AmIslamic Bank Berhad

(Company No. 295576–U)
(Incorporated in Malaysia)

Financial Statements
For the Financial Year Ended
31 March 2009

(In Ringgit Malaysia)

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

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AmIslamic Bank Berhad
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Bank for the financial year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Bank is a licensed Islamic banking institution providing Islamic retail and commercial banking products and services in accordance with Shariah principles. There have been no significant changes in the nature of the activities of the Bank during the financial year.

SIGNIFICANT EVENT

The Bank and AmInvestment Bank Berhad ("AmInvestment") had on 11 March 2008 entered into a separate Business Transfer agreement for the transfer of assets and liabilities relating to the Islamic investment, treasury and credit/lending activities or businesses ("the Islamic Fund-Based Activities") of AmInvestment to the Bank.

The transfer of the Islamic Fund-Based Activities was in relation to a group restructuring exercise approved by the Minister of Finance as announced by AMMB Holdings Berhad ("AHB"), the Bank's ultimate holding company, on 11 March 2008 to Bursa Malaysia Securities Berhad. The transfer of the Islamic Fund-Based Activities was effected pursuant to Section 50 of the Banking and Financial Institutions Act, 1989 by way of vesting orders obtained from High Courts. The vesting of the Islamic Fund-Based Activities, was effected on 12 April 2008 and the purchase consideration of RM314.9 million which, was based on the book value of the assets and liabilities as at 11 April 2008, was satisfied in cash.

FINANCIAL RESULTS

	RM'000
Profit before zakat and taxation	213,333
Zakat	(1,032)
Taxation	(55,633)
Net profit for the year	156,668

BUSINESS PLAN AND STRATEGY

The current global economic and financial underway has, todate, impacted different countries to varying degrees. The Malaysian economy is expected to feel the full impact of the downturn in 2009, with slow recovery commencing sometime after the next financial year. Lending growth is expected to slow down, with non-performing financing increasing, albeit from its current historical lows. Nonetheless, the Malaysian banking system has learnt valuable lessons from the previous financial crisis in 1998 - 2000. The domestic banking industry has remained substantially intact with no major stresses on capital positions. The easing of monetary policies by Bank Negara Malaysia ("BNM") and countercyclical fiscal measures introduced by the government are expected to both minimise contraction and build longer-term capacity of the domestic economy.

Despite the tougher operating landscape, AHB and its subsidiaries ("AHB Group") will continue to target for profitable growth and dynamic rebalancing. In addition, key priorities for AHB Group for the coming financial year will be to preserve its strong capital position, enhance risk management and streamlining operations for improved productivity and cost efficiency. AHB Group remains committed in delivering value to its shareholders, customers and employees. AHB Group will stay disciplined in executing to its strategic agenda around de-risking, and diversifying away from concentrations and re-positioning the business for differentiated growth. This will enable the AHB Group to stay resilient and build on the headstart advantage that it has had since early 2008.

Growing customer deposits and increasing the mix of low cost deposits are key planks for the retail and business banking arms. Initiatives to harness savings and current accounts centre on three key pillars:

(i) Acquisition focus on transact and save needs of the mass market, small businesses, and emerging and mass affluent segments;
(ii) Activation focus on payroll crediting, cash management and transactional services; and
(iii) Anti attrition focus to prevent dormancy.

In order to support deposits and fee growth, and new products and services, distribution footprints will continue to be expanded, albeit at a moderated pace.

In the retail banking segment, the AHB Group continues to consolidate its position as the fourth largest by retail assets size. In view of the weakening outlook, retail banking aims to sustain growth via focusing on higher return businesses and superior customer service. Lending growth will be modest, geared towards diversification of assets, and supported by enhanced risk management disciplines and operating efficiency.

Business banking segment has achieved good growth in its credit facilities over the previous three years. Action plans are in place to conserve existing customer relationships and cautiously acquire new businesses. Sustaining portfolio profitability will require realigning lending to more stable economic segments including agriculture, oil and gas, medical, fast moving consumer goods, broad property sector and contract financing. Navigating through the more difficult environment will also require closely monitoring customer positions and restructuring of accounts.

BUSINESS PLAN AND STRATEGY (CONTD.)

Since its inception, the Bank has shown remarkable growth by capitalising on the robust demand for Islamic financial services. The Bank had forged tie-ups and alliances with companies whereby its Al-Taslif card members were introduced with easy payment plans and Takaful Investment-linked plans for its customers to invest in specific Islamic deposits. In the retail and business banking areas, new products were launched which include Islamic Floor Stocking-i, Islamic Repos, Revolving Credit-i and Islamic structured deposits called Active Commodities Islamic Negotiable Instrument of Deposit.

OUTLOOK FOR NEXT FINANCIAL YEAR

Global financial turmoil continues to worsen with economic contraction in developed nations and the knock-on effects on the Malaysian economy have begun to precipitate since end 2008. Most analysts and economists have projected a broad economic downturn for 2009 and negative GDP growth of at least -2% for Malaysia. Whilst the pace of economic contration may slow down later this year, our current view is that any rebound can be expected only towards late 2010. Unemployment rate is forecasted to rise to circa 5%. The contraction in external sector can only be partly offset by moderate growth in domestic demand.

The banking system will face slower credit demand in most segments and deteriorating asset quality as compared to 2008. At present, system NPL's is at its lowest since the Asian financial crisis period in 1998-2000. The Second Stimulus Package (of RM60 billion announced by the Federal Government on 10 March 2009) is expected to shield the economy from the worst impacts of the global downturn. This is expected to provide some cushion against increasing NPL's, as it is focused on reducing unemployment, and providing working capital schemes and financial guarantees for credit enhancement. Further easing of monetary policies may materialize to boost economic activity.

The AHB Group will stay focused on executing its strategies built around de-risking, diversifying away from concentrations and differentiated growth via targeting profitable business segments. Enhanced credit control, new risk scorecards and methodologies, and collections and recoveries management will receive heightened focus areas in the coming year. The AHB Group will also continue to focus on building its brand name, growing deposits including low-cost deposits, progressively expanding distribution footprints, and introducing superior products and services. Over the past two years, the AHB Group has also taken steps to strengthen its capital and balance sheet positions.

The AHB Group is well positioned to weather short term global, regional and national volatilities with its diversified business portfolio across retail and business banking, investment banking and markets, and insurance. The AHB Group's strategic partnership with ANZ, privatization of AmInvestment Group Berhad, and internal business restructuring will continue to underpin its ability to deliver profitable growth over the medium term.

ITEMS OF AN UNUSUAL NATURE

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

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

DIVIDENDS

No dividend 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 in respect of the current financial year.

RESERVES AND ALLOWANCES

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

ISSUANCE OF SHARES

There were no issuance of 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 statement and balance sheet of the Bank were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

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

CURRENT ASSETS

Before the income statement and balance sheet 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 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 Bank misleading.

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability in respect 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 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 Bank to meet its 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 Bank that would render any amount stated in the financial statements 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' Gan Nyap Liou @ Gan Nyap Liow
Cheah Tek Kuang
Ashok Ramamurthy (appointed on 18.11.2008)
Anthony John Healy (resigned on 31.10.2008)

In accordance with Article 87 of the Bank's Articles of Association, Mr Cheah Tek Kuang retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 95 of the Bank's Articles of Association, Mr Ashok Ramamurthy, retires the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

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

DIRECTORS' INTERESTS

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

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

DIRECT INTERESTS

In the ultimate holding company, AMMB Holdings Berhad

	No. of ordinary shares of RM1.00 each			
	Balance at 1.4.2008/Date of Appointment	Bought	Sold	Balance at 31.3.2009
Cheah Tek Kuang	78,800	-	-	78,800
Ashok Ramamurthy	100,000	-	-	100,000

DEEMED INTEREST

In the ultimate holding company, AMMB Holdings Berhad

		No. of ordinary shares of RM1.00 each			
		Balance at 1.4.2008	Bought	Sold	Balance at 31.3.2009
Tan Sri Dato' Azman Hashim	AmcorpGroup Berhad	480,151,333	1,850,000	-	482,001,333

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

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 the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest except for related party transactions as shown in Note 25 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. The Board complies with the best practices in corporate governance as set out in the Malaysian Code on Corporate Governance.

The Board supervises the management of the Bank's businesses, policies and affairs with the goal of enhancing shareholder's value. The Board meets 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 six (6) directors with wide skills and experience, three (3) of whom are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Bank. The Independent Non-Executive Directors ensure strategies proposed by the management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

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

CORPORATE GOVERNANCE (CONTD.)

(b) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to the Board Committees. The Committees, 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

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.

CORPORATE GOVERNANCE (CONTD.)

(b) COMMITTEES OF THE BOARD (CONTD.)

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 2009 ("FY2009")					
	Board of Directors	Nomination Committee	Remuneration Committee	Audit and Examination Committee	Risk Management Committee
Tan Sri Dato' Azman Hashim	11 (Chairman)	3	4	N/A	N/A
Tun Mohammed Hanif Omar	11	3 (Chairman)	N/A	8	N/A
Tan Sri Datuk Clifford Francis Herbert	11	3	4 (Chairman)	8 (Chairman)	7 (Chairman)
Dato' Gan Nyap Liou @ Gan Nyap Gan Nyap Liow	9	N/A	N/A	7	6
Cheah Tek Kuang	11	3	3	N/A	6
Ashok Ramamurthy*	4	1	-	N/A	N/A
Anthony John Healy**	6	2	3	5	N/A
Number of meetings held in FY2009	11	3	4	8	7

Notes:

1. All attendances reflect the number of meetings attended during Directors' duration of service.
2. N/A represents non-Committee Member
3. * Appointed on 18.11.2008. There was no Remuneration Committee meeting held from the date of Mr. Ashok Ramamurthy's appointment.

   ** Resigned on 31.10.2008.

CORPORATE GOVERNANCE (CONTD.)

Nomination Committee

The Committee comprises five (5) members, two (2) 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 the annual review of 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, three (3) 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

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

The AEC met during the year to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

In addition, the AEC has reviewed the procedures set up by the Bank to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions.

CORPORATE GOVERNANCE (CONTD.)

Risk Management Committee

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

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

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

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

Internal Audit and Internal Control Activities

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

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

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

CORPORATE GOVERNANCE (CONTD.)

Internal Audit and Internal Control Activities (Contd.)

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

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

MANAGEMENT INFORMATION

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

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

HOLDING AND ULTIMATE HOLDING COMPANY

The directors regard AmBank (M) 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

Rating Agency Malaysia Berhad ("RAM") had re-affirmed the long term and short term financial institution rating of the Bank at A1 (Stable) and P1 respectively.

The long term rating of the Bank's RM400.0 million Subordinated Sukuk Musyarakah also had been re-affirmed at A2 (Stable) by RAM.

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 committee also assisted 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	**CHEAH TEK KUANG**
Chairman	Director

Kuala Lumpur, Malaysia
15 May 2009

AmIslamic Bank 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 **AmIslamic Bank Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements as set on pages 20 to 85 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia guidelines so as to give a true and fair view of the financial position of the Bank as at 31 March 2009 and of the results and the cash flows 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
Director

Kuala Lumpur, Malaysia
15 May 2009

AmIslamic Bank 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 **AmIslamic Bank Berhad**, do solemnly and sincerely declare that the accompanying financial statements as set out on pages 20 to 85 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
in the Wilayah Persekutuan on 15 May 2009

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

AmIslamic Bank Berhad
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT TO THE MEMBER OF AMISLAMIC BANK BERHAD

In the Name of Allah, The Compassionate, The Most Merciful

All Praise is due to Allah, the Cherisher of the World, and the Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions

We, Associate Professor Dr. Amir Husin Mohd Nor, Associate Professor Dr. Noor Naemah Abd. Rahman and Encik Adnan Yusoff, being members of the Shariah Committee of AmIslamic Bank Berhad, do hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the year ended 31 March 2009.

We have provided various aspects of the Shariah advisory to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We are of the opinion that: -

a) The contracts, transactions and dealings entered into by the Bank during the year ended 31 March 2009, that we have reviewed are in compliance with the Shariah rules and principles.

b) The main sources and investments of the Bank disclosed to us conform to the basis that had been approved by us in accordance with the Shariah rules and principles.

We beg Allah the Almighty to Grant us all the Success and Straight-Forwardness And Allah Knows Best

ASSOC. PROF. DR. AMIR HUSIN MOHD NOR
Chairman of the Committee

ASSOC. PROF. DR. NOOR NAEMAH ABD. RAHMAN
Member of the Committee

ENCIK ADNAN YUSOFF
Member of the Committee

Kuala Lumpur, Malaysia
15 May 2009

Company No. 295576–U

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

Report on the financial Statements

We have audited the financial statements of AmIslamic Bank Berhad, which comprise the balance sheet as at 31 March 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 85.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Independent auditors' report to the member of AmIslamic Bank Berhad (Contd.)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia guidelines and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 March 2009 and of its financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Gladys Leong
No. 1902/04/10(J)
Chartered Accountant

Kuala Lumpur, Malaysia
15 May 2009

AmIslamic Bank Berhad
(Incorporated in Malaysia)

BALANCE SHEET
AS AT 31 MARCH 2009

	Note	2009 RM'000	2008 RM'000 (Restated)
ASSETS			
Cash and short-term funds	5	3,217,910	1,871,442
Securities held-for-trading	6	203,863	559,411
Securities available-for-sale	7	569,295	-
Derivative financial assets		1,885	-
Financing and advances	8	9,810,477	8,054,961
Other assets	9	106,438	92,152
Statutory deposit with Bank Negara Malaysia	10	86,079	271,700
Deferred tax asset	30	99,191	157,794
Property and equipment	11	393	443
Intangible assets	12	560	608
TOTAL ASSETS		14,096,091	11,008,511
LIABILITIES AND EQUITY			
Deposits from customers	13	10,155,070	6,916,090
Deposits and placements of banks and other financial insititutions	14	1,445,052	1,562,316
Derivative financial liabilities		1,884	-
Bills and acceptances payable	15	612,567	547,347
Other liabilities	16	196,833	146,273
Provision for zakat		1,130	601
Subordinated Sukuk Musyarakah	17	400,000	400,000
Total Liabilities		12,812,536	9,572,627
Share capital	18	403,038	403,038
Reserves	19	880,517	1,032,846
Equity attributable to equity holder of the Bank		1,283,555	1,435,884
TOTAL LIABILITIES AND EQUITY		14,096,091	11,008,511
COMMITMENTS AND CONTINGENCIES	36	4,185,781	5,917,312
NET ASSETS PER SHARE (RM)	32	3.18	3.56

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

AmIslamic Bank Berhad
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 RM'000	2008 RM'000 (Restated)
Income derived from investment of depositors' funds and others	20	807,939	699,211
Income derived from investment of shareholder's funds	21	155,619	192,481
Allowances for losses on financing and advances	22	(93,752)	(138,061)
Provision for commitment and contingencies		(11,978)	(1,937)
Impairment loss		(18)	-
Transfer (to)/from profit equalisation reserve	16	(24,566)	18,320
Total distributable income		833,244	770,014
Income attributable to the depositors	23	(382,200)	(358,157)
Total net income		451,044	411,857
Other operating expenses	24	(218,511)	(204,561)
Finance cost	28	(19,200)	(19,253)
Profit before zakat and taxation		**213,333**	**188,043**
Zakat		(1,032)	(601)
Taxation	29	(55,633)	(74,988)
Profit after zakat and taxation		**156,668**	**112,454**
Earnings per share (sen):			
Basic/Diluted earnings per ordinary share	31	38.87	27.90

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

AmIslamic Bank Berhad
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2009

	<------------------- Attributable to Equity Holder of the Bank						-------------------->
		<--------------Non-distributable		---------------->		Distributable	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Available For-Sale Reserve RM'000	Unappropriated Profits RM'000	Total RM'000
At 1 April 2007							
As previously stated	403,038	534,068	47,390	-	-	47,389	1,031,885
Effects arising from the pooling of interest	-	-	-	291,545	-	-	291,545
At 1 April 2007 (Restated)	403,038	534,068	47,390	291,545	-	47,389	1,323,430
Profit for the year	-	-	-	-	-	112,454	112,454
Effects arising from the pooling of interest	-	-	-	26,358	-	(26,358)	-
Transfer to statutory reserve	-	-	43,049	-	-	(43,049)	-
At 31 March 2008 (Restated)	403,038	534,068	90,439	317,903	-	90,436	1,435,884
At 1 April 2008	403,038	534,068	90,439	317,903	-	90,436	1,435,884
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	-	8,906	-	8,906
Effects arising from the pooling of interest	-	-	-	(317,903)	-	-	(317,903)
Profit for the year	-	-	-	-	-	156,668	156,668
Transfer to statutory reserve	-	-	78,334	-	-	(78,334)	-
At 31 March 2009	403,038	534,068	168,773	-	8,906	168,770	1,283,555

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

AmIslamic Bank Berhad
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	2009 RM'000	2008 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and taxation	213,333	188,043
Adjustments for:		
Allowances for losses on financing	119,953	154,206
Depreciation of property and equipment	125	107
Amortisation of intangible asset	149	92
Impairment loss - sundry debtors	18	-
Transfer to/(from) profit equalisation reserve	24,566	(18,320)
Accretion of discount less amortisation of premium	(3,867)	(696)
Gain on disposal of securities held-for-trading	(6,660)	(22,816)
Gain on disposal of securities available-for-sale	(2,307)	-
Loss on revaluation of securities held-for-trading	3,958	662
Provision for commitment and contingencies	11,978	1,937
Loss on derivatives	(8)	-
Operating Profit Before Working Capital Changes	361,238	303,215
(Increase)/Decrease In Operating Assets:		
Deposits and placements with banks and other financial institutions	-	1,476,730
Securities held-for-trading	362,117	(31,941)
Financing and advances	(1,875,469)	(1,787,593)
Other assets	(14,304)	(7,978)
Statutory deposit with Bank Negara Malaysia	185,621	(8,200)
Increase/(Decrease) In Operating Liabilities:		
Deposits from customers	3,238,980	813,840
Deposits and placements of banks and other financial institutions	(117,256)	(489,795)
Bills and acceptances payable	65,220	100,733
Other liabilities	10,966	(76,821)
Cash Generated From Operations	2,217,113	292,190
Zakat paid	(503)	(786)
Tax paid	-	(9,060)
Net Cash Generated From Operating Activities	2,216,610	282,344

AmIslamic Bank Berhad
(Incorporated in Malaysia)

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008 (CONTD.)

	2009 RM'000	2008 RM'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of securities available-for-sale	(555,112)	-
Purchase of property and equipment	(75)	(117)
Purchase of intangible asset	(101)	(155)
Cash paid for net assets vested	(314,854)	-
Net Cash Used in Investing Activities	(870,142)	(272)
Net Increase in Cash and Cash Equivalents	1,346,468	282,072
Cash and Cash Equivalents At Beginning Of Year	1,871,442	1,589,370
Cash and Cash Equivalents At End Of Year	3,217,910	1,871,442

Note:

Cash and cash equivalents consist of cash and short-term funds as shown in Note 5 to the financial statements.

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

AmIslamic Bank Berhad
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is a licensed Islamic banking institution providing Islamic retail and commercial banking products and services in accordance with Shariah principle. There have been no significant changes in the nature of the activities of the Bank during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Banking Act 1983, 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 Bank have been approved by the Board of Directors for issuance on 28 April 2009.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements 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, Shariah principles and the applicable Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines.

The Bank has adopted BNM Guidelines on Financial Reporting for Licensed Islamic Banks (BNM/GP8-i).

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 Bank with effect from the financial period beginning on or after 1 April 2008:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 119	Employee Benefits
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation
IC Interpretation 8	Scope of FRS 2 Share-based Payments

The adoption of the above did not result in significant changes in accounting policies of the Bank.

Standards and IC Interpretations to existing standards that are not relevant or material for the Bank's operations:

FRS 111	Construction Contract
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
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

(ii) The following are the FRSs and IC Interpretations which have been issued by the Malaysian Accounting Standards Board ("MASB") as of the balance sheet date but are not yet effective:

FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosure
FRS 8	Operating Segments
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

All the new FRSs and IC intepretations are effective from 1 January 2010 with the exception of FRS 8, which is effective from 1 July 2009.

The new FRSs and IC Interpretations are expected to have no significant impact on the financial statements of the Bank upon their initial application except for changes on disclosure arising from the adoption of FRS 7. The Bank are exempted from disclosing the possible impact, if any, in the financial statements upon the initial application of FRS 139.

(iii) The effects of adopting these standards are discussed below:

(a) FRS 139 Financial Instruments : Recognition and Measurement – This standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

Since 1 January 2005, upon the Bank's adoption of Bank Negara Malaysia's ("BNM") revised BNM/GP8 – Guidelines on Financial Reporting for Licensed Institutions, certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting which are similar to those prescribed by FRS 139 have been adopted by the Bank. These accounting policies are set out in the notes on securities and derivative instruments below.

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

(c) FRS 7 Financial Instruments: Disclosures – This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel. An entity shall not apply this standard for annual periods beginning prior to 1 January 2010 unless it also applies FRS 139. The application of this standard is not expected to have a material impact on the financial results of the Bank as this standard deals only with disclosures in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) FRS 8 Operating Segments – This new standard requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments disclosure in the financial statements. The standard is not applicable to the annual financial statements of the Bank.

(e) IC Interpretation 9 Reassessment of Embedded Derivatives – This interpretation clarifies that the reassessment of an embedded derivative after its initial recognition is forbidden unless the instrument's terms have changed and this has affected its cash flows significantly. This IC Interpretation is not expected to have any material impact on the financial statements of the Bank.

(f) IC Interpretation 10 Interim Financial Reporting and Impairment – This interpretation clarifies that an entity shall not reverse impairment losses on goodwill and investments in equity instruments and financial assets carried at cost recognised in an interim period. This interpretation is not applicable to the annual financial statements of the Bank.

In August 2008, the MASB announced its plan to bring Malaysia to full convergence with International Financial Reporting Standards ("IFRS") by 1 January 2012. The financial impact and effects on disclosures and measurement ensuing from such convergence are currently still being assessed pending the issuance of such revised FRSs incorporating the full convergence.

(a) **Basis Of Accounting**

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

(b) **Operating Revenue**

Operating revenue of the Bank comprises financing income and other operating income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Financing Income and Expense Recognition

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

Financing income on cash line, house and other term financing is accounted for on an accrual basis by reference to the rest periods as stipulated in the financing agreements. Financing income from hire purchase and lease financing of the Bank is recognised using the ‘sum-of-digits’ method.

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

During the financial year, incidental expenses incurred as part of the “Zero Entry cost” package offered for housing loans and commercial property loans are capitalized and amortised over the average lock-in period of the loans. The effect of this change is disclosed in Note 41.

When a financing becomes non-performing, profit accrued and recognised as income prior to the date the financing is classified as non-performing is reversed out of income and set-off against the accrued profit receivable account in the balance sheet. Thereafter, profit on the non-performing financing 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 Bank's policy on recognition of profit income on financing and advances is in conformity with BNM's "Guideline on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts"("BNM/GP3") and revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8)-i.

Income attributable to the depositors of the Bank are recognised on an accrual basis.

(d) Recognition of Fees and Other Income

Financing 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plan

As required by law, companies in Malaysia 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 Bank has no further payment obligations.

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The 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.

(f) Allowance for Bad and Doubtful Financing

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

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

An uncollectible financing or portion of a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Allowance for Bad and Doubtful Financing (Contd.)

The specific and general allowances for financing and advances of the Bank are computed in conformity with the revised BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. However, the Bank has adopted a more stringent classification policy on non-performing financing, whereby financing 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 Bank adopted a more stringent basis for specific allowances on non-performing financing and advances and are as follows:

(i) Values assigned to collateral held for non-performing financing 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 financing 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 financing which are in arrears for more than seven (7) years.

(ii) Specific allowance of 20% is provided on non-performing financing 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 financing and advances.

(g) Provisions

Provisions are recognised when the Bank has a present legal obligation as a result of past events, 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.

(h) Profit Equalisation Reserve ("PER")

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets

(i) Securities available-for-sale

Impairment of securities available-for-sale is calculated as the difference between the asset's carrying amount and the estimated recoverable amount.

For securities available-for-sale in which there is objective evidence of impairment which is other than temporary, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

(ii) Securities held-to-maturity

For securities held-to-maturity which are carried at amortised cost, the amount of the impairment loss is measured as the difference between the assets's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities held-to-maturity which are carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

As at 31 March 2009, the Bank does not have any securities held-to-maturity.

(iii) Other assets

The carrying values of asset 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 statement immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (Contd.)

(iii) Other assets (Contd.)

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 statement immediately.

(j) Income Tax

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

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

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

(k) Zakat

This represents business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 2.5% of net profit after tax.

(l) Securities

The holdings of the securities portfolio of 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 statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(l) Securities (Contd.)

(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 statement.

(iii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Bank 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 less impairment losses, if any. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from the derecognition of securities held-to-maturity are recognised in the income statement.

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 Bank 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with the policy on impairment of assets.

Depreciation of property and equipment, except for work-in-progress which is not depreciated, 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:

Leasehold improvements	12.5%
Office equipment, furniture and fittings	10.0% - 25.0%
Computer hardware	20.0% - 33 1/3%

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

An assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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 statement.

(o) 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 maintaining computer software applications are recognised as expense when incurred. Costs that are directly associated with the software application development stage are recognised as intangible assets. Costs directly associated with software application development include employee payroll and payroll related costs.

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

(p) Bills and Acceptances Payable

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Liabilities

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.

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

(r) Provision for Commitments and Contingencies

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

(s) Redeemable Unsecured Subordinated Bond

This is a long-term financing with remaining maturity of more than one year. The issue proceeds are recognised at cost and use to fund the growth of its Islamic financial services business. The income distribution is recognised on a effective rate method.

(t) Equity Instruments

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

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

(u) Foreign Currency Transactions

In preparing the financial statements of the Bank, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(v) 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 statement 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, Cash Flow Hedge reserve. 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.

(w) Sell and Buy Back Agreements

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

(x) Cash Flow Statement

The Bank adopts the indirect method in the preparation of the cash flow statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(y) Cash and Cash Equivalents

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

(z) Contingent Liabilities and Contingent Assets

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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

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 Bank 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.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTD.)

(b) 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.

(c) Allowance for Bad and Doubtful Debts and Financing

Whilst the assessment of allowance for losses on financing and advances is made in accordance with the requirements of “BNM/GP3” guidelines, judgement is required in the estimation of realisation amount from the doubtful debts when determining the level of allowance required.

5. CASH AND SHORT-TERM FUNDS

	2009 RM’000	2008 RM’000
Cash and balances with banks and other financial institutions	7,810	2,581
Money at call and deposits placements maturing within one month	3,210,100	1,868,861
	3,217,910	1,871,442

The net interbank financing position of the Bank is detailed as follows:

	2009 RM’000	2008 RM’000
Interbank financing:		
Cash and short-term funds	3,210,100	1,868,861
Interbank borrowing (Note 14)	(43,054)	(15,000)
Net interbank financing	3,167,046	1,853,861

6. SECURITIES HELD-FOR-TRADING

	2009 RM'000	2008 RM'000
At fair value:		
Money Market Securities:		
Malaysian Government Investment Certificates	-	35,221
Negotiable Islamic debt certificates	-	313,742
Islamic Khazanah bonds	991	13,502
Cagamas Mudharabah Bearer Bonds	-	2,091
Islamic Treasury Bills	-	78,224
	991	442,780
Unquoted Securities in Malaysia:		
Private debt securities	202,872	116,631
	203,863	559,411

7. SECURITIES AVAILABLE-FOR-SALE

	2009 RM'000	2008 RM'000
At fair value:		
Money Market Securities:		
Malaysia Government Investment Certificates	36,025	-
Negotiable Instruments of Deposit	29,190	-
	65,215	-
Unquoted securities:		
Private Debt Securities	504,080	-
	569,295	-

8. FINANCING AND ADVANCES

(i) Financing and advances analysed by type are as follows:

	2009 RM'000	2008 RM'000
Cash lines	125,849	140,936
Term financing		
- House financing	730,830	812,203
- Hire purchase receivables	7,608,606	7,700,510
- Other financing	4,359,119	3,305,065
Cards receivable	310,594	303,368
Bills receivables	2,103	3,763
Trust receipts	32,385	46,074
Claims on customers under acceptance credit	763,656	686,376
Revolving credit	257,038	145,412
Total	14,190,180	13,143,707
Unearned income	(3,208,340)	(2,824,335)
	10,981,840	10,319,372
Less: Islamic financing sold to Cagamas Berhad	(905,803)	(1,956,022)
Gross financing and advances	10,076,037	8,363,350
Allowances for bad and doubtful financing		
- General	(166,507)	(154,953)
- Specific	(99,053)	(153,436)
Net financing and advances	9,810,477	8,054,961

(ii) The maturity structure of financing and advances is as follows:

Maturing within one year	1,268,161	1,327,084
One year to three years	759,163	1,086,567
Three years to five years	1,536,020	883,627
Over five years	6,512,693	5,066,072
Gross financing and advances	10,076,037	8,363,350

8. FINANCING AND ADVANCES (CONTD.)

(iii) Financing and advances analysed by contract are as follows:

	2009 RM'000	2008 RM'000
Bai' Bithaman Ajil	1,177,304	1,187,106
Istisna	625	1,398
Ijarah/Al-Ijarah Thumma Al-Bai'	5,430,924	4,326,729
Musyarakah	6	17,418
Murabahah	861,692	834,492
Other Islamic contracts	2,605,486	1,996,207
Gross financing and advances	10,076,037	8,363,350

(iv) Financing and advances analysed by type of customer are as follows:

	2009 RM'000	2008 RM'000
Domestic non-bank financial institutions		
- Others	4,106	661
Domestic business enterprises		
- Small medium enterprises	946,981	749,348
- Others	1,319,548	988,733
Government and statutory bodies	-	21,311
Individuals	7,801,361	6,596,518
Other domestic entities	-	3,182
Foreign entities	4,041	3,597
Gross financing and advances	10,076,037	8,363,350

(v) Financing and advances analysed by profit rate sensitivity are as follows:

	2009 RM'000	2008 RM'000
Fixed rate		
- House financing	381,353	418,918
- Hire purchase receivables	5,430,921	4,455,609
- Other fixed rate financing	4,101,030	3,422,932
Variable rate		
- Base lending rate plus	2,013	1,167
- Cost plus	160,720	64,724
Gross financing and advances	10,076,037	8,363,350

8. FINANCING AND ADVANCES (CONTD.)

(vi) Financing and advances analysed by financing purposes are as follows:

	2009 RM'000	2008 RM'000
Purchase of securities	6,319	9,416
Purchase of transport vehicles	6,255,482	6,368,163
Purchase of landed property		
- Residential	383,048	420,105
- Non-residential	213,184	145,368
Purchase of fixed assets other than land and building	161,385	126,277
Personal use	2,035,433	1,702,103
Credit card	309,379	303,053
Purchase of consumer durables	124	1,184
Construction	109,673	27,467
Working capital	1,216,667	1,092,858
Other purposes	291,146	123,378
	10,981,840	10,319,372
Less: Islamic financing sold to Cagamas Berhad	(905,803)	(1,956,022)
Gross financing and advances	10,076,037	8,363,350

(vii) Movements in non-performing financing and advances ("NPF") are as follows:

	2009 RM'000	2008 RM'000
Balance at beginning of year	305,321	503,084
Non-performing during the year	186,216	206,068
Reclassified as performing	(62,432)	(103,518)
Amount recovered	(27,618)	(70,877)
Amount written off	(161,850)	(229,436)
Balance at end of year	239,637	305,321
Less:		
Specific allowance	(99,053)	(153,436)
Non-performing financing and advances - net	140,584	151,885

8. FINANCING AND ADVANCES (CONTD.)

(vii) Movements in non-performing financing and advances ("NPF") (Contd.)

	2009 RM'000	2008 RM'000
Gross financing and advances	10,076,037	8,363,350
Add: Islamic financing sold to Cagamas Berhad	905,803	1,956,022
	10,981,840	10,319,372
Less:		
Specific allowance	(99,053)	(153,436)
Net financing and advances (including Islamic financing sold to Cagamas Berhad)	10,882,787	10,165,936
Ratio of non-performing financing and advances to total financing and advances (including Islamic financing sold to Cagamas Berhad) – net	1.29%	1.49%

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

	2009 RM'000	2008 RM'000
General Allowance		
Balance at beginning of year	154,953	139,511
Allowance made during the year (Note 22)	11,554	15,442
Balance at end of year	166,507	154,953
% of net financing and advances (including Islamic financing sold to Cagamas Berhad)	1.53%	1.52%

8. FINANCING AND ADVANCES (CONTD.)

(viii) Movements in the allowance for bad and doubtful financing accounts are as follows (Contd.):

	2009 RM'000	2008 RM'000
Specific Allowance		
Balance at beginning of year	153,436	253,697
Allowance made during the year (Note 22)	156,544	217,662
Amount written back in respect of recoveries (Note 22)	(48,145)	(78,898)
Net charge to income statement	108,399	138,764
Amount written off	(162,782)	(239,025)
Balance at end of year	99,053	153,436

(ix) Non-performing financing and advances analysed by financing purposes are as follows:

	2009 RM'000	2008 RM'000
Purchase of securities	626	913
Purchase of transport vehicles	120,821	124,907
Purchase of landed property		
- Residential	58,008	81,367
- Non-residential	14,277	29,038
Purchase of fixed assets other than land and building	2,312	7,203
Personal use	496	452
Credit card	11,095	10,580
Construction	6	21,878
Working capital	30,747	24,847
Other purposes	1,249	4,136
	239,637	305,321

9. OTHER ASSETS

	2009 RM'000	2008 RM'000
Other receivables and prepayments	43,469	17,972
Profit receivable	10,834	5,951
Deferred charges	52,135	56,049
Amount due from holding company	-	12,180
	106,438	92,152

10. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposit are 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.

11. PROPERTY AND EQUIPMENT

	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Total RM'000
Cost				
As at 1 April 2008	207	215	171	593
Additions	7	-	68	75
Reclassification	-	(127)	127	-
As at 31 March 2009	214	88	366	668
Accumulated Depreciation				
As at 1 April 2008	59	62	29	150
Depreciation for the year	43	18	64	125
Reclassification	-	(33)	33	-
As at 31 March 2009	102	47	126	275
Net Book Value				
As at 31 March 2009	112	41	240	393
Cost				
As at 1 April 2007	207	170	579	956
Additions	-	45	72	117
Reclassified to intangible assets (Note 12)	-	-	(480)	(480)
As at 31 March 2008	207	215	171	593
Accumulated Depreciation				
As at 1 April 2007	18	22	3	43
Depreciation for the year	41	40	26	107
As at 31 March 2008	59	62	29	150
Net Book Value				
As at 31 March 2008	148	153	142	443

12. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	2009 RM'000	2008 RM'000
Computer Software		
Cost		
At the beginning of the year	708	73
Additions	101	155
Reclassified from property and equipment (Note 11)	-	480
At the end of the year	809	708
Accumulated Amortisation		
At the beginning of the year	100	8
Amortisation for the year	149	92
At the end of the year	249	100
	560	608

13. DEPOSITS FROM CUSTOMERS

	2009 RM'000	2008 RM'000
(i) By type of deposit:		
Non-Mudharabah		
Demand deposits	645,865	520,564
Savings deposits	945,950	801,381
Negotiable instruments of deposits	266,985	408,108
	1,858,800	1,730,053
Mudharabah		
General/Special investment deposits	8,251,420	5,186,037
Others	44,850	-
	8,296,270	5,186,037
	10,155,070	6,916,090

(ii) The maturity structure of deposits from customers is as follows:

	2009 RM'000	2008 RM'000
Due within six months	9,180,168	6,033,629
Six months to one year	525,255	591,156
One year to three years	379,264	203,909
Three years to five years	70,383	87,396
	10,155,070	6,916,090

13. DEPOSITS FROM CUSTOMERS (CONTD.)

(iii) The deposits are sourced from the following types of customers:

	2009 RM'000	2008 RM'000
Government and other statutory bodies	2,914,914	1,934,192
Business enterprises	4,765,935	2,799,457
Individuals	1,957,159	1,622,719
Others	517,062	559,722
	10,155,070	6,916,090

14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2009 RM'000	2008 RM'000
Non-Mudharabah		
Licensed Islamic banks	413,974	392,984
Licensed banks	198,259	107,466
Licensed investment/merchant banks	202,031	662,466
Other financial institutions	61,731	33,195
Bank Negara Malaysia	3,429	2,423
	879,424	1,198,534
Mudharabah		
Licensed investment/merchant banks	-	129,922
Other financial institutions	565,628	233,860
	565,628	363,782
	1,445,052	1,562,316

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

Negotiable instruments of deposits	820,736	1,060,834
Interbank borrowings (Note 5)	43,054	15,000

15. BILLS AND ACCEPTANCES PAYABLE

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

16. OTHER LIABILITIES

	2009 RM'000	2008 RM'000
Income payable	60,055	46,081
Other creditors and accruals	66,799	57,927
Lease deposits and advance rentals	6,867	4,869
Profit equalisation reserve	61,933	37,367
Amount due to holding company	1,172	29
Deferred income	7	-
	196,833	146,273

Profit equalisation reserve

The movements in profit equalisation reserve are as follows:

	2009 RM'000	2008 RM'000
Balance at beginning of year	37,367	55,687
Provision in the financial year	24,566	-
Writeback in the financial year	-	(18,320)
Balance at end of year	61,933	37,367

17. SUBORDINATED SUKUK MUSYARAKAH

On 21 December 2006, the 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"), the 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 bear 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 0.50% per annum to legal maturity date.

The Subordinated Sukuk Musyarakah which has been awarded a long term rating of A2 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 qualifies as Tier 2 capital of the Bank.

18. SHARE CAPITAL

	2009 RM'000	2008 RM'000
Authorised:		
Balance at beginning and end of year		
Ordinary shares of RM1.00 each	2,000,000	2,000,000
Issued and fully paid:		
Balance at beginning and end of year		
Ordinary shares of RM1.00 each	403,038	403,038

19. RESERVES

	2009 RM'000	2008 RM'000
Non-distributable Reserves:		
Share premium	534,068	534,068
Statutory reserve	168,773	90,439
Merger reserve	-	317,903
Available-for-sale reserve	8,906	-
Total non-distributable reserves	711,747	942,410
Distributable Reserves:		
Unappropriated profit	168,770	90,436
Total reserves	880,517	1,032,846

Movement in reserves are shown in the Statement of Changes in Equity.

The statutory reserve is maintained in compliance with Section 15 of the Islamic Banking Act, 1983 and is not distributable as cash dividends.

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

Distributable reserves are those available for distribution by way of dividends. There is sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of the Bank's entire distributable reserves as at 31 March 2009.

20. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	2009 RM'000	2008 RM'000
Income derived from investment of:		
(i) General investment deposits	476,716	343,971
(iii) Other deposits	331,223	355,240
	807,939	699,211

(i) Income derived from investment of general investment deposits

	2009 RM'000	2008 RM'000
Finance income and hibah:		
Financing and advances	403,010	279,406
Securities held-for-trading	7,600	8,341
Money at call and deposits with financial institutions	39,547	40,020
	450,157	327,767
Accretion of discount	2,003	269
	452,160	328,036
Fee and commission income:		
Commission	4,184	2,379
Other fee income	18,756	13,653
	22,940	16,032
Gain arising from disposal of securities:		
Net gain from disposal of securities held-for-trading	3,347	125
Others:		
Loss on revaluation of securities held-for-trading	(1,989)	(172)
Others	258	(50)
	(1,731)	(222)
Total	476,716	343,971

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

(ii) **Income derived from investment of other deposits**

	2009 RM'000	2008 RM'000
Finance income and hibah:		
Financing and advances	280,011	307,191
Securities held-for-trading	5,281	3,405
Money at call and deposits with financial institutions	27,477	26,956
	312,769	337,552
Accretion of discount	1,392	297
	314,161	337,849
Fee and commission income:		
Commission	2,907	2,628
Other fee income	13,032	15,081
	15,939	17,709
Gain arising from disposal of securities:		
Net gain from disposal of securities held-for-trading	2,325	138
Others:		
Loss on revaluation of securities held-for-trading	(1,382)	(401)
Others	180	(55)
	(1,202)	(456)
Total	331,223	355,240

21. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	2009 RM'000	2008 RM'000
Finance income and hibah:		
Financing and advances	118,985	134,937
Securities held-for-trading	2,244	3,895
Securities available-for-sale	12,685	-
Money at call and deposits with financial institutions	11,676	19,045
	145,590	157,877
Accretion of discount	472	130
	146,062	158,007
Fee and commission income:		
Commission	1,236	1,150
Other fee income	5,537	10,884
	6,773	12,034
Gain arising from disposal of securities:		
Net gain from disposal of securities held-for-trading	988	22,553
Net gain from disposal of securities available-for-sale	2,307	-
	3,295	22,553
Others:		
Loss on revaluation of securities held-for-trading	(587)	(89)
Others	76	(24)
	(511)	(113)
Total	155,619	192,481

22. ALLOWANCE FOR LOSSES ON FINANCING AND ADVANCES

	2009 RM'000	2008 RM'000
Allowance for bad and doubtful financing:		
Specific allowance (net)		
– made in the financial year	156,544	217,662
– written back	(48,145)	(78,898)
General allowance made in the financial year	11,554	15,442
Bad debts and financing recovered - net	(26,201)	(16,145)
	93,752	138,061

23. INCOME ATTRIBUTABLE TO THE DEPOSITORS

	2009 RM'000	2008 RM'000
Deposit from customers		
- Mudharabah fund	229,257	162,520
- Non-Mudharabah fund	29,469	27,194
	258,726	189,714
Deposit and placements of banks and other financial institutions		
- Mudharabah fund	13,714	28,733
- Non-Mudharabah fund	43,267	37,085
	56,981	65,818
Others	66,493	102,625
	382,200	358,157

24. OTHER OPERATING EXPENSES

	2009 RM'000	2008 RM'000
Personnel/Staff costs		
Salaries, allowances and bonuses	5,202	5,021
Others	1,568	1,152
Establishment costs		
Depreciation	125	107
Amortisation of intangible assets	149	92
Rental	965	816
Cleaning, maintenance and security	27	23
Computerisation cost	596	391
Others	119	106
Marketing and communication expenses		
Communication	1,401	1,202
Advertising & marketing expenses	4,922	5,308
Others	100	67
Administration and general expenses		
Professional services	1,427	2,781
Others	323	987
Shared service cost - holding company	199,282	182,639
Shared service cost - related company	2,305	3,869
	218,511	204,561

24. OTHER OPERATING EXPENSES (CONTD.)

The above expenditure includes the following statutory disclosures:

	2009 RM'000	2008 RM'000
Directors' remuneration (Note 26)	610	444
Rental of premises	965	816
Hire of equipment	85	62
Depreciation of property and equipment (Note 11)	125	107
Amortisation of intangible assets (Note 12)	149	92
Auditors' remuneration		
– Statutory audit	120	50
– Half yearly review	20	20

Personnel/Staff cost includes salaries, bonuses, contributions to Employees' Provident Fund ("EPF") and all other staff related expenses. Contributions to EPF of the Bank amounted to RM831,687 (2008: RM795,962).

25. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The directors regard AmBank (M) Berhad and AMMB Holdings Berhad as the holding company and the ultimate holding company respectively.

Key management personnel are the persons who have authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. Key management personnel of the Bank are the directors and certain members of senior management of the Bank 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 Bank had the following transactions with related parties during the financial year:

	2009 RM'000	2008 RM'000
Income		
<u>Related company</u>		
Profit on deposits and placements	11	799
<u>Key management personnel</u>		
Profit on financing	1	5
Expenditure		
<u>Holding company</u>		
Profit on deposits and placements	50	49
Shared service cost	199,282	182,639
<u>Related companies</u>		
Profit on deposits and placements	937	3,581
Shared service cost	2,305	3,869
<u>Key management personnel</u>		
Salary and other remuneration including meeting allowances	618	679
Estimated money value of benefits	29	16
Profit on deposits and placements	1	6
Information service provider	29	-

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

	2009 RM'000	2008 RM'000
Amount due from		
<u>Holding company</u>		
Other receivable	-	12,180
<u>Related company</u>		
Cash and short-term funds	250,000	-
Deposits and placements	-	50,000
Profit receivable	-	24
<u>Key management personnel</u>		
Financing (card receivables and house financing)	-	48
Amount due to		
<u>Holding company</u>		
Deposits and placements	31,533	8,593
Other payable	1,172	-
Profit payable	99	-
<u>Related companies</u>		
Deposits and placements	54,543	633,246
Profit payable	5	216
<u>Key management personnel</u>		
Deposits and placements	19	163

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.

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

Directors related transactions

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

		2009 RM'000	2008 RM'000
Harpers Travel (M) Sdn Bhd	Provision of airline ticketing services	38	-
AON Insurance Brokers (M) Sdn Bhd	Brokerage for insurance brokers' services	3	-
Islamic Banking and Finance Institute Malaysia Sdn Bhd	Seminar attendance fee	15	3
Financial Information Services Sdn Bhd	Information service provider	3	21
Institute of Bankers Malaysia	Training	11	-
AmFirst Real Estate Investment Trust	Rental of premises, management fee and charges	624	-

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.

26. DIRECTORS' REMUNERATION

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

	2009 RM'000	2008 RM'000
Non-executive directors:		
Fees	307	176
Other remuneration	303	268
	610	444
Total director's remuneration (including benefits-in-kind)	610	444

Directors' fees for directors who are executives of related companies are paid to their respective companies.

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 2009	 2008
Non-executive director		
Below RM50,000	4	5
RM50,001 to RM100,000	2	2
RM100,001 to RM150,000	3	1

27. SHARIAH COMMITTEES MEMBER'S REMUNERATION

Shariah committees member's remuneration charged to the income statements for the year was RM44,750 (2008: RM38,250).

28. FINANCE COST

Finance cost is in respect of income attributable to investors of Subordinated Sukuk Musyarakah.

29. TAXATION

Taxation consists of the following:

	2009 RM'000	2008 RM'000
Current year taxation	-	9,060
Deferred tax (Note 30) :		
Relating to origination and reversal of temporary differences	56,004	61,965
(Over)/Under provision in prior years	(371)	3,963
	55,633	65,928
Total income tax expense for the year	55,633	74,988

No provision for estimated tax payable is made in the financial statements of the Bank for the current year due to the utilisation of unabsorbed tax losses of approximately RM254.2 million.

As at 31 March 2009, the Bank has unutilised tax losses amounting to approximately RM238.3 million (2008: RM492.5 million) which can be used to offset against future taxable income subject to the agreement by 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 Bank is as follows:

	2009 RM'000	2008 RM'000
Profit before taxation	213,333	188,043
Taxation at Malaysian statutory tax rate of 25% (2008 : 26%)	53,333	48,891
Changes in tax rates on opening deferred tax	-	16,250
Expenses not deductible for tax purposes	2,671	5,884
(Under)/Over recognition of deferred tax in prior years	(371)	3,963
Tax expense for the year	55,633	74,988

30. DEFERRED TAX ASSET

	2009 RM'000	2008 RM'000
Balance at beginning of year	157,794	223,722
Recognised in equity	(2,970)	-
Transfer to income statement (Note 29)	(55,633)	(65,928)
Balance at end of year	99,191	157,794

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

	2009 RM'000	2008 RM'000
Unabsorbed tax losses	59,570	123,082
Temporary differences between depreciation and tax allowances on property and equipment	(187)	(128)
Temporary differences arising from general allowance for bad and doubtful debts and financing	41,627	38,738
Temporary differences arising from profit equalisation reserve	15,483	9,342
Temporary difference taken up in Equity	(2,970)	-
Others	(14,332)	(13,240)
	99,191	157,794

Deferred tax liability recognised directly in equity:

	2009 RM'000	2008 RM'000
Relating to net unrealised gain on securities available-for-sale	2,970	-

31. EARNINGS PER SHARE

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

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.

	2009	2008
Basic/Diluted		
Net profit attributable to shareholder of the Bank (RM'000)	156,668	112,454
Number of ordinary shares at beginning of year representing weighted average number of ordinary shares in issue ('000)	403,038	403,038
Basic/Diluted earnings per share (sen)	38.87	27.90

32. NET ASSETS PER SHARE (RM)

Net assets per share represent the balance sheet's total assets value less total liabilities expressed as an amount per ordinary share.

Net assets per share is calculated as follows:

	2009 RM'000	2008 RM'000
Total assets	14,096,091	11,008,511
Less:		
Total liabilities	(12,812,536)	(9,572,627)
Net assets	1,283,555	1,435,884
Issued and fully paid up ordinary shares of RM1.00 each ('000)	403,038	403,038
Net assets per share (RM)	3.18	3.56

33. CAPITAL COMMITMENTS

As at the balance sheet date, the Bank has the following commitments:

	2009 RM'000	2008 RM'000
Authorised and contracted for:		
Purchase of computer equipment and software	5	36
Leasehold improvements	-	15
Authorised but not contracted for:		
Purchase of computer equipment and software	97	145
	102	196

34. LEASE COMMITMENTS

The Bank has 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:

	2009 RM'000	2008 RM'000
Year ending :		
2009	-	1,113
2010	905	951
2011	511	448
2012	528	488
2013 and thereafter	1,581	1,576
	3,525	4,576

The lease commitments represent minimum rentals not adjusted for operating expenses which 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.

35. CAPITAL ADEQUACY RATIO

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

	2009	2008
Core capital ratio	11.22%	10.32%
Risk-weighted capital ratio	16.65%	16.28%

With effect from 1 January 2008, the capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The comparative capital adequacy ratios for 31 March 2008 have not been restated as they represent actual amounts reported for regulatory compliance purposes as of that date. The minimum regulatory capital adequacy requirement is 8.0% (2008 - 8.0%) for the risk-weighted capital ratio.

The detailed disclosures on the risk-weighted assets, as set out in Notes 35 (c), (d) and (e) are presented in accordance with paragraph 4.3 of Bank Negara Malaysia's Capital Adequacy Framework of Islamic Banks (CAFIB) Disclosure Requirements (Pillar 3), whereby such disclosures are effective for financial periods beginning on or after 1 January 2008.

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

	2009 RM'000	2008 RM'000
Tier 1 capital		
Paid-up ordinary share capital	403,038	403,038
Share premium	534,068	534,068
Statutory reserve	168,773	90,439
Unappropriated profit at end of year	168,770	90,436
	1,274,649	1,117,981
Less: Deferred tax asset	(102,161)	(157,699)
Total Tier 1 capital	1,172,488	960,282
Tier 2 capital		
Subordinated Sukuk Musyarakah	400,000	400,000
General allowances for bad and doubtful debts and financing	166,507	154,666
Total Tier 2 capital	566,507	554,666
Capital base	1,738,995	1,514,948

35. CAPITAL ADEQUACY RATIO (CONTD.)

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

2009
Exposure Class

		Gross Exposures RM'000		Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks	3,087,174		3,087,174	-	-
	Public Sector Entities	25,561		25,561	5,112	409
	Banks, Development Financial Institutions ("DFI") and Multilaterel Development Bank ("MDBs")					
	Insurance Companies, Securities Firms and Fund Managers	306,446		306,446	78,744	6,299
	Corporates	2,497,467		2,465,048	2,092,057	167,365
	Regulatory Retail	7,679,664		7,674,712	5,749,139	459,931
	Residential Mortgages	154,919		154,873	63,758	5,101
	Other Assets	39,095		39,095	28,096	2,248
	Defaulted Exposures	176,861		176,680	227,844	18,227
	Total for On- Balance Sheet Exposures	13,967,187		13,929,589	8,244,750	659,580
	Off-Balance Sheet Exposures					
	Credit Derivatives	212		212	206	17
	Off balance sheet exposures other than OTC derivatives or credit derivatives	1,261,088		1,251,969	1,034,580	82,766
	Total for Off- Balance Sheet Exposures	1,261,300		1,252,181	1,034,786	82,783
	Total On and Off- Balance Sheet Exposures	15,228,487		15,181,770	9,279,536	742,363
2.	**Large Exposures Risk Requirement**	-		-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Profit Rate Risk					
	- General profit rate risk	770,071	53,563		160,198	12,816
	- Specific profit rate risk	304,537	-		21,419	1,714
	Foreign Currency Risk	1,294	-		1,294	103
	Option Risk	399,000	-		54,875	4,390
	Total	1,474,902	53,563		237,786	19,023
4.	Operational Risk				929,719	74,377
5.	Total RWA and Capital Requirements				10,447,041	835,763

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

35. CAPITAL ADEQUACY RATIO (CONTD.)

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

2009

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Private Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residental Mortgages	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,087,174	-	-	-	-	-	-	-	4,703	3,091,877	-
20%	-	25,593	248,263	-	409,685	-	-	-	3,106	686,647	137,329
35%	-	-	-	-	-	-	91,042	-	-	91,042	31,864
50%	-	-	58,194	-	53,283	15,901	65,516	-	-	192,894	96,447
75%	-	-	-	-	-	8,650,287	-	-	-	8,650,287	6,487,715
100%	-	-	-	129	2,285,486	16,490	13,695	-	38,906	2,354,706	2,354,706
150%	-	-	-	-	23,780	94,181	-	3,977	(7,621)	114,317	171,475
Average Risk Weight											
Total	3,087,174	25,593	306,457	129	2,772,234	8,776,859	170,253	3,977	39,094	15,181,770	9,279,536
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

35. CAPITAL ADEQUACY RATIO (CONTD.)

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

2009	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Credit -Related Exposures				
Direct credit substitutes	168,092		168,092	168,092
Certain transaction-related contingent items	182,317		91,159	91,659
Short term self liquidating trade-related contingencies	55,734		11,147	11,147
Islamic financing sold to Cagamas Berhad with recourse	879,088		879,088	663,997
Irrevocable commitments to extend credit maturing :				
- more than one year	259,804		10,433	24,083
Unutilised credit card line	505,845		101,169	75,602
Sell and buy back agreements	153,300		212	206
Others	1,540,868		-	-
Total	3,745,048		1,261,300	1,034,786
Derivative Financial Instruments				
Equity related contracts:				
Options				
- Over one year to five years	44,494	1,885	-	-
	44,494	1,885	-	-
Total	3,789,542	1,885	1,261,300	1,034,786

36. COMMITMENTS AND CONTINGENCIES

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

The risk-weighted exposures of the Bank is as follows:

	2009			2008		
	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	168,092	168,092	168,092	196,109	196,109	172,734
Certain transaction-related contingent items	182,317	91,159	91,659	75,844	37,922	37,922
Irrevocable commitments to extend credit:						
- maturing less than one year	1,508,291	-	-	1,267,700	238,540	235,039
- maturing more than one year	259,804	10,433	24,083	331,014	165,507	136,579
- unutilised credit card lines	505,845	101,169	75,602	551,454	110,291	82,365
Short-term self-liquidating trade-related contingencies	55,734	11,147	11,147	72,577	14,515	14,497
Sell and buy back agreements	155,560	212	206	1,216,782	1,216,782	879,744
Obligations under underwriting agreements	399,000	199,500	199,500	337,000	168,500	168,500
Islamic financing sold to Cagamas Berhad with recourse	874,067	874,067	663,997	1,863,857	1,863,857	1,404,403
Equity options	44,494	-	-	-	-	-
Others	32,577	-	-	4,975	-	-
	4,185,781	1,455,779	1,234,286	5,917,312	4,012,023	3,131,783

* The credit equivalent amount was arrived at using the credit conversion factor as specified by Bank Negara Malaysia.

37. RISK MANAGEMENT POLICY

Risk management is about managing uncertainties such that deviations from the Bank's intended objectives are kept within acceptable levels. Sustainable profitability forms the core objectives of the Bank's risk management strategy. The Bank's current strategic goals are for top quartile shareholder returns and target return on equity wherein the Bank will de-risks, further diversify and have a differentiated growth strategy within its various business lines.

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

The management approach towards the significant risks of the Bank 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 profit rates, foreign exchange rates and equity prices.

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

The market risk of the Bank's trading and non-trading portfolio is managed separately using value at risk approach to compute the market risk exposure 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.

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

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

37. RISK MANAGEMENT POLICY (CONTD.)

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

2009

	<---- Non Trading Book						---->			
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	1 to 5 years	Over 5 years	Non-profit sensitive	Trading Book	Total	Effective profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	3,210,100	-	-	-	-	-	7,810	-	3,217,910	2.08
Securities held-for-trading	-	-	-	-	-	-	-	203,863	203,863	4.62
Securities available-for-sale	-	7,384	9,286	31,760	336,935	183,930	-	-	569,295	2.22
Derivative financial assets	-	-	-	-	-	-	1,885	-	1,885	-
Financing and advances										
– Performing	762,591	440,423	(245,620)	86,593	2,019,866	6,772,547	-	-	9,836,400	7.88
– Non-performing *	-	-	-	-	-	-	(25,923)	-	(25,923)	-
Other non-profit sensitive balances	-	-	-	-	-	-	292,661	-	292,661	-
TOTAL ASSETS	3,972,691	447,807	(236,334)	118,353	2,356,801	6,956,477	276,433	203,863	14,096,091	
LIABILITIES AND EQUITY										
Deposits from customers	5,000,098	2,294,215	1,239,990	525,255	449,647	-	645,865	-	10,155,070	2.58
Deposits and placements of banks and other financial institutions	512,025	296,164	272,374	166,528	192,778	-	5,183	-	1,445,052	3.25
Derivative financial liabilities	-	-	-	-	-	-	1,884	-	1,884	-
Bills and acceptances payables	220,903	281,824	109,840	-	-	-	-	-	612,567	2.00
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	197,963	-	197,963	-
Total Liabilities	5,733,026	2,872,203	1,622,204	691,783	1,042,425	-	850,895	-	12,812,536	
Equity attributable to equity holder of the Bank	-	-	-	-	-	-	1,283,555	-	1,283,555	
TOTAL LIABILITIES AND EQUITY	5,733,026	2,872,203	1,622,204	691,783	1,042,425	-	2,134,450	-	14,096,091	
On-balance sheet profit sensitivity gap	(1,760,335)	(2,424,396)	(1,858,538)	(573,430)	1,314,376	6,956,477	(1,858,017)	203,863	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(1,760,335)	(2,424,396)	(1,858,538)	(573,430)	1,314,376	6,956,477	(1,858,017)	203,863	-	

37. RISK MANAGEMENT POLICY (CONTD.)

2008

	Non Trading Book: 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-profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective profit rate %
ASSETS										
Cash and short-term funds	1,868,861	-	-	-	-	-	2,581	-	1,871,442	3.57
Securities held-for-trading	-	-	-	-	-	-	-	559,411	559,411	3.71
Securities available-for-sale	-	-	-	-	-	-	-	-	-	-
Financing and advances										
– Performing	487,922	335,401	45,374	(361,227)	1,568,823	5,981,736	-	-	8,058,029	7.85
– Non-performing *	-	-	-	-	-	-	(3,068)	-	(3,068)	-
Other non-profit sensitive balances	-	-	-	-	-	-	522,697	-	522,697	-
TOTAL ASSETS	2,356,783	335,401	45,374	(361,227)	1,568,823	5,981,736	522,210	559,411	11,008,511	
LIABILITIES AND EQUITY										
Deposits from customers	3,483,594	1,200,561	828,909	591,156	291,306	-	520,564	-	6,916,090	2.92
Deposits and placements of banks and other financial institutions	165,959	216,014	236,676	595,816	343,747	-	4,104	-	1,562,316	3.63
Bills and acceptances payables	178,556	258,988	109,803	-	-	-	-	-	547,347	3.58
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	146,874	-	146,874	-
Total Liabilities	3,828,109	1,675,563	1,175,388	1,186,972	1,035,053	-	671,542	-	9,572,627	
Equity attributable to equity holder of the Bank	-	-	-	-	-	-	1,435,884	-	1,435,884	
TOTAL LIABILITIES AND EQUITY	3,828,109	1,675,563	1,175,388	1,186,972	1,035,053	-	2,107,426	-	11,008,511	
On-balance sheet profit sensitivity gap	(1,471,326)	(1,340,162)	(1,130,014)	(1,548,199)	533,770	5,981,736	(1,585,216)	559,411	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	
Total profit sensitivity gap	(1,471,326)	(1,340,162)	(1,130,014)	(1,548,199)	533,770	5,981,736	(1,585,216)	559,411	-	

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

37. RISK MANAGEMENT POLICY (CONTD.)

LIQUIDITY RISK

Liquidity risk is the risk that the organisation will not be able to fund its day-to-day operations at a reasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments.

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

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

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

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

37. RISK MANAGEMENT POLICY (CONTD.)

The following table shows the maturity analysis of the Bank’s assets and liabilities based on contractual terms:

2009

	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	3,217,910	-	-	-	-	-	-	3,217,910
Securities held-for-trading	26,994	57,799	90,994	28,076	-	-	-	203,863
Securities available-for-sale	-	7,384	9,286	31,760	336,935	183,930	-	569,295
Derivative financial assets	-	-	-	-	-	-	1,885	1,885
Financing and advances	921,030	69,990	77,093	157,627	2,225,246	6,359,491	-	9,810,477
Other assets	-	-	-	-	-	-	106,438	106,438
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	86,079	86,079
Deferred tax assets	-	-	-	-	-	-	99,191	99,191
Property and equipment	-	-	-	-	-	-	393	393
Intangible assets	-	-	-	-	-	-	560	560
TOTAL ASSETS	4,165,934	135,173	177,373	217,463	2,562,181	6,543,421	294,546	14,096,091
LIABILITIES AND EQUITY								
Deposits from customers	5,645,963	2,294,215	1,239,990	525,255	449,647	-	-	10,155,070
Deposits and placements of banks and other financial institutions	517,208	296,164	272,374	166,528	192,778	-	-	1,445,052
Derivative financial liabilities	-	-	-	-	-	-	1,884	1,884
Bills and acceptances payables	220,903	281,824	109,840	-	-	-	-	612,567
Other liabilities	-	-	-	-	-	-	196,833	196,833
Provision for zakat	-	-	-	-	-	-	1,130	1,130
Subordinated Sukuk Musyarakah	-	-	-	-	-	400,000	-	400,000
Total Liabilities	6,384,074	2,872,203	1,622,204	691,783	642,425	400,000	199,847	12,812,536
Equity attributable to equity holder of the Bank	-	-	-	-	-	-	1,283,555	1,283,555
TOTAL LIABILITIES AND EQUITY	6,384,074	2,872,203	1,622,204	691,783	642,425	400,000	1,483,402	14,096,091
Net maturity mismatch	(2,218,140)	(2,737,030)	(1,444,831)	(474,320)	1,919,756	6,143,421	(1,188,856)	-

37. RISK MANAGEMENT POLICY (CONTD.)

2008

	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	1,871,442	-	-	-	-	-	-	1,871,442
Securities held-for-trading	9,977	97,628	73,415	95,215	277,346	5,830	-	559,411
Financing and advances	1,033,979	33,114	73,093	116,782	1,867,817	4,930,176	-	8,054,961
Other assets	-	-	-	-	-	-	92,152	92,152
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	271,700	271,700
Deferred tax assets	-	-	-	-	-	-	157,794	157,794
Property and equipment	-	-	-	-	-	-	443	443
Intangible assets	-	-	-	-	-	-	608	608
TOTAL ASSETS	2,915,398	130,742	146,508	211,997	2,145,163	4,936,006	522,697	11,008,511
LIABILITIES AND EQUITY								
Deposits from customers	4,010,196	1,212,016	816,360	586,212	291,306	-	-	6,916,090
Deposits and placements of banks and other financial institutions	163,755	217,720	236,063	600,760	344,018	-	-	1,562,316
Bills and acceptances payables	178,556	258,988	109,803	-	-	-	-	547,347
Other liabilities	-	-	-	-	-	-	146,273	146,273
Provision for zakat	-	-	-	-	-	-	601	601
Subordinated Sukuk Musyarakah	-	-	-	-	-	400,000	-	400,000
Total Liabilities	4,352,507	1,688,724	1,162,226	1,186,972	635,324	400,000	146,874	9,572,627
Equity attributable to equity holder of the Bank	-	-	-	-	-	-	1,435,884	1,435,884
TOTAL LIABILITIES AND EQUITY	4,352,507	1,688,724	1,162,226	1,186,972	635,324	400,000	1,582,758	11,008,511
Net maturity mismatch	(1,437,109)	(1,557,982)	(1,015,718)	(974,975)	1,509,839	4,536,006	(1,060,061)	-

37. RISK MANAGEMENT POLICY (CONTD.)

CREDIT RISK MANAGEMENT

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

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

Lending activities are guided by internal group credit policies and guidelines, including a group risk appetite framework 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.

For non-retail credits, 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 and 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.

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 nine rating grades. 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 and causes of failure, assess the relevant controls to minimise the impact of such risk through the initiation of risk mitigating measures and policies.

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

37. RISK MANAGEMENT POLICY (CONTD.)

LEGAL AND REGULATORY RISK

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

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

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

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. The Bank's involvement in financial derivatives is limited to options.

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

37. RISK MANAGEMENT POLICY (CONTD.)

RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES (CONTD.)

The contractual or underlying principal amounts of the derivative financial instruments and its corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at balance sheet date are analysed below:

	Contract/ Notional Amount **RM'000**	Positive Fair Value **RM'000**	Negative Fair Value **RM'000**
31 March 2009			
Options	88,988	1,885	1,884
31 March 2008			
Options	-	-	-

Risk associated with financial derivatives

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

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 Bank's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. The Bank will only suffer a replacement cost if the contract carries a fair value gain at time of default.

38. 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 deferred 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 Bank's financial instruments are as follows:

	2009		**2008**	
	Carrying Value RM'000	**Fair Value RM'000**	**Carrying Value RM'000**	**Fair Value RM'000**
Financial Assets				
Cash and short-term funds	3,217,910	3,217,910	1,871,442	1,871,442
Securities held-for-trading	203,863	203,863	559,411	559,411
Securities available-for-sale	569,295	569,295	-	-
Derivative financial assets	1,885	1,885	-	-
Financing and advances *	9,976,984	10,190,850	8,209,914	8,417,392
Other financial assets	140,382	140,382	305,015	305,015
	14,110,319	14,324,185	10,945,782	11,153,260
Non-financial assets	(14,228)		62,729	
TOTAL ASSETS	14,096,091		11,008,511	

38. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

	2009		2008	
	Carrying Value RM'000	**Fair Value RM'000**	**Carrying Value RM'000**	**Fair Value RM'000**
Financial Liabilities				
Deposits from customers	10,155,070	10,180,725	6,916,090	6,927,672
Deposits and placements of banks and other financial institutions	1,445,052	1,421,687	1,562,316	1,566,362
Derivative financial liabilities	1,884	1,884	-	-
Subordinated Sukuk Musyarakah	400,000	456,142	400,000	432,061
Other financial liabilities	748,597	754,010	656,854	656,854
	12,750,603	12,814,448	9,535,260	9,582,949
Non-Financial Liabilities				
Other non-financial liabilities	61,933		37,367	
Equity attributable to equity holder of the Bank	1,283,555		1,435,884	
TOTAL LIABILITIES AND EQUITY	14,096,091		11,008,511	

* The general allowance for the Bank amounting to RM166,507,000 (2008: RM154,953,000) 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 Bank assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no allowance 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 2009 and 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.

38. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(b) **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.

(c) **Financing And Advances**

The fair value of variable rate financing and advances are estimated to approximate their carrying values. For fixed rate 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 financing and advances, the fair values are deemed to approximate the carrying values, net of specific allowance for bad and doubtful financing.

(d) **Derivative Financial Instruments**

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

(e) **Other Assets**

The estimated fair value of other assets are estimated to approximate their carrying value because the realisable value of the final consideration as at balance sheet date is similar to that of the carrying value.

(f) **Deposits From Customers, Deposits Of Banks And Other Financial Institutions**

The fair value of deposits liabilities payable on demand ("current and savings deposits") or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date. The fair values of term deposits, negotiable instrument of deposits with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates.

(g) **Bills And Acceptances Payables**

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

38. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(h) **Other Liabilities**

The fair values of other liabilities approximates their carrying value at the balance sheet date.

(i) **Redeemable Unsecured Subordinated Bond**

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

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.

39. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	2009	**2008**
Outstanding credit exposures with connected parties (RM'000)	16,918	7,114
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	0.14%	0.47%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.76%	0.25%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective for the financial year 2009. Under the guidelines, a connected party refers to:

(a) directors of the Bank and their close relatives;

(b) controlling shareholder and his close relatives;

(c) executive officer and his close relatives; executive officer refers to member of management having authority and responsibility for planning, directing and/or controlling the activites of the Bank;

39. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES (CONTD.)

(d) officer and his close relatives; officer refers to those responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually;

(e) firms, partnerships, companies or any legal entities which control, or are controlled by, any person (including close relatives in the case of individuals) listed in (a) to (d) above, or in which they have interest as a director, partner, exceutive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(f) any person for whom the persons listed in (a) to (d) above is a guarantor;

(g) subsidiary of, or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties disclosed includes the extension of credit facility and/or off-balance sheet transactions that give rise to credit/counterparty risk, the underwriting and acquisition of equities and private debt securties.

Credit transactions entered into with connected parties are on arm's length basis whereby:

(i) the creditworthiness of the connected party is not less than what is normally required of other persons;

(ii) the terms and conditions of credit transactions with connected parties are not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness;

(iii) the credit transactions are in the interest of the Bank and approved by the Board of Directors with not less than three quarters of all board members present.

40. SIGNIFICANT EVENT

The Bank and AmInvestment Bank Berhad ("AmInvestment") had on 11 March 2008 entered into a separate Business Transfer agreement for the transfer of assets and liabilities relating to the Islamic's investment, treasury and credit/lending activities or businesses ("the Islamic Fund-Based Activities") of AmInvestment to the Bank.

The transfer of the Islamic Fund-Based Activities was in relation to a group restructuring exercise approved by the Minister of Finance as announced by AHB, the Bank's ultimate holding company, on 11 March 2008 to Bursa Malaysia Securities Berhad. The transfer of the Islamic Fund-Based Activities was effected pursuant to section 50 of the Banking and Financial Institutions Act, 1989 by way of vesting orders obtained from High Courts. The vesting of the Islamic Fund-Based Activities, came into effect on 12 April 2008 and the purchase consideration of RM314.9 million which was based on the book value of the assets and liabilities as at 11 April 2008, was satified in cash.

41. RESTATEMENT OF COMPARATIVES

1) On 12 April 2008, the Bank completed the Business Transfer for a cash consideration of RM314.9 million 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 Berhad.

   As the vesting of assets and assumption of liabilities were carried by entities under common control, the transaction has been accounted for via the pooling of interest method. Under the pooling of interest method, the results and financial position of the business transferred from AmInvestment Bank, together with the assets and liabilities arising thereto, are included into the financial statements of the Bank as if the merger had been effected prior to and throughout the current financial year. Accordingly comparative figures of the Bank have been restated.

2) The Bank had reviewed and changed the presentation of certain balances as follows:

   (a) credit card receivables under instalment payment scheme which were previously classified under Other Assets have been reclassified as part of Financing and Advances.

   (b) certain incidental expenses which were incurred in the acquisition of housing loans and commercial property loans and were previously taken up under Other operating expenses are now deducted against interest income earned from the said loans.

   (c) deposits for certain depositors classified under Deposits and placements of banks and other financial institutions were reclassified to Deposits from customers. The rationale for the reclassification is to facilitate better peer comparisons as the reclassification is in line with industry practice. Arising from this, profit attributable to these depositors were reclassified from Deposits and Placements of Banks and Other Financial Institutions to Deposits from Customers.

41. RESTATEMENT OF COMPARATIVES (CONTD.)

Restatement of comparative figures of the Bank arising from the above is as follows:

	As previously stated RM'000	Effect of change arising from pooling of interest method RM'000	Effect of other reclassification RM'000	As restated RM'000
Balance Sheet as at 31 March 2008				
Assets				
Cash and short-term funds	1,521,441	350,001	-	1,871,442
Securities held-for-trading	99,699	459,712	-	559,411
Financing and advances	8,000,798	18,848	35,315	8,054,961
Other assets	124,678	2,789	(35,315)	92,152
Statutory deposit with Bank Negara Malaysia	257,200	14,500	-	271,700
Deferred tax asset	157,699	95	-	157,794
Liabilities				
Deposits from customers	5,446,331	424,785	1,044,974	6,916,090
Deposits and placements of banks and other financial institutions	2,508,781	98,509	(1,044,974)	1,562,316
Other liabilities	141,525	4,748	-	146,273
Equity				
Reserves	714,943	317,903	-	1,032,846

41. RESTATEMENT OF COMPARATIVES (CONTD.)

	As previously stated RM'000	Effect of change arising from pooling of interest method RM'000	Effect of other reclassification RM'000	As restated RM'000
Income Statement for the financial year ended 31 March 2008				
Income derived from investment of depositors' funds and others	676,930	22,395	(114)	699,211
Income derived from investment of shareholder's funds	155,463	37,018	-	192,481
Allowance for losses on financing	(139,666)	1,605	-	(138,061)
Income attributable to the depositors	(338,432)	(19,725)	-	(358,157)
Other operating expenses	(200,806)	(3,869)	114	(204,561)
Taxation	(65,859)	(9,129)	-	(74,988)