<u>735,060</u>	<u>406,591</u>	<u>1,202,508</u>	<u>918,628</u>
	<u>3,141,862</u>	<u>2,483,022</u>	<u>2,792,329</u>	<u>2,221,127</u>

Movements in reserves are shown in the statements of changes in equity on pages 22 to 25.

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

The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 and is not distributable as cash dividends.

The capital reserve of the Group represents reserve arising from the acquisition of Amlslamic Bank Berhad which is accounted for using the merger accounting method.

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

31. RESERVES (CONT'D)

Distributable reserves are those available for distribution by way of dividends. There is minimal tax credit available under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of the Bank's distributable reserves as at 31 March 2008. If the distributable reserves were to be distributed as dividends prior to there being sufficient Section 108 tax credit, the Bank would automatically move to the single tier system and the dividends paid would be treated as single tier dividends.

32. MINORITY INTERESTS

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

The movements in minority interests in subsidiary companies are as follows:

	The Group	
	2008	2007
	RM'000	RM'000
Balance at beginning of year	57	70
Share in net results of subsidiary companies	(16)	(13)
Balance at end of year	<u>41</u>	<u>57</u>

33. INTEREST INCOME

	The Group		The Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Loans and advances				
– Interest income other than recoveries from NPLs	2,558,348	2,264,050	2,558,348	2,264,050
– Recoveries from NPLs	243,925	275,950	243,925	275,950
Money at call, deposits and placements with financial institutions	320,506	291,043	320,559	292,082
Securities held-for-trading	76,380	34,519	76,380	34,519
Securities available-for-sale	11,795	13,571	11,795	13,571
Securities held-to-maturity	100,213	60,521	100,213	60,521
Others	–	15	–	15
	<u>3,311,167</u>	<u>2,939,669</u>	<u>3,311,220</u>	<u>2,940,708</u>
Net interest suspended	(95,775)	(108,112)	(95,775)	(108,112)
Amortisation of premiums less accretion of discounts	(4,771)	1,972	(4,771)	1,972
	<u>3,210,621</u>	<u>2,833,529</u>	<u>3,210,674</u>	<u>2,834,568</u>

34. INTEREST EXPENSE

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Deposit from customers	1,126,334	998,398	1,126,913	1,002,134
Deposits and placements of banks and other financial institutions	401,380	404,252	401,436	401,183
Recourse obligation on loans sold to Cagamas Berhad	15,057	47,012	15,057	47,012
Subordinated term loans	31,837	63,473	77,439	112,746
Subordinated bonds	15,944	15,900	15,944	15,900
Hybrid securities	45,602	49,273	–	–
Medium term notes	4,777	–	4,777	–
Exchangeable bonds	26,232	–	26,232	–
Irredeemable Convertible Unsecured Loan Stocks	6,662	–	6,662	–
Dividends on INCPS	6,750	–	6,750	–
Others	96,598	53,379	96,471	54,678
	<u>1,777,173</u>	<u>1,631,687</u>	<u>1,777,681</u>	<u>1,633,653</u>

35. NET INCOME FROM ISLAMIC BANKING BUSINESS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Income derived from investment of depositors' funds and others	676,930	670,506	–	–
Income derived from investment of shareholders' funds	155,463	137,627	–	–
Transfer from profit equalisation reserve	18,320	60,887	–	–
Income attributable to the depositors	(338,432)	(344,939)	–	–
Finance cost	(19,253)	(5,313)	–	–
	<u>493,028</u>	<u>518,768</u>	<u>–</u>	<u>–</u>

36. OTHER OPERATING INCOME

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
(a) Fee Income:				
Commissions	53,948	43,184	53,948	43,184
Guarantee fees	13,884	8,581	13,884	8,581
Other fee income	105,305	99,439	105,036	99,218
	<u>173,137</u>	<u>151,204</u>	<u>172,868</u>	<u>150,983</u>
(b) Investment income:				
Net gain on sale of:				
Securities held-for-trading	25,262	20,337	25,262	20,337
Securities available-for-sale	22,569	19,913	22,569	19,913
Securities held-to-maturity	17,431	11,042	17,431	11,042
Net gain/(loss) on revaluation of securities held-for-trading	(33,710)	14,216	(33,757)	14,216
Net gain/(loss) on revaluation of derivatives	66,036	(107,732)	66,036	(107,732)
Gross dividend income from:				
Securities held-for-trading	4,715	4,186	4,715	4,186
Securities available-for-sale	774	5,825	774	5,825
Securities held-to-maturity	5,024	1,393	4,996	1,366
	<u>108,101</u>	<u>(30,820)</u>	<u>108,026</u>	<u>(30,847)</u>
(c) Other Income:				
Gain on disposal of foreclosed properties	975	1,840	975	1,840
Rental income	3,503	7,084	2,842	6,549
Gain on disposal of property held for sale	–	33,762	–	33,762
Gain on disposal of property and equipment	429	1,094	429	271
Foreign exchange gain	19,303	11,734	19,176	12,316
Other operating income	279	28	–	–
	<u>24,489</u>	<u>55,542</u>	<u>23,422</u>	<u>54,738</u>
	<u>305,727</u>	<u>175,926</u>	<u>304,316</u>	<u>174,874</u>

37. OTHER OPERATING EXPENSES

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Personnel costs				
Salaries, allowances and bonuses	439,069	360,058	433,209	355,226
Others	21,393	24,564	21,080	24,273
Establishment costs				
Depreciation (Note 17)	37,741	42,345	37,180	41,841
Rental	47,724	33,645	48,803	35,476
Cleaning, maintenance and security	20,572	18,480	19,869	17,851
Computerisation cost	45,991	51,878	45,600	51,520
Others	18,309	16,314	17,669	15,612
Amortisation of prepaid land lease payments (Note 16)	105	105	85	85
Amortisation of intangible assets (Note 18)	20,681	18,993	20,589	18,984
Marketing and communication expenses				
Commission	6,361	8,333	6,361	4,761
Advertising and marketing expenses	57,537	45,393	52,116	44,123
Communication	46,025	41,844	44,823	41,814
Others	7,506	6,615	7,439	6,567
Administration and general expenses				
Professional services	65,177	54,813	61,924	52,578
Others	23,442	19,824	22,622	18,965
Shared service cost recoveries (Subsidiary)	—	—	(182,639)	(140,005)
	<u>857,633</u>	<u>743,204</u>	<u>656,730</u>	<u>589,671</u>

The above expenditure includes the following statutory disclosure:

Directors' remuneration (Note 41)	1,063	1,664	679	1,355
Rental of premises				
– subsidiary companies	—	—	1,950	2,277
– others	47,724	33,645	46,853	33,199
Hire of equipment	9,423	6,999	9,357	6,999
Auditors' remuneration:				
Statutory audit	547	520	450	450
Review engagements	390	200	370	180
Reporting accountants	430	—	430	—
Others	—	36	—	36
Property and equipment written off	<u>1,325</u>	<u>679</u>	<u>1,325</u>	<u>883</u>

The total number of employees of the Group and of the Bank as at 31 March 2008 were 7,235 (2007: 7,204) and 7,178 (2007: 7,157), respectively.

Personnel costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund of the Group and the Bank amounted to RM58,925,000 (2007: RM47,797,000) and RM58,129,000 (2007: RM47,169,000), respectively.

38. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing operations				
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
– made in the financial year	1,141,932	2,029,923	924,306	1,729,271
– written back	(394,681)	(383,975)	(316,167)	(295,188)
General allowance	61,471	56,967	45,803	49,502
Bad debts and financing recovered-net	(254,360)	(234,147)	(239,246)	(223,647)
Amount recovered from Danaharta	(609)	(17,027)	(609)	(17,027)
	<u>553,753</u>	<u>1,451,741</u>	<u>414,087</u>	<u>1,242,911</u>
Discontinued operations				
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
– made in the financial year	–	–	–	18,509
– written back	–	–	–	(7,732)
General allowance	–	–	–	775
Bad debts and financing recovered	–	–	–	(605)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,947</u>

39. IMPAIRMENT LOSS

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Impairment (loss)/written back:				
Securities	(70,211)	(213,779)	(70,211)	(213,817)
Foreclosed properties	–	45	–	45
Amount recoverable under asset-backed securitisation transaction	(10,000)	(10,000)	(10,000)	(10,000)
Sundry receivables	(2,890)	(1,352)	(2,987)	(1,352)
	<u>(83,101)</u>	<u>(225,086)</u>	<u>(83,198)</u>	<u>(225,124)</u>

40. **HOLDING AND ULTIMATE HOLDING COMPANIES AND SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

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

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

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Income				
<u>Related companies</u>				
Interest on deposits and placement	115,232	108,958	114,433	106,983
Interest on investment securities	1,747	17,440	1,747	17,440
Interest on loans and advances	4,527	6,182	4,527	6,182
Other income	–	25,200	–	24,021
<u>Subsidiary companies</u>				
Interest on deposits and placement	–	–	49	1,041
Shared service cost recoveries	–	–	182,639	140,005
<u>Key management personnel</u>				
Interest on loans	44	48	39	45
Expenditure				
<u>Ultimate holding company</u>				
Other expenses	55	–	55	–
<u>Related companies</u>				
Interest on subordinated loans	–	5,285	–	5,285
Interest on deposits and placements	114,187	78,119	110,606	75,942
Shared service costs	–	9,093	–	9,093
<u>Subsidiary companies</u>				
Interest on subordinated loans	–	–	45,727	49,272
Interest on deposits and placements	–	–	576	340
Other expenses	–	–	1,895	2,277
<u>Associated company</u>				
Interest on deposits and placements	7	2	7	6

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
<u>Key management personnel</u>				
Interest on deposits and placements	544	194	538	194
Short term employee benefits				
Salary and other remuneration including meeting allowances	4,216	3,700	3,538	3,700
Estimated money value of benefits	119	183	103	183
Gratuity	–	450	–	450
Amount due from				
<u>Related companies</u>				
Loans and advances	82,064	110,170	82,064	110,170
Cash and short- term fund	405,818	2,395,187	405,818	2,165,187
Deposits and placements	688,800	1,600,400	638,800	1,550,400
Securities available-for-sale	–	399,995	–	399,995
Interest receivable	5,842	85,582	5,818	22,883
<u>Subsidiary companies</u>				
Deposits and placements	–	–	8,593	8,593
Interest receivable	–	–	50	–
<u>Key management personnel</u>				
Loans outstanding	1,114	1,179	1,066	1,134
Amount due to				
<u>Related companies</u>				
Deposits and placements	2,252,532	4,658,125	1,619,286	3,690,422
Interest payable	13,075	14,018	12,859	14,012
Commitments and contingencies	8,632,241	9,820,463	8,632,241	9,820,463
<u>Subsidiary companies</u>				
Deposits and placements	–	–	–	16,775
Subordinated term loan	–	–	638,800	691,200
Interest payable	–	–	7,809	8,451
<u>Associated company</u>				
Deposits and placements	100	200	100	200
Interest payable	10	7	10	7
<u>Key Management Personnel</u>				
Deposits and placements	7,216	10,500	7,053	8,950

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

(a) Directors related transactions

The significant non-banking transactions of the Group and the Bank with companies in which Tan Sri Dato' Azman Hashim is deemed to have a substantial interest, are as follows:

The Group and the Bank	Types of transactions	2008 RM'000	2007 RM'000
Expenses			
MCM Systems Sdn Bhd	Computer maintenance and consultancy services	6,245	4,315
MCM Horizon Sdn Bhd	Computer maintenance and consultancy services	911	1,303
MCM Consulting Sdn Bhd	Computer maintenance and consultancy services	399	712
Dion Realities Sdn Bhd	Rental of premises and car park	3,904	3,452
Troosts Sdn Bhd	Rental of premises	279	277
Modular Corp. (M) Sdn Bhd	EMV card personalization and fulfillment services	1,691	1,400
AmProperty Trust Management Bhd	Management fees, miscellaneous charges and rental of premises	6,334	3,965
AON Insurance Brokers (M) Sdn Bhd	Brokerage for insurance brokers' services	643	57
Harpers Travel (M) Sdn Bhd	Provision of airline ticketing services	514	532
Melawangi Sdn Bhd	Rental-Amcorp Mall ATM, Roadshow Booth Rental and monthly license fee	355	212
Capital Expenditure			
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	6,696	9,377
MCM Consulting Sdn Bhd	Purchase of computer hardware and related consultancy services	4,275	3,179
MCM Horizon Sdn Bhd	Purchase of computer hardware, software and related consultancy services	51	60

The significant non-banking transactions of the Group and the Bank with companies in which Tun Mohammed Hanif Omar is also a director is as follows:

The Bank	Types of transactions	2008 RM'000	2007 RM'000
Expense			
Unigaya Protection Systems Sdn Bhd	Provision of security services	219	149

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

As at 31 March 2008 and March 2007, there are no outstanding balances arising from directors related transactions.

41. DIRECTORS' REMUNERATION

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Executive directors				
Fees	–	30	–	–
Bonuses	–	300	–	300
Salaries and other remuneration	–	401	–	380
Benefits-in-kind	–	12	–	12
	<u>–</u>	<u>743</u>	<u>–</u>	<u>692</u>
Non-executive directors				
Fees	251	170	135	114
Other remuneration	812	751	544	549
	<u>1,063</u>	<u>921</u>	<u>679</u>	<u>663</u>
Total	<u>1,063</u>	<u>1,664</u>	<u>679</u>	<u>1,355</u>
Total (excluding benefits-in-kind)	<u>1,063</u>	<u>1,652</u>	<u>679</u>	<u>1,343</u>

Directors' fees for directors who are executives of companies of the Group are paid to their respective companies. The remuneration for the Chief Executive Officer who is a director of the Bank is paid by a related company and the portion reimbursed by the Bank with effect from the current financial year is taken up under share of group expenses.

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

	Number of Directors	
	2008	2007
Executive director		
RM650,001 – RM750,000	–	1
RM1,150,001– RM1,200,000	1	–
Non-executive director		
Below RM50,000	1	1
RM50,001 – RM100,000	4	3
RM350,001 – RM400,000	1	1

42. TAXATION

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Taxation on profit from continuing operations				
Estimated current tax payable	445	428	–	–
Net transfer (to)/from deferred tax assets (Note 43)	<u>263,557</u>	<u>(104,213)</u>	<u>197,698</u>	<u>(160,650)</u>
	264,002	(103,785)	197,698	(160,650)
Prior year tax expense in respect of business vested over from holding company, AMFB Holdings Berhad	6,279	–	6,279	–
Under provision in respect of prior years	<u>793</u>	<u>21,798</u>	<u>810</u>	<u>30,601</u>
Taxation	<u>271,074</u>	<u>(81,987)</u>	<u>204,787</u>	<u>(130,049)</u>

Taxation of the Group is in respect of estimated taxable income of certain subsidiary companies. There is no tax charge for the Bank for the current year and prior year due to utilisation of unabsorbed tax losses and unutilised capital allowances.

As at 31 March 2008, the Bank has unabsorbed tax losses and unutilised capital allowances amounting to approximately RM1,223.4 million (2007: RM1,646.2 million) and RM Nil (2007: RM190.6 million) respectively, which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Continuing operations				
Profit/(loss) before taxation	<u>737,804</u>	<u>(523,426)</u>	<u>583,294</u>	<u>(681,917)</u>
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	191,829	(141,325)	151,656	(184,118)
Deferred tax relating to changes in tax rates	62,962	26,931	46,712	17,338
Income not subject to tax	–	(10,696)	–	(10,696)
Expenses not deductible for tax purposes	8,784	9,421	2,964	4,942
Prior year tax expense in respect of business vested over from holding company, AMFB Holdings	6,279	–	6,279	–
Under provision of tax expense in prior years	793	21,798	810	30,601
Deferred tax assets charged out/(not recognised in prior years)	427	–	(3,634)	–
Unutilised capital allowance	<u>–</u>	<u>11,884</u>	<u>–</u>	<u>11,884</u>
	<u>271,074</u>	<u>(81,987)</u>	<u>204,787</u>	<u>(130,049)</u>

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Discontinued operations				
Profit before taxation	–	–	–	16,453
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	–	–	–	4,442
Expenses not deductible for tax purposes	–	–	–	165
Tax charge for the year	–	–	–	4,607

43. DEFERRED TAX ASSET

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Balance at beginning of year				
As previously reported	(826,975)	(747,278)	(600,017)	(594,240)
Prior year adjustments (Note 56)	(30,815)	(2,899)	(30,815)	(2,899)
As restated	(857,790)	(750,177)	(630,832)	(597,139)
Amount vested to subsidiary company (Note 51)	–	–	–	68,501
Amount transferred to subsidiary company	–	–	–	53,849
Recognised in equity	(33,501)	–	(33,501)	–
Transfer (from)/to income statements				
Continuing operations	263,557	(104,213)	197,698	(160,650)
Discontinuing operations	–	–	–	4,607
Others	(1,894)	(3,400)	(1,894)	–
Balance at end of year	(629,628)	(857,790)	(468,529)	(630,832)

The deferred tax (assets)/liabilities are in respect of the following temporary differences:

	The Group		The Bank	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Unabsorbed tax losses	(428,944)	(660,333)	(305,862)	(475,305)
Temporary differences between depreciation and tax allowances on property and equipment	24,052	23,087	23,924	23,059
Temporary differences arising from impairment loss on foreclosed properties	(22,905)	(25,469)	(22,905)	(25,469)
General allowance for bad and doubtful debts and financing	(193,809)	(192,716)	(155,142)	(155,186)
Temporary difference arising from deferred charges	44,412	49,322	36,699	35,319
Temporary difference arising from interest expense on liability portion of ICULS	(33,501)	–	(33,501)	–
Unutilised capital allowances	–	(25,999)	–	(25,999)
Others	(18,933)	(25,682)	(11,742)	(7,251)
	<u>(629,628)</u>	<u>(857,790)</u>	<u>(468,529)</u>	<u>(630,832)</u>

44. EARNINGS PER SHARE

(a) Basic

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Basic, for profit from continuing operations				
Net profit/(loss) attributable to shareholder of the Bank	466,145	(442,212)	378,507	(551,868)
Effect of savings on interest on ICULS (net of tax)	4,930	–	4,930	–
	<u>471,075</u>	<u>(442,212)</u>	<u>383,437</u>	<u>(551,868)</u>
	'000	'000	'000	'000
Number of ordinary shares at beginning of year	610,364	610,364	610,364	610,364
Effect of the conversion of ICULS	52,295	–	52,295	–
Weighted average number of ordinary shares in issue	<u>662,659</u>	<u>610,364</u>	<u>662,659</u>	<u>610,364</u>
Basic earnings per share (sen)	<u>71.09</u>	<u>(72.45)</u>	<u>57.86</u>	<u>(90.42)</u>
Basic, for profit from discontinued operations				
				RM'000
Net profit attributable to shareholder of the Bank	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,846</u>
				'000
Number of ordinary shares at beginning of year	–	–	–	610,364
Effect of the conversion of ICULS	–	–	–	–
Weighted average number of ordinary shares in issue	<u>–</u>	<u>–</u>	<u>–</u>	<u>610,364</u>
Basic earnings per share (sen)	<u>–</u>	<u>–</u>	<u>–</u>	<u>1.94</u>

(b) Fully Diluted

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

The Bank has one category of dilutive potential ordinary shares:

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Net profit attributable to shareholder of the Bank (as in (a) above)	471,075	–	383,437	–
Effect of savings on dividend on INCPS	6,750	–	6,750	–
	<u>477,825</u>	<u>–</u>	<u>390,187</u>	<u>–</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue (as in (a) above)	662,659	–	662,659	–
Adjusted for the effect of the INCPS	130,738	–	130,738	–
Adjusted weighted average number of ordinary shares in issue	<u>793,397</u>	<u>–</u>	<u>793,397</u>	<u>–</u>
Fully diluted earnings per share (sen)	<u>60.23</u>	<u>–</u>	<u>49.18</u>	<u>–</u>

45. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The risk-weighted exposure of the Group and the Bank is as follows:

The Group	2008			2007		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	1,082,167	1,082,167	986,483	703,510	703,510	613,274
Certain transaction-related contingent items	595,160	297,580	296,855	375,291	187,646	187,646
Short-term self liquidating trade-related contingencies	584,432	116,886	113,419	283,789	56,757	56,757
Obligations under underwriting agreements	1,070,000	535,000	535,000	20,000	10,000	10,000
Unpaid portion of partly paid shares	250	250	250	250	250	250
Irrevocable commitments to extend credit:						
– maturing less than one year	7,794,882	1,558,976	1,422,930	9,027,360	–	–
– maturing more than one year	2,151,111	1,075,556	962,943	1,033,415	516,708	516,708
– unutilised credit card lines	4,006,449	801,290	598,889	–	–	–
Foreign exchange related contracts:						
– less than one year	3,080,755	40,208	22,443	1,356,741	25,085	6,158
Interest rate swap contracts:						
– maturing within one year	6,721,122	9,109	9,109	1,432,067	2,790	558
– maturing more than one year to less than five years	1,828,601	28,340	28,340	8,489,797	111,428	22,286
– maturing more than five years	714,150	166,921	85,752	732,693	133,403	26,681
Islamic financing sold to Cagamas Berhad with recourse	1,863,857	1,863,857	1,404,403	2,718,833	2,718,833	2,718,833
Any commitments that are unconditionally cancelled at any time by the Bank	23,624	–	–	126,188	–	–
Total	31,516,560	7,576,140	6,466,816	26,299,934	4,466,410	4,159,151

The Bank	2008			2007		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	909,432	909,432	813,748	583,562	583,562	510,737
Certain transaction-related contingent items	519,315	259,658	258,933	330,273	165,137	165,137
Short-term self liquidating trade-related contingencies	511,855	102,371	98,922	209,612	41,922	41,922
Obligations under underwriting agreements	1,070,000	535,000	535,000	20,000	10,000	10,000
Unpaid portion of partly paid shares	150	150	150	150	150	150
Irrevocable commitments to extend credit:						
– maturing less than one year	6,602,182	1,320,436	1,187,891	8,005,411	–	–
– maturing more than one year	1,820,098	910,049	826,363	1,018,327	509,164	509,164
– unutilised credit card lines	3,454,995	690,999	516,523	–	–	–
Foreign exchange related contracts:						
– less than one year	3,080,755	40,208	22,443	1,356,741	25,085	6,158
Interest rate swap contracts:						
– maturing within one year	6,721,122	9,109	9,109	1,432,067	2,790	558
– maturing more than one year to less than five years	1,828,601	28,340	28,340	8,489,797	111,428	22,286
– maturing more than five years	714,150	166,921	85,752	732,693	133,403	26,681
Any commitments that are unconditionally cancelled at any time by the Bank	18,650	–	–	82,270	–	–
Total	27,251,305	4,972,673	4,383,174	22,260,903	1,582,641	1,292,793

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

As at 31 March 2008, the amounts stated for the commitments and contingencies are based on Basel II guidelines which take effect in January 2008. The commitments and contingencies for 31 March 2007, however, has not been adjusted for Basel II guidelines.

Subsequent to the financial year, the Bank has given a continuing guarantee to Bank Negara Malaysia to meet all the liabilities and financial obligations and requirements of its new subsidiary company, AmInternational (L) Ltd.

46. NET ASSETS PER SHARE (RM)

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

Net assets per share is calculated as follows:

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Total assets	64,725,014	62,047,773	55,366,411	53,584,812
Less:				
Total Liabilities	60,972,747	58,954,330	51,963,718	50,753,321
Minority interests	41	57	–	–
	<u>60,972,788</u>	<u>58,954,387</u>	<u>51,963,718</u>	<u>50,753,321</u>
Net assets	<u>3,752,226</u>	<u>3,093,386</u>	<u>3,402,693</u>	<u>2,831,491</u>
Issued and fully paid up ordinary shares of RM1.00 each ('000)	<u>610,364</u>	<u>610,364</u>	<u>610,364</u>	<u>610,364</u>
Net assets per share (RM)	<u>6.15</u>	<u>5.07</u>	<u>5.57</u>	<u>4.64</u>

47. SEGMENT INFORMATION ON OPERATING REVENUE, PROFIT BEFORE TAX EXPENSE AND ASSETS

By Business Segments The Group 31 March 2008	Conventional Bank RM'000	Islamic Banking RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
<u>External revenue</u>					
Interest income	3,210,674	–	–	(50)	3,210,624
Fee income	172,868	–	270	–	173,138
Investment and other operating income	131,448	–	664	125	132,237
Income from Islamic Banking:					
Financing income	–	791,655	–	–	791,655
Investment and Fees on financing	–	40,738	–	–	40,738
Others (Subsidiaries)					
– Rental	–	–	349	–	349
	<u>3,514,990</u>	<u>832,393</u>	<u>1,283</u>	<u>75</u>	<u>4,348,741</u>
<u>Internal revenue</u>					
Interest income	–	–	46,182	(46,182)	–
Others (Subsidiaries)					
– Rental	–	–	1,896	(1,896)	–
	<u>–</u>	<u>–</u>	<u>48,078</u>	<u>(48,078)</u>	<u>–</u>
Total revenue	<u>3,514,990</u>	<u>832,393</u>	<u>49,361</u>	<u>(48,003)</u>	<u>4,348,741</u>
Results					
Profit/(loss) before share in results of associated company and taxation					
	583,294	152,556	(7,119)	8,985	737,716
Share of profits in associated company					
	–	–	–	88	88
Profit before tax	<u>583,294</u>	<u>152,556</u>	<u>(7,119)</u>	<u>9,073</u>	<u>737,804</u>
Zakat	–	(601)	–	–	(601)
Taxation	(204,787)	(65,859)	(428)	–	(271,074)
Profit after taxation	<u>378,507</u>	<u>86,096</u>	<u>(7,547)</u>	<u>9,073</u>	<u>466,129</u>
Total Assets	<u>55,366,411</u>	<u>10,162,566</u>	<u>702,842</u>	<u>(1,506,805)</u>	<u>64,725,014</u>
Other information					
Capital additions	47,245	118	–	–	47,363
Depreciation	37,180	107	417	37	37,741
Amortisation of prepaid land lease payments	85	–	20	–	105
Amortisation of intangible assets	20,589	92	–	–	20,681
Loan and financing loss and allowance (net of recoveries)	414,087	139,666	–	–	553,753
Impairment writeback/(loss) on securities	(70,211)	–	–	–	(70,211)
Accretion of discounts less amortisation of premium	(4,771)	696	–	–	(4,075)
Impairment on amount recoverable under asset- backed securitisation transaction	10,000	–	–	–	10,000
Property and equipment written off	1,325	–	–	–	1,325

The Group 31 March 2007	Conventional Bank RM'000	Islamic Banking RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
<u>External revenue</u>					
Interest income	2,834,568	–	–	(1,041)	2,833,527
Fee income	150,983	–	221	–	151,204
Investment and other operating income	23,891	–	1,190	(581)	24,500
Income from Islamic Banking:					
Financing income	–	771,885	–	–	771,885
Investment and Fees on financing	–	36,248	–	–	36,248
Others (Subsidiaries)					
– Rental	–	–	224	–	224
	<u>3,009,442</u>	<u>808,133</u>	<u>1,635</u>	<u>(1,622)</u>	<u>3,817,588</u>
<u>Internal revenue</u>					
Interest income	–	–	48,899	(48,899)	–
Others (Subsidiaries)					
– Rental	–	–	2,148	(2,148)	–
	<u>–</u>	<u>–</u>	<u>51,047</u>	<u>(51,047)</u>	<u>–</u>
Total revenue	<u>3,009,442</u>	<u>808,133</u>	<u>52,682</u>	<u>(52,669)</u>	<u>3,817,588</u>
Results					
Profit/(loss) before share in results of associated company and taxation					
	(681,917)	156,396	2,010	16	(523,495)
Share of profits of associated company					
	–	–	–	69	69
Profit/(loss) before tax	(681,917)	156,396	2,010	85	(523,426)
Zakat					
	–	(786)	–	–	(786)
Taxation					
	130,049	(48,985)	923	–	81,987
Profit/(loss) after taxation	<u>(551,868)</u>	<u>106,625</u>	<u>2,933</u>	<u>85</u>	<u>(442,225)</u>
Total Assets	<u>53,584,812</u>	<u>9,340,627</u>	<u>778,765</u>	<u>(1,656,431)</u>	<u>62,047,773</u>
Other information					
Capital additions	38,186	956	–	(204)	38,938
Depreciation	41,841	43	425	36	42,345
Amortisation of prepaid land lease payments	85	–	20	–	105
Amortisation of intangible assets	18,984	9	–	–	18,993
Loan and financing loss and allowance (net of recoveries)					
	1,253,858	197,883	–	–	1,451,741
Impairment writeback/(loss) on securities					
	(213,817)	–	–	38	(213,779)
Accretion of discounts less amortisation of premium					
	3,176	3,311	–	–	6,487
Property and equipment written off					
	883	–	–	(204)	679
Impairment on amount recoverable under asset- backed securitisation transaction					
	10,000	–	–	–	10,000

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

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

48. CAPITAL COMMITMENTS

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

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Authorised and contracted for:				
Purchase of computer equipment and software	9,721	24,700	9,685	24,508
Leasehold improvements	5,736	4,448	5,721	4,448
	<u>15,457</u>	<u>29,148</u>	<u>15,406</u>	<u>28,956</u>
Authorised but not contracted for:				
Purchase of computer equipment and software	14,705	20,201	14,560	20,088
	<u>30,162</u>	<u>49,349</u>	<u>29,966</u>	<u>49,044</u>

49. LEASE COMMITMENTS

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

Year ending	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
2008	–	28,173	–	28,173
2009	41,770	22,756	40,657	22,756
2010	35,523	20,602	34,572	20,602
2011	21,558	36,291	21,110	36,291
2012 and thereafter	144,619	92,992	142,555	92,992
	<u>243,470</u>	<u>200,814</u>	<u>238,894</u>	<u>200,814</u>

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

50. CAPITAL ADEQUACY RATIO

Bank Negara Malaysia (“BNM”) guideline on capital adequacy requires the Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk weighted assets as determined by BNM.

With effect from 1 January 2008, the capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II). The risk-weighted Capital Adequacy for 31 March 2007, however, has not been adjusted for prior year adjustments and Basel II guidelines.

The risk weighted capital adequacy ratio of the Bank of 12.96% exceeds the minimum requirements of BNM.

	The Bank	
	2008	2007*
	RM'000	RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	610,364	610,364
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	–
Innovative Tier 1 capital	515,197	408,198
Share premium	710,660	710,660
Statutory reserve	680,459	585,832
Retained profits	<u>1,202,508</u>	<u>1,005,898</u>
	3,869,188	3,320,952
Less: Deferred tax asset	<u>(435,028)</u>	<u>(600,017)</u>
Total Tier 1 capital	<u>3,434,160</u>	<u>2,720,935</u>
<u>Tier 2 capital</u>		
Irredeemable Convertible Unsecured Loan Stocks	291,586	–
Innovative Tier 1 capital	234,903	283,002
Subordinated term loans	460,000	460,000
Medium term notes	860,000	–
Subordinated bonds	200,000	200,000
Exchangeable bonds	575,000	–
General allowance for bad and doubtful debts and financing	<u>620,566</u>	<u>574,053</u>
Total Tier 2 capital	3,242,055	1,517,055
Less: Excess Tier 2 Capital	<u>(377,920)</u>	<u>–</u>
Maximum allowable Tier 2 Capital	<u>2,864,135</u>	<u>1,517,055</u>
	6,298,295	4,237,990
Less: Investment in subsidiary companies	<u>(813,849)</u>	<u>(813,849)</u>
Less: Other deduction	<u>(11)</u>	<u>–</u>
Capital base	<u>5,484,435</u>	<u>3,424,141</u>
Risk weighted assets	<u>42,302,146</u>	<u>37,395,041</u>
Capital Ratios		
Core capital ratio	8.12%	7.28%
Risk-weighted capital ratio	<u>12.96%</u>	<u>9.16%</u>

50. CAPITAL ADEQUACY RATIO (Cont'd)

	The Bank			
	2008		2007	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
Breakdown of gross risk weighted assets in the various categories of risk weights:				
Categories				
0%	8,728,568	-	7,817,721	-
10%	-	-	2,059	206
20%	1,496,469	299,294	5,127,377	1,025,475
35%	2,786,942	975,430	-	-
50%	3,552,309	1,776,154	9,013,411	4,506,706
75%	25,533,893	19,150,419	-	-
100%	13,004,428	13,004,428	31,231,608	31,231,608
150%	1,967,652	2,951,478	-	-
	<u>57,070,261</u>	<u>38,157,203</u>	<u>53,192,176</u>	<u>36,763,995</u>
Add: Total Risk Weighted Assets Equivalent for market risks		1,346,789		631,046
Add: Total Risk Weighted Assets Equivalent for operational risks		2,783,680		-
Add: Large Exposure Risk Requirements for equity holdings		14,474		-
		<u>42,302,146</u>		<u>37,395,041</u>

The risk weighted capital adequacy ratios of the Group are as follows:

	The Group	
	2008	2007*
	RM'000	RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	610,364	610,364
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	–
Innovative Tier 1 capital	548,463	414,374
Share premium	710,660	710,660
Statutory reserve	770,898	633,222
Capital reserve	377,492	377,492
Merger reserve	349,050	349,050
Retained profits	735,060	493,861
Minority interests	41	57
	<u>4,252,028</u>	<u>3,589,080</u>
Less: Deferred tax asset	(596,127)	(826,975)
Total tier 1 capital	<u>3,655,901</u>	<u>2,762,105</u>
<u>Tier 2 capital</u>		
Irredeemable Convertible Unsecured Loan Stocks	291,586	–
Innovative Tier 1 capital	201,637	276,826
Subordinated term loans	460,000	460,000
Medium term notes	860,000	–
Subordinated bonds	600,000	600,000
Exchangeable bonds	575,000	–
General allowance for bad and doubtful debts and financing	775,232	713,051
Total tier 2 capital	<u>3,763,455</u>	<u>2,049,877</u>
Less: Excess Tier 2 Capital	(667,050)	–
	<u>3,096,405</u>	<u>2,049,877</u>
Less: other deduction	(11)	–
	<u>3,096,394</u>	<u>2,049,877</u>
Capital base	<u>6,752,306</u>	<u>4,811,982</u>
Risk weighted assets	<u>51,602,922</u>	<u>56,148,319</u>
Capital Ratios		
Core capital ratio	7.08%	4.92%
Risk-weighted capital ratio	<u>13.09%</u>	<u>8.57%</u>

	The Group			
	2008	Risk -	2007	Risk -
	Principal	Weighted	Principal	Weighted
	RM'000	RM'000	RM'000	RM'000
Breakdown of gross risk-weighted assets in the various categories of risk weights:				
Categories				
0%	10,458,252	–	11,855,355	–
10%	–	–	2,059	206
20%	1,554,816	310,963	6,233,930	1,246,786
35%	2,954,558	1,034,095	–	–
50%	3,654,044	1,827,022	9,674,938	4,837,469
75%	33,860,931	25,395,698	–	–
100%	14,973,469	14,973,469	49,348,696	49,348,696
150%	2,059,953	3,089,929	–	–
	<u>69,516,023</u>	<u>46,631,176</u>	<u>77,114,978</u>	<u>55,433,157</u>
Add: Total Risk Weighted Assets Equivalent for market risks		1,384,350		715,162
Add: Total Risk Weighted Assets Equivalent for operational risks		3,572,922		–
Add: Large Exposure Risk Requirements for equity holdings		14,474		–
		<u>51,602,922</u>		<u>56,148,319</u>

* The capital ratios are compliance ratios, as such the comparatives are not adjusted for prior year adjustments.

As mentioned in Note 52, on 12 April 2008, the Bank and AmIslamic Bank Berhad had completed the Business Transfer pursuant to the Business Transfer Agreement dated 11 March 2008 entered into with AmInvestment Bank Berhad. Had the Business Transfer been completed as at 31 March 2008, the capital adequacy ratios of the Bank and the Group would be as follows:

CAPITAL ADEQUACY RATIO

The proforma risk-weighted capital adequacy ratios of the Bank of 10.47%, exceeds the minimum requirement of BNM.

	The Bank	
	Proforma RM'000	2008 RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	610,364	610,364
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	150,000
Innovative Tier 1 capital	521,042	515,197
Share premium	710,660	710,660
Statutory reserve	680,459	680,459
Exchange fluctuation reserve	9,412	-
Retained profits	1,241,559	1,202,508
	<u>3,923,496</u>	<u>3,869,188</u>
Less: Deferred tax asset	(450,372)	(435,028)
Total Tier 1 capital	<u>3,473,124</u>	<u>3,434,160</u>
<u>Tier 2 capital</u>		
Irredeemable Convertible Unsecured Loan Stocks	291,586	291,586
Innovative Tier 1 capital	229,058	234,903
Subordinated term loans	460,000	460,000
Medium term notes	860,000	860,000
Subordinated bonds	200,000	200,000
Exchangeable bonds	575,000	575,000
General allowance for bad and doubtful debts and financing	681,964	620,566
Total Tier 2 capital	3,297,608	3,242,055
Less: Excess Tier 2 Capital	(358,438)	(377,920)
Maximum allowable Tier 2 Capital	<u>2,939,170</u>	<u>2,864,135</u>
	6,412,294	6,298,295
Less: Investment in subsidiary companies	(813,849)	(813,849)
Less: Other deduction	(11)	(11)
Capital base	<u>5,598,434</u>	<u>5,484,435</u>
Risk weighted assets	<u>53,485,721</u>	<u>42,302,146</u>
Capital Ratios		
Core capital ratio	6.49%	8.12%
Risk-weighted capital ratio	<u>10.47%</u>	<u>12.96%</u>

CAPITAL ADEQUACY RATIO (CONT'D)

Breakdown of gross risk-weighted assets in the various categories of risk-weights:

Categories	The Bank			
	Proforma		2008	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
0%	9,739,636	—	8,728,568	—
10%	—	—	—	—
20%	5,215,344	1,043,069	1,496,469	299,294
35%	2,786,942	975,430	2,786,942	975,430
50%	5,643,014	2,821,507	3,552,309	1,776,154
75%	25,533,893	19,150,419	25,533,893	19,150,419
100%	18,766,859	18,766,859	13,004,428	13,004,428
150%	2,160,028	3,240,042	1,967,652	2,951,478
	<u>69,845,716</u>	<u>45,997,326</u>	<u>57,070,261</u>	<u>38,157,203</u>
Add: Total Risk Weighted Assets Equivalent for market risks		4,221,565		1,346,789
Add: Total Risk Weighted Assets Equivalent for operational risks		3,252,356		2,783,680
Add: Large Exposure Risk Requirements for equity holdings		14,474		14,474
		<u>53,485,721</u>		<u>42,302,146</u>

CAPITAL ADEQUACY RATIO (CONT'D)

Breakdown of gross risk-weighted assets in the various categories of risk-weights:

The Bank	31 March 2008		Proposed Business Transfer Adjustment		After Proposed Business Transfer	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
0%	8,728,568	—	1,011,068	—	9,739,636	—
10%	—	—	—	—	—	—
20%	1,496,469	299,294	3,718,875	743,775	5,215,344	1,043,069
35%	2,786,942	975,430	—	—	2,786,942	975,430
50%	3,552,309	1,776,154	2,090,705	1,045,353	5,643,014	2,821,507
75%	25,533,893	19,150,419	—	—	25,533,893	19,150,419
100%	13,004,428	13,004,428	5,762,431	5,762,431	18,766,859	18,766,859
150%	1,967,652	2,951,478	192,376	288,564	2,160,028	3,240,042
	<u>57,070,261</u>	38,157,203	<u>12,775,455</u>	7,840,123	69,845,716	45,997,326
Add: Total risk weighted assets equivalent for market risks		1,346,789		2,874,776		4,221,565
Add: Total risk weighted assets equivalent for operational risks		2,783,680		468,676		3,252,356
Add: Large exposure risk requirements for equity holdings		14,474				14,474
		<u>42,302,146</u>		<u>11,183,575</u>		<u>53,485,721</u>

CAPITAL ADEQUACY RATIO

	The Group	
	Proforma RM'000	2008 RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	610,364	610,364
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	150,000
Innovative Tier 1 capital	554,292	548,463
Share premium	710,660	710,660
Statutory reserve	770,898	770,898
Capital reserve	377,492	377,492
Merger reserve	349,050	349,050
Exchange fluctuation reserve	9,412	–
Retained profits	774,111	735,060
Minority interests	41	41
	<hr/>	<hr/>
	4,306,320	4,252,028
Less: Deferred tax asset	(611,566)	(596,127)
	<hr/>	<hr/>
Total Tier 1 capital	3,694,754	3,655,901
<u>Tier 2 capital</u>		
Irredeemable Convertible Unsecured Loan Stocks	291,586	291,586
Innovative Tier 1 capital	195,808	201,637
Subordinated term loans	460,000	460,000
Medium term notes	860,000	860,000
Subordinated bonds	600,000	600,000
Exchangeable bonds	575,000	575,000
General allowance for bad and doubtful debts and financing	836,917	775,232
	<hr/>	<hr/>
Total Tier 2 capital	3,819,311	3,763,455
Less: Excess Tier 2 Capital	(647,623)	(667,050)
	<hr/>	<hr/>
Maximum allowable Tier 2 Capital	3,171,688	3,096,405
Less: Other deduction	(11)	(11)
	<hr/>	<hr/>
	3,171,677	3,096,394
	<hr/>	<hr/>
Capital base	6,866,431	6,752,295
	<hr/>	<hr/>
Risk weighted assets	63,997,194	51,602,922
	<hr/>	<hr/>
Capital Ratios		
Core capital ratio	5.77%	7.08%
Risk-weighted capital ratio	10.73%	13.09%
	<hr/>	<hr/>

CAPITAL ADEQUACY RATIO (CONT'D)

Breakdown of gross risk-weighted assets in the various categories of risk-weights:

Categories	The Group			
	Proforma		2008	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
0%	11,884,955	–	10,458,252	–
10%	–	–	–	–
20%	5,362,182	1,072,436	1,554,816	310,963
35%	2,954,558	1,034,095	2,954,558	1,034,095
50%	5,747,069	2,873,534	3,654,044	1,827,022
75%	33,860,931	25,395,698	33,860,931	25,395,698
100%	20,972,623	20,972,623	14,973,469	14,973,469
150%	2,252,333	3,378,499	2,059,953	3,089,929
	<u>83,034,651</u>	<u>54,726,885</u>	<u>69,516,023</u>	<u>46,631,176</u>
Add: Total Risk Weighted Assets Equivalent for market risks		5,123,269		1,384,350
Add: Total Risk Weighted Assets Equivalent for operational risks		4,132,566		3,572,922
Add: Large Exposure Risk Requirements for equity holdings		14,474		14,474
		<u>63,997,194</u>		<u>51,602,922</u>

CAPITAL ADEQUACY RATIO (CONT'D)

Breakdown of gross risk-weighted assets in the various categories of risk-weights:

The Group	31 March 2008		Proposed Business Transfer Adjustment		After Proposed Business Transfer	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
0%	10,458,252	–	1,426,703	–	11,884,955	–
10%	–	–	–	–	–	–
20%	1,554,816	310,963	3,807,367	761,473	5,362,182	1,072,436
35%	2,954,558	1,034,095	–	–	2,954,558	1,034,095
50%	3,654,044	1,827,022	2,093,024	1,046,512	5,747,069	2,873,534
75%	33,860,931	25,395,698	–	–	33,860,931	25,395,698
100%	14,973,469	14,973,469	5,999,154	5,999,154	20,972,623	20,972,623
150%	2,059,953	3,089,929	192,380	288,570	2,252,333	3,378,499
	<u>69,516,023</u>	46,631,176	<u>13,518,628</u>	8,095,709	83,034,651	54,726,885
Add: Total risk weighted assets equivalent for market risks		1,384,350		3,738,919		5,123,269
Add: Total risk weighted assets equivalent for operational risks		3,572,922		559,644		4,132,566
Add: Large exposure risk requirements for equity holdings		14,474				14,474
		<u>51,602,922</u>		<u>12,394,272</u>		<u>63,997,194</u>

51. (i) **TRANSFER OF ISLAMIC BANKING BUSINESS OF AMBANK (M) BERHAD TO AMISLAMIC BANK BERHAD**

On 1 May 2006, the Islamic banking business of AmBank (M) Berhad was transferred to and vested into Amlslamic Bank Berhad pursuant to the vesting order of the High Court of Malaya made pursuant to Section 50 of the Banking and Financial Institutions Act, 1989. The net book value of the assets and liabilities transferred was RM784.1 million.

The amounts of assets and liabilities vested are as follows:

	1 May 2006 RM'000
ASSETS	
Cash and short-term funds	1,160,139
Deposits and placements with banks and other financial institutions	2,126
Securities held-for-trading	502,219
Loans, advances and financing	6,512,189
Deferred tax asset	68,501
Other assets	29,567
Statutory deposit with Bank Negara Malaysia	<u>268,794</u>
TOTAL ASSETS	<u><u>8,543,535</u></u>
LIABILITIES AND EQUITY	
Deposits from customers	4,323,243
Deposits and placements of banks and other financial institutions	2,952,207
Bills and acceptance payable	225,364
Other liabilities	<u>258,653</u>
Total Liabilities	<u><u>7,759,467</u></u>
Net Assets vested	<u><u>784,068</u></u>

(ii) **Purchase Consideration**

The consideration for the transfer of business was satisfied by way of issue of 250.0 million new ordinary shares of RM1.00 each by Amlslamic Bank Berhad to the Bank at RM3.14 per share.

(iii) **Impact to Income Statement**

The results of the Islamic Banking operations of the Bank reported as discontinued operations were as follows:

The Bank	1 Month Ended April 2006 RM'000
Income derived from investment of depositors' funds	52,287
Income derived from investment of Islamic Banking Capital Fund	9,252
Allowance for losses on financing, advances and other loans (Note 38)	(10,947)
Transfer from profit equalisation reserve	<u>1,739</u>
Total attributable income	52,331
Income attributable to the depositors	<u>(25,402)</u>
Total net income	26,929
Other operating expenses	<u>(10,476)</u>
Profit before taxation	16,453
Taxation	<u>(4,607)</u>
Profit after taxation	<u>11,846</u>

The other operating expenses above includes the following statutory disclosure.

	1 Month Ended April 2006 RM'000
Rental of premises	
– Others	29

52. OTHER SIGNIFICANT AND SUBSEQUENT EVENTS

SIGNIFICANT EVENTS

- (1) On 18 May 2007, upon obtaining the necessary approvals from the shareholders and the relevant authorities, the ultimate holding company of the Group, AMMB Holdings Berhad (AHB) implemented the following:
 - (iv) Increase in the authorised share capital of AHB from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each to RM5,200,000,000 comprising 5,000,000,000 ordinary share of RM1.00 each and 200,000,000 converting preference shares (“CPS”) of RM1.00 each;
 - (v) Issue of 163,934,426 CPS to ANZ Funds Pty Ltd (“ANZ Funds”) at an issue price of RM3.05 per CPS amounting to RM500,000,000, which are convertible into 163,934,426 new ordinary shares of RM1.00 each in AHB; and
 - (vi) Issue of the RM575,000,000 nominal value Ten(10) Year Unsecured Exchangeable Bonds (“EBs”) by the Bank to ANZ Funds which is exchangeable into 188,524,590 new ordinary shares in AHB at an exchange price of RM3.05 per share.

On 13 March 2008, the CPS were converted into 163,934,426 new ordinary shares of RM1.00 each on the basis of one new ordinary share of RM1.00 each in exchange for every one CPS of RM1.00 each.

- (2) AHB has utilised a total of RM450,000,000 from the proceeds of CPS for the subscription of AMFB Holdings Berhad (“AMFB”)’s rights issue of 30,000,000 new ordinary shares of RM1.00 each at an issue price of RM5.00 per share amounting to RM150,000,000 and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stocks issued by AMFB on rights entitlement basis. The issue price of RM5.00 per share is arrived at based on 17.6% premium on the net tangible assets per share of AMFB of approximately RM4.25 as at 31 March 2007.
- (3) AMFB has subscribed for RM150,000,000 Irredeemable Non-cumulative Convertible Preference Shares of RM1.00 each and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stocks issued by the Bank on rights entitlement basis to further increase the capital funds of the Bank.
- (4) Upon obtaining the necessary approvals from the relevant authorities, the Bank completed the sale of corporate and retail non-performing loans following the receipt of the sale proceeds totalling RM328.5 million from ABS Enterprise One Berhad, Neptune ABS One Berhad and Neptune ABS Two Berhad.
- (5) Upon obtaining the necessary approvals from the relevant authorities, the Bank had issued five Tranches of Medium Term Notes (“MTN”) totaling RM860 million under a RM2.0 billion nominal value MTN Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN issued under the MTN Programme had been included as Tier 2 capital under the capital adequacy framework for financial institutions in compliance with the Risk Weighted Capital Adequacy Framework issued by Bank Negara Malaysia (“BNM”).

- (6) Upon obtaining the necessary approvals from the relevant authorities, on 11 March 2008, the Bank proposed an issuance of up to Singapore Dollar (“SGD”) 425 million Non-Innovative Tier 1 Capital (“NIT1”), comprising Non-Cumulative Perpetual Capital Securities (“NCPCS”), which are stapled to Subordinated Notes (“SubNotes”) issued by AmCapital (L) Inc (“AmCapital”) (“Stapled Securities”).

The Stapled Securities will be issued and offered to certain non-United States of America resident persons as defined in Section 902(k) of Regulations S in offshore transactions under the United States Securities Act of 1933 (“US Securities Act”), as amended from time to time. In addition, the Stapled Securities may only be issued to or offered for sale or subscription by persons outside Malaysia.

The NCPCS and SubNotes cannot be traded separately until the occurrence of certain Assignment Events.

To facilitate the Proposed Issuance of NIT1, the Bank had, on 26 February 2008 acquired three (3) ordinary shares of USD1.00 each, representing the entire issued and paid-up share capital of AmCapital, presently a dormant company, for a cash consideration of USD3.00, thereby making AmCapital a wholly owned subsidiary.

AmCapital was incorporated on 2 January 2008 and has an authorised share capital of USD10,000 divided into 10,000 ordinary shares of USD1.00 each of which three (3) ordinary shares of USD1.00 each have been issued and are fully paid-up. AmCapital was incorporated for the purpose of issuing the SubNotes.

The Stapled Securities are rated BB by both Fitch Ratings Ltd. and Standard & Poor's, a division of the McGraw-Hill Companies, Inc.

SUBSEQUENT EVENTS

- (1) On 9 April 2008, the Bank has issued the Sixth Tranche of MTN amounting to RM600 million. The proceeds raised will be utilised for the refinancing of existing subordinated debts. To date, AmBank has issued a total of RM1,460 million MTN under the RM2.0 billion nominal value MTN Programme.
- (2) On 11 March 2008, AHB announced a Proposed Group Internal Restructuring involving:
 - (a) the transfer of the fund-based activity of AmInvestment Bank Berhad ("AmInvestment Bank"), a 100%-owned subsidiary of AmInvestment Group Berhad ("AIGB") to the Bank and its wholly-owned subsidiary, AmIslamic Bank Berhad ("AmIslamic") (the "Proposed Business Transfer"); and
 - (b) the re-alignment of the shareholding structure of certain operating subsidiaries to fully constitute the Capital Market Group and Asset Management Group (the "Proposed Internal Transfer").

On 11 March 2008, AmInvestment Bank entered into separate Business Transfer Agreements with AmBank and AmIslamic respectively in respect of the Proposed Business Transfer. Bank Negara Malaysia ("BNM") and the Ministry of Finance ("MOF") have on 19 December 2007 approved the Proposed Business Transfer. It was implemented by way of a vesting order (the "Order") of the High Court of Malaya (the "Court") to be obtained by AmInvestment Bank, the Bank and AmIslamic pursuant to section 50 of the Banking and Financial Institutions Act 1989, whereby:-

- (j) Subject to exclusions as may be agreed between AmInvestment Bank and the Bank, the Bank will acquire the assets and assume the liabilities relating to AmInvestment Bank's conventional fund-based activity which shall include AmInvestment Bank's 100% shareholding interest in AmInternational (L) Ltd (AMIL), a licensed offshore bank; and
- (ii) Subject to exclusions as may be agreed between AmInvestment Bank and AmIslamic, AmIslamic will acquire the assets and assume the liabilities relating to AmInvestment Bank's Islamic fund-based activity, based on the book value of the assets and liabilities as at the date the Order comes into effect. The consideration for the Proposed Business Transfer, computed on the basis of the book value of the assets acquired less the book value of the liabilities assumed, will be settled in cash by the Bank and AmIslamic.

The Proposed Internal Transfer was approved by BNM on 19 December 2007.

Approvals from Labuan Offshore Financial Services Authority for the transfer of AMIL, Foreign Investment Committee and High Court of Malaya for the Proposed Business Transfer were obtained on 21 December 2007, 7 March 2008 and 12 April 2008 respectively.

On 12 April 2008, the Bank and AmIslamic completed the Business Transfer for a cash consideration of RM1.37 billion based on the book value of the assets and liabilities as at 11 April 2008 pursuant to the Business Transfer Agreement dated 11 March 2008 entered into with AmInvestment Bank.

53. PROPOSED BUSINESS TRANSFER

Pursuant to the Proposed Business Transfer as mentioned in Note 52 to the financial statements, had the Group and the Bank completed the Business Transfer based on the net book value for AmInvestment Bank's conventional fund-based activity and AMIL as at 31 March 2008, the balance sheets of the Group and the Bank would be as follows:

PROFORMA BALANCE SHEET AS AT 31 MARCH 2008

	31 March 2008 RM'000	Proposed Business Transfer Adjustment RM'000	After Proposed Business Transfer RM'000 Note 1
The Group			
ASSETS			
Cash and short-term funds	8,933,353	1,672,426	10,605,779
Deposits and placements with banks and other financial institutions	1,968,500	522,947	2,491,447
Securities held-for-trading	1,771,247	4,696,761	6,468,008
Securities available-for-sale	119,413	1,133,120	1,252,533
Securities held-to-maturity	656,680	499,856	1,156,536
Derivative financial assets	71,663	293,818	365,481
Loans, advances and financing	47,949,516	4,045,948	51,995,464
Other assets	863,115	255,189	1,118,304
Statutory deposit with Bank Negara Malaysia	1,526,507	133,690	1,660,197
Deferred tax asset	629,628	15,439	645,067
Investments in associated companies	740	-	740
Prepaid land lease payments	4,404	-	4,404
Property and equipment	168,764	510	169,274
Intangible assets	61,484	2	61,486
TOTAL ASSETS	<u>64,725,014</u>	<u>13,269,706</u>	<u>77,994,720</u>

53. PROPOSED BUSINESS TRANSFER (Cont'd)

	31 March 2008 RM'000	Proposed Business Transfer Adjustment RM'000	After Proposed Business Transfer RM'000 Note 1
LIABILITIES AND EQUITY			
Deposits from customers	41,535,545	6,082,786	47,618,331
Deposits and placements of banks and other financial institutions	12,316,385	6,422,901	18,739,286
Derivative financial liabilities	85,659	324,178	409,837
Bills and acceptances payable	1,909,243	–	1,909,243
Recourse obligation on loans sold to Cagamas Berhad	208,839	35,140	243,979
Other liabilities	1,451,003	60,543	1,511,546
Subordinated term loans	460,000	–	460,000
Hybrid securities	689,469	–	689,469
Medium term notes	860,000	–	860,000
Subordinated bonds	600,000	–	600,000
Exchangeable bonds	575,000	–	575,000
Irredeemable Convertible Unsecured Loan Stocks	131,604	–	131,604
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	–	150,000
Term loans	–	271,490	271,490
Total liabilities	<u>60,972,747</u>	<u>13,197,038</u>	<u>74,169,785</u>
Share capital	610,364	–	610,364
Reserves	3,141,862	72,668	3,214,530
Shareholder's Equity	<u>3,752,226</u>	<u>72,668</u>	<u>3,824,894</u>
Minority interests	41	–	41
Total Equity	<u>3,752,267</u>	<u>72,668</u>	<u>3,824,935</u>
TOTAL LIABILITIES AND EQUITY	<u>64,725,014</u>	<u>13,269,706</u>	<u>77,994,720</u>
COMMITMENTS AND CONTINGENCIES	<u>31,516,560</u>	<u>43,056,857</u>	<u>74,573,417</u>

Note 1:

After adjusting for:

- (a) transfer of 31 March 2008 net book value of assets and liabilities relating to AmInvestment Bank's fund based activity and 100% shareholding interest in AMIL via vesting order under Section 50 of the BAFIA for an aggregate cash consideration of RM1,363.5 million; and
- (b) excess of net fair value of identifiable assets, liabilities and contingent liabilities over the cost of investment in AMIL amounting to RM48.5 million recognised in Reserves.

53. PROPOSED BUSINESS TRANSFER (Cont'd)

PROFORMA BALANCE SHEETS AS AT 31 MARCH 2008

	31 March 2008 RM'000	Proposed Business Transfer Adjustment RM'000	After Proposed Business Transfer RM'000 Note 1
The Bank			
ASSETS			
Cash and short-term funds	7,411,342	949,210	8,360,552
Deposits and placements with banks and other financial institutions	1,977,093	522,947	2,500,040
Securities held-for-trading	1,671,478	4,237,049	5,908,527
Securities available-for-sale	119,413	1,132,223	1,251,636
Securities held-to-maturity	656,462	458,902	1,115,364
Derivative financial assets	71,663	293,818	365,481
Loans, advances and financing	39,948,718	3,994,954	43,943,672
Other assets	751,059	251,106	1,002,165
Statutory deposit with Bank Negara Malaysia	1,269,307	119,190	1,388,497
Deferred tax asset	468,529	15,344	483,873
Investment in subsidiary companies	813,849	33,020	846,869
Investment in associated companies	137	–	137
Prepaid land lease payments	3,193	–	3,193
Property and equipment	143,292	–	143,292
Intangible assets	60,876	–	60,876
TOTAL ASSETS	<u>55,366,411</u>	<u>12,007,763</u>	<u>67,374,174</u>

53. PROPOSED BUSINESS TRANSFER (Cont'd)

	31 March 2008 RM'000	Proposed Business Transfer Adjustment RM'000	After Proposed Business Transfer RM'000 Note 1
LIABILITIES AND EQUITY			
Deposits from customers	36,106,940	5,154,491	41,261,431
Deposits and placements of banks and other financial institutions	9,816,197	6,144,552	15,960,749
Derivative financial liabilities	85,659	324,178	409,837
Bills and acceptances payable	1,361,896	–	1,361,896
Recourse obligation on loans sold to Cagamas Berhad	208,839	35,140	243,979
Other liabilities	1,318,114	53,759	1,371,873
Subordinated term loans	1,149,469	–	1,149,469
Medium term notes	860,000	–	860,000
Subordinated bonds	200,000	–	200,000
Exchangeable bonds	575,000	–	575,000
Irredeemable Convertible Unsecured Loan Stocks	131,604	–	131,604
Irredeemable Non-Cumulative Convertible Preference Shares	150,000	–	150,000
Term loans	–	271,490	271,490
Total liabilities	<u>51,963,718</u>	<u>11,983,610</u>	<u>63,947,328</u>
Share capital	610,364	–	610,364
Reserves	2,792,329	24,153	2,816,482
Shareholder's equity	<u>3,402,693</u>	<u>24,153</u>	<u>3,426,846</u>
TOTAL LIABILITIES AND EQUITY	<u>55,366,411</u>	<u>12,007,763</u>	<u>67,374,174</u>
COMMITMENTS AND CONTINGENCIES	<u>27,251,305</u>	<u>41,404,700</u>	<u>68,656,005</u>

Note 1:

After adjusting for:

- (a) transfer of 31 March 2008 net book value of assets and liabilities relating to AmInvestment Bank's fund based activity and 100% shareholding interest in AMIL via vesting order under Section 50 of the BAFIA for an aggregate cash consideration of RM1,045.6 million.

54. **RISK MANAGEMENT POLICY**

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

Every risk assumed by the Group carries with it potential for gains as well as potential to erode shareholders' value. The Group's risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

The management approach towards the significant risks of the Group are enumerated below.

MARKET RISK MANAGEMENT

Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates, foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Group to reduce its position without incurring potential loss that is beyond the sustainability of the Group.

The market risk of the Group's trading and non-trading portfolio is managed separately using value at risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur, brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market condition. For the Group's trading portfolio, the Group's value at risk measurement takes a more sophisticated form by taking into account the correlation effects of various instruments in the portfolio.

To complement value at risk measurement, the Group also institutes a set of scenario analysis under various potential market conditions such as shifts in currency rates, general equity prices and interest rate movements to assess the changes in portfolio value.

The Group controls the market risk exposure of its trading and non-trading activities primarily through a series of Risk Threshold. Risk threshold are approved by the Board of Directors. The risk threshold structure aligns specific risk-taking activities with the overall risk appetite of the Bank.

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

2008	← Non-Trading Book →							Trading Book	Total	Effective interest rate
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non-interest sensitive			
The Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS										
Cash and short-term funds	7,130,830	-	-	-	-	-	1,802,523	-	8,933,353	3.40
Deposits and placements with banks and other financial institutions	-	1,265,820	63,880	-	-	638,800	-	-	1,968,500	3.50
Securities held-for-trading	-	-	-	-	-	-	99,769	1,671,478	1,771,247	3.50
Securities available-for-sale	-	-	-	19,986	35,070	40,576	23,781	-	119,413	3.74
Securities held-to-maturity	40,242	-	33,068	7,484	192,443	307,373	76,070	-	656,680	3.45
Derivative financial assets	-	-	-	-	-	-	71,663	-	71,663	-
Loans, advances and financing										
- Performing	15,983,654	1,067,353	492,292	400,713	6,673,419	14,292,606	8,003,579	-	46,913,616	7.18
- Non-performing *	-	-	-	-	-	-	1,035,900	-	1,035,900	-
Other non-interest sensitive balances	-	-	-	-	-	-	3,254,642	-	3,254,642	-
TOTAL ASSETS	23,154,726	2,333,173	589,240	428,183	6,900,932	15,279,355	14,367,927	1,671,478	64,725,014	
LIABILITIES AND EQUITY										
Deposits from customers	13,005,146	5,519,093	5,461,900	7,208,712	2,499,721	-	7,840,973	-	41,535,545	3.24
Deposits and placements of banks and other financial institutions	4,502,602	1,551,168	1,063,759	804,271	385,886	1,477,500	2,531,199	-	12,316,385	3.58
Derivative financial liabilities	-	-	-	-	-	-	85,659	-	85,659	-
Bills and acceptances payable	415,618	676,830	269,448	-	-	-	547,347	-	1,909,243	3.59
Recourse obligation of loans sold to Cagamas Berhad	-	63,640	-	-	145,199	-	-	-	208,839	3.54
Subordinated term loans	-	-	460,000	-	-	-	-	-	460,000	6.87
Hybrid securities	-	-	-	-	-	689,469	-	-	689,469	6.79
Medium term notes	-	-	-	-	-	860,000	-	-	860,000	5.27
Subordinates bonds	200,000	-	-	-	-	-	400,000	-	600,000	5.85
Exchangeable bonds	-	-	-	-	-	575,000	-	-	575,000	5.22
Irredeemable Convertible Unsecured Loan Stocks	-	-	2,755	-	-	128,849	-	-	131,604	5.75
Irredeemable Non-Cumulative Convertible Preference Shares	-	-	-	-	-	-	150,000	-	150,000	-
Other non-interest sensitive balances	-	-	-	-	-	-	1,451,003	-	1,451,003	-
Total Liabilities	18,123,366	7,810,731	7,257,862	8,012,983	3,030,806	3,730,818	13,006,181	-	60,972,747	
Minority interests	-	-	-	-	-	-	41	-	41	
Shareholder's Equity	-	-	-	-	-	200,792	3,551,434	-	3,752,226	
TOTAL LIABILITIES AND EQUITY	18,123,366	7,810,731	7,257,862	8,012,983	3,030,806	3,931,610	16,557,656	-	64,725,014	
On-balance sheet interest sensitivity gap	5,031,360	(5,477,558)	(6,668,622)	(7,584,800)	3,870,126	11,347,745	(2,189,729)	1,671,478	-	
Off-balance sheet interest sensitivity gap	2,256,501	2,806,050	(2,177,400)	(1,620,000)	(1,828,601)	563,450	-	-	-	
Total interest sensitivity gap	7,287,861	(2,671,508)	(8,846,022)	(9,204,800)	2,041,525	11,911,195	(2,189,729)	1,671,478	-	

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2007	← Non-Trading Book →						Non-interest sensitive	Trading Book	Total	Effective interest rate %
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years				
The Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS										
Cash and short-term funds	7,927,079	–	–	–	–	–	2,055,507	–	9,982,586	3.80
Deposits and placements with banks and other financial institutions	–	832,000	202,727	103,680	–	691,200	415,201	–	2,244,808	3.64
Securities held-for-trading	–	–	–	–	–	–	144,587	972,670	1,117,257	2.85
Securities available-for-sale	350,000	49,995	–	–	55,152	41,804	101,800	–	598,751	3.51
Securities held-to-maturity	–	–	–	–	406,059	595,505	116,035	–	1,117,599	2.68
Derivative financial assets	–	–	–	–	–	–	19,570	–	19,570	–
Loans, advances and financing										
– Performing	12,338,768	645,413	1,430,721	227,183	6,982,770	13,403,856	6,259,582	–	41,288,293	6.85
– Non-performing *	–	–	–	–	–	–	2,177,254	–	2,177,254	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,501,655	–	3,501,655	–
TOTAL ASSETS	20,615,847	1,527,408	1,633,448	330,863	7,443,981	14,732,365	14,791,191	972,670	62,047,773	–
LIABILITIES AND EQUITY										
Deposits from customers	11,084,120	4,968,367	4,201,753	6,723,767	3,678,364	–	6,479,487	–	37,135,858	3.33
Deposits and placements of banks and other financial institutions	5,236,620	3,383,123	2,018,254	388,885	800,498	1,657,500	2,668,819	–	16,153,699	3.71
Derivative financial liabilities	–	–	–	–	–	–	137,072	–	137,072	–
Obligation on securities sold under repurchase agreements	444,319	–	–	–	–	–	–	–	444,319	3.23
Bills and acceptances payable	278,359	547,637	188,967	–	–	–	446,614	–	1,461,577	3.57
Recourse obligation of loans sold to Cagamas Berhad	18,934	38,037	192,329	242,016	211,324	–	–	–	702,640	3.67
Subordinated term loans	–	–	–	–	460,000	–	–	–	460,000	6.87
Hybrid securities	–	–	–	–	–	684,167	–	–	684,167	6.80
Subordinates bonds	–	–	–	–	200,000	–	400,000	–	600,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	1,174,998	–	1,174,998	–
Total Liabilities	17,062,352	8,937,164	6,601,303	7,354,668	5,350,186	2,341,667	11,306,990	–	58,954,330	
Minority interests	–	–	–	–	–	–	57	–	57	
Shareholder's Equity	–	–	–	–	–	–	3,093,386	–	3,093,386	
TOTAL LIABILITIES AND EQUITY	17,062,352	8,937,164	6,601,303	7,354,668	5,350,186	2,341,667	14,400,433	–	62,047,773	–
On-balance sheet interest sensitivity gap	3,553,495	(7,409,756)	(4,967,855)	(7,023,805)	2,093,795	12,390,698	390,758	972,670	–	
Off-balance sheet interest sensitivity gap	2,551,357	6,920,000	(520,000)	(832,067)	(8,089,797)	(29,493)	–	–	–	
Total interest sensitivity gap	6,104,852	(489,756)	(5,487,855)	(7,855,872)	(5,996,002)	12,361,205	390,758	972,670	–	

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← Non-Trading Book →

The Bank	Non-Trading Book						Non-interest sensitive	Trading Book	Total	Effective interest rate
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	7,130,830	–	–	–	–	–	280,512	–	7,411,342	3.40
Deposits and placements with banks and other financial institutions	–	1,265,820	69,351	2,500	622	638,800	–	–	1,977,093	3.50
Securities held-for-trading	–	–	–	–	–	–	–	1,671,478	1,671,478	3.50
Securities available-for-sale	–	–	–	19,986	35,070	40,576	23,781	–	119,413	3.74
Securities held-to-maturity	40,242	–	33,068	7,484	192,443	307,373	75,852	–	656,462	3.45
Derivative financial assets	–	–	–	–	–	–	71,663	–	71,663	–
Loans, advances and financing										
– Performing	15,983,654	1,067,353	492,292	400,713	6,673,419	14,292,606	–	–	38,910,037	7.18
– Non-performing *	–	–	–	–	–	–	1,038,681	–	1,038,681	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,510,242	–	3,510,242	–
TOTAL ASSETS	23,154,726	2,333,173	594,711	430,683	6,901,554	15,279,355	5,000,731	1,671,478	55,366,411	
LIABILITIES AND EQUITY										
Deposits from customers	13,022,772	5,519,093	5,461,900	7,208,812	2,499,721	–	2,394,642	–	36,106,940	3.24
Deposits and placements of banks and other financial institutions	4,502,602	1,551,168	1,063,759	804,271	385,886	1,477,500	31,011	–	9,816,197	3.58
Derivative financial liabilities	–	–	–	–	–	–	85,659	–	85,659	–
Obligation on securities sold under repurchase agreements	–	–	–	–	–	–	–	–	–	–
Bills and acceptances payable	415,618	676,830	269,448	–	–	–	–	–	1,361,896	3.59
Recourse obligation of loans sold to Cagamas Berhad	–	63,640	–	–	145,199	–	–	–	208,839	3.54
Subordinated term loans	–	–	460,000	–	–	689,469	–	–	1,149,469	6.82
Medium term notes	–	–	–	–	–	860,000	–	–	860,000	5.27
Subordinated bonds	200,000	–	–	–	–	–	–	–	200,000	7.95
Exchangeable bonds	–	–	–	–	–	575,000	–	–	575,000	5.22
Irredeemable Convertible Unsecured Loan Stocks	–	–	2,755	–	–	128,849	–	–	131,604	5.75
Irredeemable Non-Cumulative Convertible Preference Shares	–	–	–	–	–	–	150,000	–	150,000	–
Other non-interest sensitive balances	–	–	–	–	–	–	1,318,114	–	1,318,114	–
Total Liabilities	18,140,992	7,810,731	7,257,862	8,013,083	3,030,806	3,730,818	3,979,426	–	51,963,718	
Shareholder's Equity	–	–	–	–	–	200,792	3,201,901	–	3,402,693	
TOTAL LIABILITIES AND EQUITY	18,140,992	7,810,731	7,257,862	8,013,083	3,030,806	3,931,610	7,181,327	–	55,366,411	
On-balance sheet interest sensitivity gap	5,013,734	(5,477,558)	(6,663,151)	(7,582,400)	3,870,748	11,347,745	(2,180,596)	1,671,478	–	
Off-balance sheet interest sensitivity gap	2,256,501	2,806,050	(2,177,400)	(1,620,000)	(1,828,601)	563,450	–	–	–	
Total interest sensitivity gap	<u>7,270,235</u>	<u>(2,671,508)</u>	<u>(8,840,551)</u>	<u>(9,202,400)</u>	<u>2,042,147</u>	<u>11,911,195</u>	<u>(2,180,596)</u>	<u>1,671,478</u>	<u>–</u>	

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2007

The Bank	Non-Trading Book						Non-interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000				
ASSETS										
Cash and short-term funds	7,927,079	–	–	–	–	–	202,216	–	8,129,295	3.80
Deposits and placements with banks and other financial institutions	7,971	832,000	202,727	103,680	–	691,822	–	–	1,838,200	3.64
Securities held-for-trading	–	–	–	–	–	–	–	972,646	972,646	2.85
Securities available-for-sale	350,000	49,995	–	–	55,152	41,804	101,800	–	598,751	3.51
Securities held-to-maturity	–	–	–	–	406,059	595,506	115,817	–	1,117,382	2.68
Derivative financial assets	–	–	–	–	–	–	19,570	–	19,570	
Loans, advances and financing										
– Performing	12,338,768	645,413	1,430,721	227,183	6,982,770	13,403,856	–	–	35,028,711	6.85
– Non-performing *	–	–	–	–	–	–	2,066,867	–	2,066,867	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,813,390	–	3,813,390	–
TOTAL ASSETS	20,623,818	1,527,408	1,633,448	330,863	7,443,981	14,732,988	6,319,660	972,646	53,584,812	
LIABILITIES AND EQUITY										
Deposits from customers	11,100,994	4,968,367	4,201,753	6,723,767	3,678,364	–	1,808,433	–	32,481,678	3.33
Deposits and placements of banks and other financial institutions	5,244,591	3,383,123	2,018,254	388,885	801,120	1,657,500	115,252	–	13,608,725	3.71
Derivative financial liabilities	–	–	–	–	–	–	137,072	–	137,072	–
Obligation on securities sold under repurchase agreements	444,319	–	–	–	–	–	–	–	444,319	3.23
Bills and acceptances payable	278,359	547,637	188,967	–	–	–	–	–	1,014,963	3.57
Recourse obligation of loans sold to Cagamas Berhad	18,934	38,037	192,329	242,016	211,324	–	–	–	702,640	3.67
Subordinated term loans	–	–	–	–	460,000	684,167	–	–	1,144,167	6.83
Subordinated bonds	–	–	–	–	200,000	–	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	1,019,757	–	1,019,757	–
Total Liabilities	17,087,197	8,937,164	6,601,303	7,354,668	5,350,808	2,341,667	3,080,514	–	50,753,321	
Shareholder's Equity	–	–	–	–	–	–	2,831,491	–	2,831,491	
TOTAL LIABILITIES AND EQUITY	17,087,197	8,937,164	6,601,303	7,354,668	5,350,808	2,341,667	5,912,005	–	53,584,812	
On-balance sheet interest sensitivity gap	3,536,621	(7,409,756)	(4,967,855)	(7,023,805)	2,093,173	12,391,321	407,655	972,646	–	
Off-balance sheet interest sensitivity gap	2,551,357	6,920,000	(520,000)	(832,067)	(8,089,797)	(29,493)	–	–	–	
Total interest sensitivity gap	6,087,978	(489,756)	(5,487,855)	(7,855,872)	(5,996,624)	12,361,828	407,655	972,646	–	

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

LIQUIDITY RISK

Liquidity risk is the risk that the organisation will not be able to fund its day-to-day operations at a reasonable cost.

The primary objective of liquidity risk management framework is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due.

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

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

- Management of cashflow; an assessment of potential cash flow mismatches that may arise over a period of one year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of Bank Negara Malaysia.
- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

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

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

2008

The Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	8,933,353	–	–	–	–	–	–	8,933,353
Deposits and placements with banks and other financial institutions	–	1,265,820	63,880	–	–	638,800	–	1,968,500
Securities held-for-trading	37,757	24,803	108,880	40,299	491,696	1,067,742	70	1,771,247
Securities available-for-sale	–	–	–	19,986	35,070	40,576	23,781	119,413
Securities held-to-maturity	40,242	–	33,068	7,484	192,443	307,373	76,070	656,680
Derivative financial assets	–	–	–	–	–	–	71,663	71,663
Loans, advances and financing	6,078,468	3,063,345	3,029,951	3,578,673	16,194,510	16,004,569	–	47,949,516
Other assets	–	–	–	–	–	–	863,115	863,115
Statutory deposit with Bank Negara Malaysia	–	–	–	–	–	–	1,526,507	1,526,507
Deferred tax asset	–	–	–	–	–	–	629,628	629,628
Investment in associated companies	–	–	–	–	–	–	740	740
Prepaid land lease payments	–	–	–	–	–	4,404	–	4,404
Property and equipment	–	–	–	–	–	–	168,764	168,764
Intangible assets	–	–	–	–	–	–	61,484	61,484
TOTAL ASSETS	15,089,820	4,353,968	3,235,779	3,646,442	16,913,719	18,063,464	3,421,822	64,725,014
LIABILITIES AND EQUITY								
Deposits from customers	18,752,112	6,392,903	6,126,922	7,631,323	2,632,285	–	–	41,535,545
Deposits and placements of banks and other financial institutions	5,131,655	2,000,140	1,365,903	1,538,257	802,930	1,477,500	–	12,316,385
Derivative financial liabilities	–	–	–	–	–	–	85,659	85,659
Bills and acceptances payable	594,174	935,818	379,251	–	–	–	–	1,909,243
Recourse obligation of loans sold to Cagamas Berhad	–	63,640	–	–	145,199	–	–	208,839
Other liabilities	–	–	–	–	–	–	1,451,003	1,451,003
Subordinated term loans	–	–	–	–	–	460,000	–	460,000
Hybrid securities	–	–	–	–	–	689,469	–	689,469
Medium term notes	–	–	–	–	–	860,000	–	860,000
Subordinated bonds	–	–	–	–	–	600,000	–	600,000
Exchangeable bonds	–	–	–	–	–	575,000	–	575,000
Irredeemable Convertible Unsecured Loan Stocks	–	–	2,755	–	–	128,849	–	131,604
Irredeemable Non-Cumulative Convertible Preference Shares	–	–	–	–	–	–	150,000	150,000
Total Liabilities	24,477,941	9,392,501	7,874,831	9,169,580	3,580,414	4,790,818	1,686,662	60,972,747
Minority interests	–	–	–	–	–	–	41	41
Shareholder's Equity	–	–	–	–	–	200,792	3,551,434	3,752,226
TOTAL LIABILITIES AND EQUITY	24,477,941	9,392,501	7,874,831	9,169,580	3,580,414	4,991,610	5,238,137	64,725,014
Net maturity mismatch	(9,388,121)	(5,038,533)	(4,639,052)	(5,523,138)	13,333,305	13,071,854	(1,816,315)	–

Company No. 8515-D

2007

The Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	9,982,586	–	–	–	–	–	–	9,982,586
Deposits and placements with banks and other financial institutions	–	1,247,000	202,928	103,680	–	691,200	–	2,244,808
Securities held-for-trading	–	41,721	19,656	391,814	379,928	160,813	123,325	1,117,257
Securities available-for-sale	350,000	49,995	–	–	55,153	41,803	101,800	598,751
Securities held-to-maturity	–	–	–	–	406,059	595,506	116,034	1,117,599
Derivative financial assets	–	–	–	–	–	–	19,570	19,570
Loans, advances and financing	4,767,087	2,609,063	2,487,424	3,817,816	13,535,049	16,249,108	–	43,465,547
Other assets	–	–	–	–	–	–	768,782	768,782
Statutory deposit with Bank Negara Malaysia	–	–	–	–	–	–	1,638,008	1,638,008
Deferred tax asset	–	–	–	–	–	–	857,790	857,790
Investment in associated companies	–	–	–	–	–	–	651	651
Prepaid land lease payments	–	–	–	–	–	–	4,509	4,509
Property and equipment	–	–	–	–	–	–	177,439	177,439
Intangible assets	–	–	–	–	–	–	54,476	54,476
TOTAL ASSETS	15,099,673	3,947,779	2,710,008	4,313,310	14,376,189	17,738,430	3,862,384	62,047,773
LIABILITIES AND EQUITY								
Deposits from customers	15,785,839	5,862,264	4,620,672	7,069,385	3,797,698	–	–	37,135,858
Deposits and placements of banks and other financial institutions	5,799,621	3,908,864	2,361,050	801,330	1,625,334	1,657,500	–	16,153,699
Derivative financial liabilities	–	–	–	–	–	–	137,072	137,072
Obligation on securities sold under repurchase agreements	444,319	–	–	–	–	–	–	444,319
Bills and acceptances payable	449,604	747,675	264,298	–	–	–	–	1,461,577
Recourse obligation of loans sold to Cagamas Berhad	18,934	38,037	192,329	242,016	211,324	–	–	702,640
Other liabilities	–	–	–	–	–	–	1,174,998	1,174,998
Subordinated term loans	–	–	–	–	–	460,000	–	460,000
Hybrid securities	–	–	–	–	–	684,167	–	684,167
Subordinated bonds	–	–	–	–	–	600,000	–	600,000
Total Liabilities	22,498,317	10,556,840	7,438,349	8,112,731	5,634,356	3,401,667	1,312,070	58,954,330
Minority interests	–	–	–	–	–	–	57	57
Shareholder's Equity	–	–	–	–	–	–	3,093,386	3,093,386
TOTAL LIABILITIES AND EQUITY	22,498,317	10,556,840	7,438,349	8,112,731	5,634,356	3,401,667	4,405,513	62,047,773
Net maturity mismatch	(7,398,644)	(6,609,061)	(4,728,341)	(3,799,421)	8,741,833	14,336,763	(543,129)	–

Company No. 8515-D
2008

The Bank	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	7,411,342	–	–	–	–	–	–	7,411,342
Deposits and placements with financial institutions	–	1,265,820	69,351	2,500	622	638,800	–	1,977,093
Securities held-for-trading	37,757	24,803	74,336	40,299	426,541	1,067,742	–	1,671,478
Securities available-for-sale	–	–	–	19,986	35,070	40,576	23,781	119,413
Securities held-to-maturity	40,242	–	33,068	7,484	192,443	307,373	75,852	656,462
Derivative financial assets	–	–	–	–	–	–	71,663	71,663
Loans, advances and financing	5,360,024	2,352,153	2,472,075	3,233,519	12,683,576	13,847,371	–	39,948,718
Other assets	–	–	–	–	–	–	751,059	751,059
Statutory deposit with Bank Negara Malaysia	–	–	–	–	–	–	1,269,307	1,269,307
Deferred tax asset	–	–	–	–	–	–	468,529	468,529
Investment in subsidiary companies	–	–	–	–	–	–	813,849	813,849
Investment in associated companies	–	–	–	–	–	–	137	137
Prepaid land lease payments	–	–	–	–	–	3,193	–	3,193
Property and equipment	–	–	–	–	–	–	143,292	143,292
Intangible assets	–	–	–	–	–	–	60,876	60,876
TOTAL ASSETS	12,849,365	3,642,776	2,648,830	3,303,788	13,338,252	15,905,055	3,678,345	55,366,411
LIABILITIES AND EQUITY								
Deposits from customers	15,417,414	5,519,093	5,461,900	7,208,812	2,499,721	–	–	36,106,940
Deposits and placements of banks and other financial institutions	4,533,613	1,551,168	1,063,759	804,271	385,886	1,477,500	–	9,816,197
Derivative financial liabilities	–	–	–	–	–	–	85,659	85,659
Obligation on securities sold under repurchase agreements	–	–	–	–	–	–	–	–
Bills and acceptances payable	415,618	676,830	269,448	–	–	–	–	1,361,896
Recourse obligation of loans sold to Cagamas Berhad	–	63,640	–	–	145,199	–	–	208,839
Other liabilities	–	–	–	–	–	–	1,318,114	1,318,114
Subordinated term loans	–	–	–	–	–	1,149,469	–	1,149,469
Medium term notes	–	–	–	–	–	860,000	–	860,000
Subordinated bonds	–	–	–	–	–	200,000	–	200,000
Exchangeable bonds	–	–	–	–	–	575,000	–	575,000
Irredeemable Convertible Unsecured Loan Stocks	–	–	2,755	–	–	128,849	–	131,604
Irredeemable Non-Cumulative Convertible Preference Shares	–	–	–	–	–	–	150,000	150,000
Total Liabilities	20,366,645	7,810,731	6,797,862	8,013,083	3,030,806	4,390,818	1,553,773	51,963,718
Shareholder's Equity	–	–	–	–	–	200,792	3,201,901	3,402,693
TOTAL LIABILITIES AND EQUITY	20,366,645	7,810,731	6,797,862	8,013,083	3,030,806	4,591,610	4,755,674	55,366,411
Net maturity mismatch	(7,517,280)	(4,167,955)	(4,149,032)	(4,709,295)	10,307,446	11,313,445	(1,077,329)	–

Company No. 8515-D

2007

The Bank	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	8,129,295	-	-	-	-	-	-	8,129,295
Deposits and placements with financial institutions	7,971	832,000	202,727	103,680	-	691,822	-	1,838,200
Securities held-for-trading	-	1,985	19,656	343,372	323,519	160,813	123,301	972,646
Securities available-for-sale	350,000	49,995	-	-	55,153	41,803	101,800	598,751
Securities held-to-maturity	-	-	-	-	406,059	595,506	115,817	1,117,382
Derivative financial assets	-	-	-	-	-	-	19,570	19,570
Loans, advances and financing	4,240,900	2,015,028	1,863,253	3,035,512	12,330,074	13,610,811	-	37,095,578
Other assets	-	-	-	-	-	-	770,830	770,830
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	1,389,008	1,389,008
Deferred tax asset	-	-	-	-	-	-	630,832	630,832
Investment in subsidiary companies	-	-	-	-	-	-	813,849	813,849
Investment in associated companies	-	-	-	-	-	-	137	137
Prepaid land lease payments	-	-	-	-	-	3,278	-	3,278
Property and equipment	-	-	-	-	-	-	151,044	151,044
Intangible assets	-	-	-	-	-	-	54,412	54,412
TOTAL ASSETS	12,728,166	2,899,008	2,085,636	3,482,564	13,114,805	15,104,033	4,170,600	53,584,812
LIABILITIES AND EQUITY								
Deposits from customers	12,909,427	4,968,367	4,201,753	6,723,767	3,678,364	-	-	32,481,678
Deposits and placements of banks and other financial institutions	5,359,843	3,383,123	2,018,254	388,885	801,120	1,657,500	-	13,608,725
Derivative financial liabilities	-	-	-	-	-	-	137,072	137,072
Obligation on securities sold under repurchase agreements	444,319	-	-	-	-	-	-	444,319
Bills and acceptances payable	278,359	547,637	188,967	-	-	-	-	1,014,963
Recourse obligation of loans sold to Cagamas Berhad	18,934	38,037	192,329	242,016	211,324	-	-	702,640
Other liabilities	-	-	-	-	-	-	1,019,757	1,019,757
Subordinated term loans	-	-	-	-	-	1,144,167	-	1,144,167
Subordinated bonds	-	-	-	-	-	200,000	-	200,000
Total Liabilities	19,010,882	8,937,164	6,601,303	7,354,668	4,690,808	3,001,667	1,156,829	50,753,321
Shareholder's Equity	-	-	-	-	-	-	2,831,491	2,831,491
TOTAL LIABILITIES AND EQUITY	19,010,882	8,937,164	6,601,303	7,354,668	4,690,808	3,001,667	3,988,320	53,584,812
Net maturity mismatch	(6,282,716)	(6,038,156)	(4,515,667)	(3,872,104)	8,423,997	12,102,366	182,280	-

CREDIT RISK MANAGEMENT

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

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

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

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

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

For retail credits, a credit-scoring system to support the housing and hire purchase applications is being used to complement the credit assessment process.

OPERATIONAL RISK MANAGEMENT

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

Operational risk management is the discipline of systematically identifying the critical potential risk points and causes of failure, assess the relevant controls to minimise the impact of such risk through the initiation of risk mitigating measures and policies.

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

LEGAL AND REGULATORY RISK

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

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

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

RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

Purpose of engaging in financial derivatives

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

The principal exchange rate contracts used are forward foreign exchange contracts. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

The principal interest rate contracts used are interest rate swaps. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

For revenue purposes, the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate and foreign exchange rate exposure. Derivative transactions generate income for the Group from the buy-sell spreads.

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

Risk associated with financial derivatives

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

Market risk of derivatives used for trading purposes

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

Credit risk of derivatives

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract. Unlike conventional asset instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

As at 31 March 2008, the Group and the Bank has a counterparty credit risk of RM47,360,000 (2007: NIL) being the cost to replace the positive value contracts. This may vary over the life of the contracts, mainly as a function of movement in market rates and time.

The Group limits its credit risk within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

55. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

The Group	2008		2007	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	8,933,353	8,933,353	9,982,586	9,982,586
Deposits and placements with banks and other financial institutions	1,968,500	1,960,305	2,244,808	1,919,804
Securities held-for -trading	1,771,247	1,771,247	1,117,257	1,117,327
Securities available-for-sale	119,413	137,704	598,751	701,803
Securities held-to-maturity	656,680	792,930	1,117,599	1,329,506
Loans, advances and financing *	48,724,748	49,386,516	44,179,308	44,711,647
Other financial assets	2,119,856	2,119,856	2,108,408	2,108,408
	<u>64,293,797</u>	<u>65,101,911</u>	<u>61,348,717</u>	<u>61,871,081</u>
Non-financial assets	<u>431,217</u>		<u>699,056</u>	
TOTAL ASSETS	<u>64,725,014</u>		<u>62,047,773</u>	
Financial Liabilities				
Deposits from customers	41,535,545	41,337,871	37,135,858	37,288,684
Deposits and placements of banks and other financial institutions	12,316,385	12,073,841	16,153,699	15,942,647
Obligation on securities sold under repurchase agreements	–	–	444,319	444,319
Bills and acceptances payable	1,909,243	1,909,243	1,461,577	1,461,577
Recourse obligation of loans sold to Cagamas Berhad	208,839	204,560	702,640	702,108
Other financial liabilities	1,499,390	1,499,390	1,256,477	1,256,477
Subordinated term loans	460,000	552,884	460,000	535,701
Hybrid securities	689,469	630,695	684,167	710,782
Medium term notes	860,000	860,800	–	–
Subordinated bonds	600,000	632,061	600,000	633,738
Exchangeable bonds	575,000	606,475	–	–
Irredeemable Convertible Unsecured Loan Stocks	131,604	133,339	–	–
Irredeemable Non-cumulative Convertible Preference Shares	150,000	150,000	–	–
	<u>60,935,475</u>	<u>60,591,159</u>	<u>58,898,737</u>	<u>58,976,033</u>
Non-Financial Liabilities				
Other non-financial liabilities	37,272		55,593	
Minority interests	41		57	
Shareholder's Equity	<u>3,752,226</u>		<u>3,093,386</u>	
	<u>3,789,539</u>		<u>3,149,036</u>	
TOTAL LIABILITIES AND EQUITY	<u>64,725,014</u>		<u>62,047,773</u>	

* The general allowance for the Group amounting to RM775,232,000 (2007: RM713,761,000) has been included under non-financial assets.

	2008		2007	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
The Bank				
Financial Assets				
Cash and short-term funds	7,411,342	7,411,342	8,129,295	8,129,295
Deposits and placements with banks and other financial institutions	1,977,093	1,968,898	1,838,200	1,513,195
Securities held-for-trading	1,671,478	1,671,478	972,646	972,646
Securities available-for-sale	119,413	137,704	598,751	701,803
Securities held-to-maturity	656,462	792,712	1,117,382	1,329,288
Loans, advances and financing *	40,569,284	41,023,574	37,670,341	37,988,217
Other financial assets	2,619,895	2,619,895	2,726,655	2,726,655
	<u>55,024,967</u>	<u>55,625,603</u>	<u>53,053,270</u>	<u>53,361,099</u>
Non-financial assets	341,444		531,542	
TOTAL ASSETS	<u>55,366,411</u>		<u>53,584,812</u>	
Financial Liabilities				
Deposits from customers	36,106,940	35,910,756	32,481,678	32,625,027
Deposits and placements of banks and other financial institutions	9,816,197	9,576,403	13,608,725	13,392,342
Obligation on securities sold under repurchase agreements	—	—	444,319	444,319
Bills and acceptances payable	1,361,896	1,361,896	1,014,963	1,014,963
Recourse obligation of loans sold to Cagamas Berhad	208,839	204,560	702,640	702,108
Other financial liabilities	1,403,773	1,403,773	1,156,829	1,156,829
Subordinated term loans	1,149,469	1,183,579	1,144,167	1,246,483
Medium term notes	860,000	860,800	—	—
Subordinated bonds	200,000	200,000	200,000	211,131
Exchangeable bonds	575,000	606,475	—	—
Irredeemable Convertible Unsecured Loan Stocks	131,604	133,339	—	—
Irredeemable Non-cumulative Convertible Preference Shares	150,000	150,000	—	—
	<u>51,963,718</u>	<u>51,591,581</u>	<u>50,753,321</u>	<u>50,793,202</u>
Non-Financial Liabilities				
Other non-financial liabilities	—	—	—	—
Shareholder's Equity	3,402,693		2,831,491	
	<u>3,402,693</u>		<u>2,831,491</u>	
TOTAL LIABILITIES AND EQUITY	<u>55,366,411</u>		<u>53,584,812</u>	

* The general allowance for the Bank amounting to RM620,566,000 (2007: RM574,763,000) has been included under non-financial assets.

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

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2008:

(a) Cash And Short-Term Funds

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

(b) Securities Purchased Under Repurchase Agreements And Deposits With Financial Institutions

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

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

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at par value, taking into consideration the underlying collateral values or their carrying amount at the balance sheet date.

(d) Loans, Advances And Financing (“Loans And Financing”)

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

(e) Deposits From Customers, Deposits Of Banks And Other Financial Institutions And Securities Sold Under Repurchase Agreements

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

(f) Recourse Obligation on Loans Sold To Cagamas Berhad

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

(g) Bills and Acceptances Payables

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

(h) Subordinated Term Loans, Redeemable Unsecured Subordinated Bonds, Medium Term Notes, Exchangeable Bonds, ICULS, INCPS and Hybrid Securities ("Borrowings")

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

(i) Interest Rate Swaps

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

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

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

56. CHANGE IN ACCOUNTING POLICIES, PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

Change in Accounting Policies

The accounting policies are consistent with those adopted in the previous audited annual financial statements except for the adoption of the following:

- (i) New and revised Financial Reporting Standards ("FRS") issued by MASB that are applicable to the Group and the Bank with effect from the financial period beginning on or after 1 April 2007 which have resulted in changes in accounting policies as follows:

(a) FRS 117: Leases

Prior to 1 April 2007, lease of land and buildings held for own use was classified as property and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of the revised FRS 117 Leases in 2007 resulted in a change in the accounting policy relating to the classification of leases of land and buildings. Under FRS 117, lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. The up-front payments made are allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term.

The Group have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provisions of FRS 117. At 1 April 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively. Certain comparatives of the balance sheets of the Group as at 31 March 2007 have been restated. There were no effects on the income statements of the Group for the financial year ended 31 March 2007.

(b) BNM Revised Guidelines on Financial Reporting for Licensed Institutions

The Group adopted Bank Negara Malaysia's Revised Guidelines on Financial Reporting for Licensed Institutions dated 5 October 2004 on the accounting treatment of derivative financial instruments which are transacted for the purpose of hedging with effect from the Group's annual reporting date 31 March 2008.

Prior to 1 April 2007, the Group disclosed derivative financial instruments transacted for the purpose of hedging as off-balance sheet items as allowed by the BNM Revised Guidelines as an alternative accounting treatment until 31 March 2007. Thereafter, under the BNM Revised Guidelines, derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statements. This change in accounting policy has been applied retrospectively for one financial year and certain comparative figures have been adjusted to conform with the requirements of the BNM Revised Guidelines.

(ii) Reclassifications

During the year, the Bank had reviewed and changed the presentation of:

- (a) non-recoverable expenses for financing accounts for the year ended 31 March 2007. The non-recoverable expenses comprise expenses incurred for financing accounts written off and incentive and fees payable on recovery of financing accounts. These expenditure items which were previously included in other operating expenses are now presented with Allowances for losses on financing.
- (b) fair value changes for foreign exchange contracts for the year ended 31 March 2007. These balance sheet items which were previously presented on a net basis is now reclassified into derivative financial assets (positive fair value) and financial liabilities (negative fair value).
- (c) Interest income and interest expense for interest rate swap for the same counterparty for the year ended 31 March 2007. This income and expenditure items which were previously presented on a gross basis is now set off and presented on a net basis in either interest income (net gain) or interest expense (net loss).
- (d) interest receivable and payable for interest rate swap for the same counterparty for the year ended 31 March 2007. The interest receivable and payable which were presented on a gross basis is now set off and presented on a net basis in either other assets (net interest receivable) or other liabilities (net interest payable).

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

Summary of effects of adoption of new and revised FRSs and BNM's Revised Guidelines on Financial Reporting for Licensed Institutions on current year's financial statements:

- (i) The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 March 2008 is higher or lower than it would have been had the previous policies been applied in the current year.

(a) Effects on Balance Sheets as at 31 March 2008

Description of change	Increase / (Decrease)		Total
	FRS 117	Revised Guidelines on derivative financial instruments	
	RM'000	RM'000	RM'000
The Group			
Prepaid land lease payment	4,404	–	4,404
Property and equipment	(4,404)	–	(4,404)
Deferred tax assets	–	(17,169)	(17,169)
Derivative financial liabilities	–	77,787	77,787
Derivative financial assets	–	45,134	45,134
Hybrid securities	–	(56,886)	(56,886)
Retained profits	–	48,866	48,866
The Bank			
Prepaid land lease payment	3,193	–	3,193
Property and equipment	(3,193)	–	(3,193)
Deferred tax assets	–	(17,169)	(17,169)
Derivative financial liabilities	–	77,787	77,787
Derivative financial assets	–	45,134	45,134
Subordinated term loan	–	(56,886)	(56,886)
Retained profits	–	48,866	48,866

(b) Effects on Income Statement for the year ended 31 March 2008 and 2007

	The Group		The Bank	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Profit/(loss) after taxation, before changes in accounting policies	417,263	(362,409)	329,641	(460,206)
Effects of adopting revised BNM guidelines on derivative financial instruments	48,866	(79,816)	48,866	(79,816)
Profit/(loss) after taxation, after changes in accounting policies	<u>466,129</u>	<u>(442,225)</u>	<u>378,507</u>	<u>(540,022)</u>

(ii) Restatement of comparative figures

Changes in comparative figures arise from the adoption of the new and revised Financial Reporting Standards that are applicable to the Group and Bank, BNM Revised Guidelines on Financial Reporting for Licensed Institutions and reclassifications. The comparative amounts which have been reclassified to conform with the current year's presentation are as follows.

	As previously stated RM'000	Effect of change RM'000	As restated RM'000
The Group			
Balance Sheet as at 31 March 2007			
Assets			
Derivative financial assets	–	19,570	19,570
Other assets	818,077	(49,295)	768,782
Deferred tax assets	826,975	30,815	857,790
Property and equipment	181,948	(4,509)	177,439
Prepaid land lease payments	–	4,509	4,509
Liabilities and Equity			
Derivative financial liabilities	–	137,072	137,072
Other liabilities	1,223,710	(48,712)	1,174,998
Reserves	2,570,292	(87,270)	2,483,022
Income Statement for the year ended 31 March 2007			
Interest income	3,209,298	(375,769)	2,833,529
Interest expenses	(2,007,456)	375,769	(1,631,687)
Other operating income	283,658	(107,732)	175,926
Other operating expenses	(748,603)	5,399	(743,204)
Allowance for losses on loans and financing	(1,446,342)	(5,399)	(1,451,741)
Taxation	54,071	27,916	81,987
Loss after taxation	(362,409)	(79,816)	(442,225)

	As previously stated RM'000	Effect of change RM'000	As restated RM'000
The Bank			
Balance Sheet as at 31 March 2007			
Assets			
Derivative financial assets	–	19,570	19,570
Other assets	820,125	(49,295)	770,830
Deferred tax asset	600,017	30,815	630,832
Prepaid land lease payments	–	3,278	3,278
Property and equipment	154,322	(3,278)	151,044
Liabilities and Equity			
Derivative financial liabilities	–	137,072	137,072
Other liabilities	1,068,469	(48,712)	1,019,757
Reserves	2,308,397	(87,270)	2,221,127
Income Statement for the year ended 31 March 2007			
<u>Continuing operations</u>			
Interest income	3,210,337	(375,769)	2,834,568
Interest expenses	(2,009,422)	375,769	(1,633,653)
Other operating income	282,606	(107,732)	174,874
Other operating expenses	(591,964)	2,293	(589,671)
Allowance for losses on loans and financing	(1,240,618)	(2,293)	(1,242,911)
Taxation	102,133	27,916	130,049
Loss after taxation	(460,206)	(79,816)	(540,022)