

STRICTLY PRIVATE AND CONFIDENTIAL



AMBANK (M) BERHAD

(Company No: 8515-D)
(Incorporated in Malaysia under the Companies Act, 1965)

INFORMATION MEMORANDUM

**IN RELATION TO THE PROPOSED ISSUE OF, OFFER FOR
SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO
SUBSCRIBE FOR OR PURCHASE OF, SENIOR NOTES
OF UP TO RM7.0 BILLION IN NOMINAL VALUE
PURSUANT TO A
SENIOR NOTES ISSUANCE PROGRAMME**

Principal Adviser, Lead Arranger and Lead Manager



AmInvestment Bank Berhad

(Company No. 23742-V)
(a member of AmInvestment Bank Group)

This Information Memorandum is dated 25 February 2010

IMPORTANT NOTICE

AmBank (M) Berhad ("**AmBank**") has prepared this Information Memorandum ("**IM**"), which is being provided on a confidential basis to potential investors in relation to the issuance of senior notes of up to RM7.0 billion in nominal value ("**Senior Notes**") to be issued under a senior notes issuance programme ("**Senior Notes Issuance Programme**").

The Securities Commission ("**SC**") has approved the issuance of the Senior Notes vide its letter dated 24 February 2010 pursuant to Section 212 of the Capital Markets and Services Act, 2007, as amended from time to time ("**CMSA**"). Please note that the SC's approval shall not be taken to indicate that the SC recommends the subscription or purchase of the Senior Notes.

The Senior Notes may not be issued, offered, sold, transferred or otherwise disposed of, directly or indirectly, nor may any document or other material in connection therewith including this IM be distributed, in Malaysia other than to persons, whether as principal or agent, falling within any one of the categories of persons specified in Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the CMSA subject to any law, order, regulation or official directive of Bank Negara Malaysia ("**BNM**"), the SC and/or any other regulatory authority from time to time.

It is a condition to the first issuance that the Senior Notes Issuance Programme is assigned a rating of AA3 by RAM Rating Services Berhad. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the rating agency.

This IM may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior consent of AmBank or as required under Malaysian laws, regulations or guidelines.

The persons preparing this IM have made all enquiries as were reasonable in the circumstances and after making such enquiries have reasonable grounds to believe and do believe up to the time of the issue of this IM that the information herein is true and not misleading and there is no material omission therein. This IM or any document delivered under or in relation to the Senior Notes Issuance Programme is not, and should not be construed as a recommendation by AmBank, AmInvestment Bank Berhad ("**AmInvestment Bank**" or "**Lead Arranger/Lead Manager**") and/or any other party to subscribe for or purchase the Senior Notes. Further, the information contained herein should not be read as a representation or warranty, express or implied, as to the merits of the Senior Notes or the purchase thereof. This IM is not a substitute for, and should not be regarded as, an independent evaluation and analysis. Each recipient should perform and is deemed to have made his/its own independent investigation and analysis of AmBank, the Senior Notes and all other relevant matters, including but not limited to the information and data set out in this IM, and each recipient should consult its own professional advisers.

AmBank confirms that, to the best of its knowledge and belief: (a) this IM contains all information with respect to AmBank and its subsidiary companies that is material in the context of the purpose for which this IM is issued, (b) the information and data contained in this IM are true, accurate and not misleading in all material respects, and (c) there is no material omission of any information and data from this IM.

No representation, warranty or undertaking, express or implied, is given or assumed by the Lead Arranger/Lead Manager as to the authenticity, origin, validity, accuracy or completeness of such information and data or that the information or data remains unchanged in any respect after the relevant date shown in this IM. The Lead Arranger/Lead Manager have not accepted and will not accept any responsibility for the information and data contained in this IM or otherwise in relation to the Senior Notes Issuance Programme and shall not be liable for any consequences of reliance on any of the information or data in this IM, except as provided by Malaysian laws.

This IM has not been and will not be made to comply with the laws of any jurisdiction outside Malaysia (“**Foreign Jurisdiction**”), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authority or other relevant body of) any Foreign Jurisdiction and it does not constitute an offer of, or an invitation to subscribe for or purchase the Senior Notes or any other securities of any kind by any party in any Foreign Jurisdiction. This IM is not a and is not intended to be a prospectus.

By accepting delivery of this IM, each recipient agrees to the terms upon which this IM is provided to such recipient as set out in this IM, and further agrees and confirms that: (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to receive this IM and to subscribe for, purchase or in any other way to receive the Senior Notes under all jurisdictions to which the recipient is subject, (c) the recipient will comply with all the applicable laws in connection with such subscription, purchase or acceptance of the Senior Notes, (d) AmBank and all other parties involved in the preparation of this IM and their respective directors, officers, employees, agents and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject to as a result of such subscription, purchase or acceptance of the Senior Notes and they shall not have any responsibility or liability in the event that such subscription or acceptance of the Senior Notes is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Senior Notes can only be transferred or otherwise disposed of in accordance with the relevant selling restrictions and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Senior Notes and is able and prepared to bear the economic and financial risks of investing in or holding the Senior Notes, (g) it is subscribing for, purchasing or accepting the Senior Notes for its own account, and (h) it, at the point of issuance of the Senior Notes, falls within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Senior Notes would constitute an excluded issue, excluded offer or excluded invitation pursuant to Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the CMSA (subject to any law, order, regulation or official directive of BNM, the SC and/or any other regulatory authority from time to time), and after the point of issuance of the Senior Notes, falls within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Senior Notes would constitute an excluded offer or excluded invitation pursuant to Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA (subject to any law, order, regulation or official directive of BNM, the SC and/or any other regulatory authority from time to time). For the avoidance of doubt, this IM shall not constitute an offer or invitation to subscribe or purchase the Senior Notes in relation to any recipient who does not fall within item (h) above.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject.

Neither the delivery of this IM nor the offering, sale or delivery of any Senior Notes shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Senior Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Arranger/Lead Manager expressly does not undertake to advise any investor in the Senior Notes of any information coming to their attention. The recipient of this IM or the potential investors should review, inter-alia, the most recently published documents incorporated by reference into this IM when deciding whether or not to purchase any Senior Notes.

This IM includes certain historical information and reports thereon derived from sources believed to be reliable and other publicly available information. Such information and reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy of any information and report thereon derived from such and other third party sources.

This IM includes “forward looking statements”. These statements include, among other things, disclosure of AmBank’s business strategy and expectation concerning its position in the Malaysian economy, future operations, liquidity, financial position and settlement of indebtedness. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may affect actual outcomes, many of which are outside the control of AmBank. All these statements are based on assumptions made by AmBank that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of AmBank to be materially

different from that expected or indicated by such statements and no assurance is given that any of such statements will be realised. Therefore, the contingencies and inherent uncertainties underlying such information should be carefully considered by investors and the inclusion of a forward looking statement in this IM is not a representation or warranty by AmBank or any other person that the plans and objectives of AmBank will be achieved. Further, such parties are not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances. Any difference in the expectations of AmBank and its actual performance may result in AmBank's financial and operating performance and plans being materially different from those anticipated.

The information in this IM supersedes all other information and materials previously supplied (if any) to the recipients. By taking possession of this IM, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this IM and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Lead Arranger / Lead Manager or any other persons.

All discrepancies (if any) in the tables included in this IM between the listed amounts and totals thereof are due to, and certain numbers appearing in this IM are shown after rounding off.

DOCUMENTS INCORPORATED BY REFERENCE

All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

ACKNOWLEDGEMENT

AmBank hereby acknowledges that it has authorised the Lead Arranger/Lead Manager to circulate or distribute this IM on its behalf in respect of the Senior Notes Issuance Programme to prospective investors and that no further evidence of authorisation is required.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION

This IM will be lodged with the SC, who takes no responsibility for its contents. Such lodgement shall not be taken to indicate that the SC recommends the Senior Notes. The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statement, opinion or report contained in this IM.

EACH ISSUE OF PRIVATE DEBT SECURITIES (IN THIS CASE, THE ISSUE OF THE SENIOR NOTES) WILL CARRY DIFFERENT RISKS. INVESTORS MUST RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN ANY ISSUE OF THE SENIOR NOTES. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR OWN LEGAL, FINANCIAL AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING THE NOTES.

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DEFINITIONS

For the purpose of this IM, unless otherwise indicated, the following definitions shall apply:

Act	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
AHB	:	AMMB Holdings Berhad (Company No. 223035-V)
AHB Group	:	AHB and its subsidiaries
AIGB	:	AmInvestment Group Berhad (Company No. 657000-X)
AIGB Group	:	AIGB and its subsidiaries
AmBank or the Bank or the Issuer	:	AmBank (M) Berhad (8515-D)
AmBank Group or Group	:	AmBank and its subsidiaries
Amcorp	:	Amcorp Group Berhad (formerly known as AmcorpGroup Berhad) (Company No. 1166-T)
AMFB	:	AMFB Holdings Berhad (Company No. 5493-X)
AmIslamic Bank	:	AmIslamic Bank Berhad (Company No. 295576-U)
AmInvestment Bank	:	AmInvestment Bank Berhad (23742-V), a member of the AIGB Group
AmLife	:	AmLife Insurance Berhad (15743-P)
ANZ	:	Australia and New Zealand Banking Group Limited (Company No. 005 357 522)
ANZ Funds	:	ANZ Funds Pty Ltd (Company No. 004 594 343), a wholly-owned subsidiary of ANZ
ATMs	:	Automated Teller Machines
BAFIA	:	The Banking and Financial Institutions Act, 1989 or any statutory modification, amendment or re-enactment thereof for the time being in force
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of AmBank
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CBCs	:	Commercial Business Centres
CGSB	:	Clear Goal Sdn Bhd (Company No. 736317-V)
CMSA	:	The Capital Markets and Services Act, 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force
EBCs	:	Electronic Banking Channels
EGM	:	Extraordinary General Meeting

DEFINITIONS

FYE	:	Financial Year Ended
HP	:	Hire Purchase
IBA	:	The Islamic Banking Act, 1983 or any statutory modification, amendment or re-enactment thereof for the time being in force
IPS	:	6% irredeemable non-cumulative convertible preference shares of RM1.00 each
IT	:	Information Technology
MBf Capital	:	MBf Capital Berhad (Company No. 227890-W)
MBf Finance	:	MBf Finance Berhad (Company No. 8515-D)
MBFC	:	Malaysia Borneo Finance Corporation (M) Berhad (Company No. 8515-D)
MDIC	:	Malaysia Deposit Insurance Corporation (Perbadanan Insurans Deposit Malaysia)
MTN	:	Medium Term Notes
MTN Programme	:	Issuance of up to RM2.0 billion Ringgit-denominated subordinated medium term notes under an existing programme
NPLs	:	Non-Performing Loans
RAM Ratings	:	RAM Rating Services Berhad (Company No. 763588-T)
RBCs	:	Regional Business Centres
RM	:	Ringgit
SC	:	The Securities Commission of Malaysia
Senior Notes	:	Senior notes issued pursuant to the Senior Notes Issuance Programme
Senior Notes Issuance Programme	:	Proposed issuance by AmBank of up to RM7.0 billion in nominal value of Senior Notes under a senior notes issuance programme
Share(s)	:	Ordinary share(s) of RM1.00 each in AmBank
SMEs	:	Small Medium Enterprises
Trust Deed	:	The trust deed entered or to be entered into between the Issuer and the Trustee constituting the Senior Notes
Trustee	:	Pacific Trustees Berhad (Company No. 317001-A)
TSDAH	:	Tan Sri Dato' Azman Hashim
US	:	United States of America

All references to, "we", "us", "our" and any derivative thereof in this IM refer to AmBank.

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1. EXECUTIVE SUMMARY

The executive summary is a summary of information on the Senior Notes Issuance Programme. Investors should read and understand the whole IM prior to deciding whether or not to invest in the Senior Notes Issuance Programme. The executive summary should be read in conjunction with the full text of this IM.

1.1 Background Information on AmBank

AmBank was incorporated in Malaysia under the Act on 25 March 1969 as a public limited company, under the name of Malaysia Borneo Finance Corporation (M) Berhad ("MBFC").

MBFC was listed on the Main Board of the stock exchange now known as Bursa Malaysia Securities Berhad on 8 June 1983 and changed its name to MBf Finance Berhad ("MBf Finance") on 19 December 1985.

Pursuant to a restructuring scheme, MBf Finance became a wholly-owned subsidiary of MBf Capital Berhad ("MBf Capital"), with MBf Capital assuming the listing status of MBf Finance. MBf Capital was listed on the Main Board of Bursa Securities in place of MBf Finance effective from 15 January 1993 and consequently MBf Finance was delisted.

On 20 December 2001, Arab-Malaysian Finance Berhad (now known as AMFB Holdings Berhad and a wholly-owned subsidiary of AMMB Holdings Berhad ("AHB")) acquired 100% of MBf Finance. MBf Finance then changed its name to AmFinance Berhad before assuming its present name, AmBank (M) Berhad on 1 June 2005.

AmBank is a licensed bank and finance company under BAFIA and it provides banking and financial services which include loans, advances and financing, deposit services, credit cards, remittance services, foreign exchange and (through its wholly-owned subsidiary, AmIslamic Bank Berhad) Islamic banking services.

As at 11 December 2009, the authorised share capital of AmBank is RM3,886,250,002 comprising 1,386,250,002 Shares and 2,500,000,000 IPS, of which 670,363,762 Shares and 150,000,000 IPS respectively were issued and fully paid-up.

1.2 Description of the Transaction and Structure of the Senior Notes Issuance Programme

Under the Senior Notes Issuance Programme, the Issuer is given the flexibility to issue Senior Notes at any time during the tenor of the Senior Notes Issuance Programme, provided that the total outstanding nominal value of Senior Notes shall not exceed the limit of RM7.0 billion in nominal value at any point in time.

The rationale for the establishment of the Senior Notes Issuance Programme, which shall rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of the Issuer, except those obligations preferred by law, liens or rights of set-off arising from the normal course of business, is to meet the Issuer's long-term funding requirements and to facilitate the Issuer in enhancing its liquidity risk management activities.

The Senior Notes Issuance Programme shall have a tenor of up to thirty (30) years from the date of first issuance under the Senior Notes Issuance Programme. Under the Senior Notes Issuance Programme, the Issuer may issue Senior Notes with a tenure of more than one (1) year and up to ten (10) years provided that the Senior Notes mature prior to the expiry of the Senior Notes Issuance Programme. The date of the first issuance under the Senior Notes Issuance Programme shall not be later than 24 months from the date of approval by the SC.

The Senior Notes may be issued via private placement on a best effort basis (via direct placement or bought-deal) and/or book building on a best effort basis without prospectus. The Senior Notes may be issued at a premium, discount or at par and the coupon rates shall be determined prior to issuance.

1.3 Details of Utilisation of Proceeds

Proceeds from the issuance of the Senior Notes shall be utilised for the Issuer’s general working capital requirements and to defray issuance expenses for the establishment of the Senior Notes Issuance Programme.

1.4 Rating of the Senior Notes Issuance Programme

As at the date of this IM, RAM Ratings has assigned a long-term rating of AA3 to the Senior Notes Issuance Programme.

1.5 Selling Restrictions

At issuance

The Senior Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons falling within Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b), and Schedule 9 or Section 257(3) of the CMSA.

After issuance

The Senior Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons falling within Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA.

1.6 Approvals Required

The Senior Notes Issuance Programme has been approved by the SC vide its letter dated 24 February 2010.

The SC has also vide said letter, waived the inclusion or amendment of the following provisions of the SC’s Guidelines on the Minimum Contents Requirements for Trust Deeds in the Trust Deed (“**SC’s Trust Deed Guidelines**”).

Waivers sought in relation to the SC’s Trust Deed Guidelines		
<i>Item references relate to paragraphs in the SC’s Trust Deed Guidelines</i>		
Item	Clause as provided in the SC’s Trust Deed Guidelines	Revised clause as approved by the SC
14.1 Covenants by Borrower	As a minimum, the trust deed must provide for the following covenants of the borrower: (iii) that the borrower will not enter into a transaction, whether directly or indirectly with interested persons (including a director, substantial shareholder or persons connected with them) unless:-	Save and except for transactions lawfully entered into by the Issuer in the ordinary course of its banking and/or financial services business or such other incidental business(es) with its or its related corporations’ directors, substantial shareholders or persons connected with any of them (“Interested Persons”) and recurring transactions with Interested Persons approved by the

	<p>(a) such transaction shall be on terms that are no less favourable to the borrower than those which could have been obtained in a comparable transaction from persons who are not interested persons; and</p> <p>(b) with respect to transactions involving an aggregate payment or value equal to or greater than an agreed sum, the borrower obtains certification from an independent adviser that the transaction is carried out on fair and reasonable terms; PROVIDED</p> <p>that the borrower certifies to the trustee that the transaction complies with paragraph (a), that the borrower has received the certification referred to in paragraph (b) (where applicable) and that the transaction has been approved by the majority of the board of directors or shareholders in a general meeting as the case may require.</p>	<p>shareholders of the Issuer, the Issuer shall not enter into any transaction, whether directly or indirectly with any of the Interested Persons unless:-</p> <p>(i) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not Interested Persons, provided that the transaction has been approved by the majority of its board of directors and, where applicable, shareholders at a general meeting; and</p> <p>(ii) with respect to transactions involving an aggregate payment or value equal to or greater than 25% of the Issuer's total shareholders' funds as reflected in the latest audited financial statements, the Issuer shall obtain certification from an independent adviser that the transaction is carried out on fair and reasonable terms, provided that the Issuer certifies to the Trustee that, where applicable, the Issuer has received the certification referred to in this sub-paragraph (ii), and that the transaction has been approved by the majority of its board of directors and, where applicable, shareholders at a general meeting.</p>
	<p>(vi) to keep proper books and accounts at all times and to provide the trustee and any person appointed by it (e.g. auditors) access to such books and accounts.</p>	<p>The Issuer shall at all times keep proper books and accounts on a basis consistently applied in accordance with the laws of Malaysia and generally accepted accounting principles and standards in Malaysia.</p>

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1.7 Conflict of Interest and Appropriate Mitigating Measures

AmlInvestment Bank

Save as disclosed below, AmlInvestment Bank is not aware of any circumstances that would give rise to a conflict of interest in its capacity as the Principal Adviser, Lead Manager, Lead Arranger and Facility Agent in respect of the Senior Notes Issuance Programme.

AmlInvestment Bank is a wholly-owned subsidiary of AIGB, which in turn is a wholly-owned subsidiary of AHB. AmBank is a wholly-owned subsidiary of AMFB, which in turn is a wholly-owned subsidiary of AHB. As such, AHB, AIGB, AmlInvestment Bank, AMFB and AmBank are deemed to be related corporations.

The potential conflict of interest may arise on the part of AmlInvestment Bank in terms of duties owed to potential investors on the one hand and its relationship with AmBank on the other.

As mitigating measures and to address the potential conflict of interest set out above, the following measures have been taken:

- the potential conflict of interest situation has been brought to the attention of the Board and hence the Board is fully aware of the same. The Board has confirmed that having considered the above situation, they are agreeable to proceed with the appointment of AmlInvestment Bank as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent;
- Messrs. Adnan Sundra & Low acting as an external independent legal counsel for AmlInvestment Bank, has been appointed to conduct a legal due diligence inquiry on AmBank; and
- Pacific Trustees Berhad has been appointed as trustee in respect of the Senior Notes Issuance Programme.

Notwithstanding the aforementioned, AmlInvestment Bank, in relation to all its appointed roles in respect of the Senior Notes Issuance Programme, has considered the factors involved and believes that objectivity and independence in carrying out its role has been/will be maintained at all times for the following reasons:

- AmlInvestment Bank is a licensed investment bank and its appointment as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent in respect of the Senior Notes Issuance Programme is in the ordinary course of its business;
- The conduct of AmlInvestment Bank is regulated strictly by BAFIA and CMSA, and AmlInvestment Bank has in place its own internal policies, controls and checks with regard to transactions involving its related corporations; and
- Save for the professional fees charged in relation to its role as the Principal Adviser, Lead Manager, Lead Arranger and Facility Agent for the Senior Notes Issuance Programme, AmlInvestment Bank will not be deriving any monetary benefit from the Senior Notes Issuance Programme outside of its aforesaid capacities.

Messrs Adnan Sundra & Low

After making enquiries as were reasonable in the circumstances, Messrs Adnan Sundra & Low has confirmed that it is not aware of any circumstances that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the solicitors in relation to the Senior Notes Issuance Programme.

Pacific Trustees Berhad

After making enquiries as were reasonable in the circumstances, Pacific Trustees Berhad has confirmed that it is not aware of any circumstances that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the trustee in relation to the Senior Notes Issuance Programme.

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2. **SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE SENIOR NOTES ISSUANCE PROGRAMME**

Words and expressions used and defined in this section shall, in the event of inconsistency with the definitions section of this IM, only be applicable for this section.

BACKGROUND INFORMATION												
1.	Issuer											
	(i) Name	AmBank (M) Berhad ("AmBank")										
	(ii) Address	22 nd Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur										
	(iii) Business Registration No.	8515-D										
	(iv) Date/Place of Incorporation	25 March 1969 / Malaysia										
	(v) Date of listing (in case of a public listed company)	Not listed on any exchange										
	(vi) Status											
	Resident/non-resident controlled company (where applicable)	Resident controlled company. <i>Note:</i> Although foreign shareholders may hold equity in AMMB Holdings Berhad ("AHB"), AmBank is deemed resident controlled company by virtue of AmBank's Board of Directors and management composition. This shareholding structure is a reflection of AHB's shareholding being a listed company.										
	Bumiputera/non-Bumiputera controlled company (where applicable)	Non-Bumiputera controlled company										
	(vii) Principal Activities	AmBank and its subsidiaries ("AmBank Group") provide banking and financial services which include loans, advances and financing, deposit services, credit cards, remittance services, foreign exchange and (through its wholly-owned subsidiary, AmIslamic Bank Berhad) Islamic banking services.										
	(viii) Board of Directors (as at 11 December 2009)	<table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Positions</th> <th>Nationality</th> </tr> </thead> <tbody> <tr> <td>Tan Sri Dato' Azman Hashim ("TSDAH")</td> <td>Chairman, Non-Independent Non-Executive Director</td> <td>Malaysian</td> </tr> <tr> <td>Tun Mohammed Hanif bin Omar</td> <td>Independent Non-Executive Director</td> <td>Malaysian</td> </tr> </tbody> </table>	Name of Directors	Positions	Nationality	Tan Sri Dato' Azman Hashim ("TSDAH")	Chairman, Non-Independent Non-Executive Director	Malaysian	Tun Mohammed Hanif bin Omar	Independent Non-Executive Director	Malaysian	
Name of Directors	Positions	Nationality										
Tan Sri Dato' Azman Hashim ("TSDAH")	Chairman, Non-Independent Non-Executive Director	Malaysian										
Tun Mohammed Hanif bin Omar	Independent Non-Executive Director	Malaysian										

		<table border="1"> <tr> <td>Tan Sri Datuk Clifford Francis Herbert</td> <td>Independent Non-Executive Director</td> <td>Malaysian</td> </tr> <tr> <td>Dato' Gan Nyap Liou @ Gan Nyap Liow</td> <td>Independent Non-Executive Director</td> <td>Malaysian</td> </tr> <tr> <td>Tan Kheng Soon</td> <td>Independent Non-Executive Director</td> <td>Malaysian</td> </tr> <tr> <td>Cheah Tek Kuang</td> <td>Chief Executive Officer</td> <td>Malaysian</td> </tr> <tr> <td>Ashok Ramamurthy</td> <td>Non-Independent Non-Executive Director</td> <td>Australian</td> </tr> </table>	Tan Sri Datuk Clifford Francis Herbert	Independent Non-Executive Director	Malaysian	Dato' Gan Nyap Liou @ Gan Nyap Liow	Independent Non-Executive Director	Malaysian	Tan Kheng Soon	Independent Non-Executive Director	Malaysian	Cheah Tek Kuang	Chief Executive Officer	Malaysian	Ashok Ramamurthy	Non-Independent Non-Executive Director	Australian											
Tan Sri Datuk Clifford Francis Herbert	Independent Non-Executive Director	Malaysian																										
Dato' Gan Nyap Liou @ Gan Nyap Liow	Independent Non-Executive Director	Malaysian																										
Tan Kheng Soon	Independent Non-Executive Director	Malaysian																										
Cheah Tek Kuang	Chief Executive Officer	Malaysian																										
Ashok Ramamurthy	Non-Independent Non-Executive Director	Australian																										
	<p>(ix) Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders (as at 11 December 2009)</p>	<p>AmBank is a wholly-owned subsidiary of AMFB Holdings Berhad ("AMFB"), which in turn is a wholly-owned subsidiary of AHB.</p> <p>The substantial shareholders of AmBank as at 11 December 2009 are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="2">No. of AmBank shares / %</th> </tr> <tr> <th>Direct</th> <th>Indirect</th> </tr> </thead> <tbody> <tr> <td>AMFB</td> <td>670,363,762[^] / 100%</td> <td>-</td> </tr> <tr> <td>AHB</td> <td>-</td> <td>670,363,762[#] / 100%</td> </tr> <tr> <td>TSDAH</td> <td>-</td> <td>670,363,762^{*^} / 100%</td> </tr> <tr> <td>Amcorp Group Berhad</td> <td>-</td> <td>670,363,762^{*^} / 100%</td> </tr> <tr> <td>Clear Goal Sdn Bhd</td> <td>-</td> <td>670,363,762^{*^} / 100%</td> </tr> <tr> <td>ANZ Funds Pty Ltd</td> <td>-</td> <td>670,363,762^{*^} / 100%</td> </tr> <tr> <td>Australia and New Zealand Banking Group Limited</td> <td>-</td> <td>670,363,762^{*^} / 100%</td> </tr> </tbody> </table> <p><u>Notes:</u> # Deemed interested by virtue of its interests in AMFB * Deemed interested by virtue of his/its interests in AMFB via his/its substantial interests in AHB [^] Excluding the 150,000,000 6% irredeemable non-cumulative convertible preference shares of RM1.00 each</p>	Name	No. of AmBank shares / %		Direct	Indirect	AMFB	670,363,762 [^] / 100%	-	AHB	-	670,363,762 [#] / 100%	TSDAH	-	670,363,762 ^{*^} / 100%	Amcorp Group Berhad	-	670,363,762 ^{*^} / 100%	Clear Goal Sdn Bhd	-	670,363,762 ^{*^} / 100%	ANZ Funds Pty Ltd	-	670,363,762 ^{*^} / 100%	Australia and New Zealand Banking Group Limited	-	670,363,762 ^{*^} / 100%
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ANZ Funds Pty Ltd	-	670,363,762 ^{*^} / 100%																										
Australia and New Zealand Banking Group Limited	-	670,363,762 ^{*^} / 100%																										
	<p>(x) Authorised and paid-up capital (as at 11 December 2009)</p>	<p>Authorised share capital RM3,886,250,002 comprising:- (a) 1,386,250,002 ordinary shares of RM1.00 each ("Ordinary Shares"); and (b) 2,500,000,000 6% irredeemable non-cumulative convertible preference shares of RM1.00 each ("IPS")</p> <p>Paid-up share capital 670,363,762 Ordinary Shares and 150,000,000 IPS</p>																										

2.	PRINCIPAL TERMS AND CONDITIONS	
(a)	Names of parties involved in the proposed transaction	
	(i) Principal Adviser(s)/ Lead Arranger(s)	AmInvestment Bank Berhad (“AmInvestment Bank”)
	(ii) Arranger(s)	Not applicable
	(iii) Valuer(s)	Not applicable
	(iv) Solicitors	Adnan Sundra & Low
	(v) Financial Adviser	Not applicable
	(vi) Technical Adviser	Not applicable
	(vii) Guarantor	Not applicable
	(viii) Trustee	Pacific Trustees Berhad
	(ix) Facility Agent	AmInvestment Bank
	(x) Primary Subscriber(s) and Amount subscribed (where applicable)	To be determined prior to the issuance in respect of issuance on a bought-deal basis. Not applicable for issuance via book building or direct placement.
	(xi) Underwriter(s) and amount underwritten	Not applicable
	(xii) Central Depository	Bank Negara Malaysia (“BNM”)
	(xiii) Paying Agent	BNM
	(xiv) Reporting Accountant	Not applicable
	(xv) Others	<u>Lead Manager</u> AmInvestment Bank <u>Rating Agency</u> RAM Rating Services Berhad (“RAM Ratings”)
(b)	Facility Description	Senior notes (“Senior Notes”) to be issued pursuant to a senior notes issuance programme (“Senior Notes Issuance Programme”).
(c)	Issue Size (RM)	Up to RM7.0 billion in nominal value. The aggregate outstanding nominal value of the Senior Notes issued under the Senior Notes Issuance Programme at any point in time shall not exceed RM7.0 billion.

(d)	Issue Price (RM)	Issued at par, at a premium or at a discount at an issue price to be determined prior to issuance.
(e)	Tenor of the Facility/ Issue	<p>The date of the first issuance under the Senior Notes Issuance Programme shall not be later than twenty four (24) months from the date of approval by the Securities Commission ("SC").</p> <p><u>Tenure of Senior Notes Issuance Programme</u> Up to thirty (30) years from the date of the first issuance under the Senior Notes Issuance Programme.</p> <p><u>Tenure of Senior Notes</u> More than one (1) year and up to ten (10) years as the Issuer may select, provided that the Senior Notes mature at or prior to the expiry of the Senior Notes Issuance Programme.</p>
(f)	Interest/Coupon rate (%) (please specify)	The interest rates will be determined prior to each issuance.
(g)	Interest/Coupon Payment Frequency	One (1), three (3) or six (6) months at the option of the Issuer, provided that no interest period shall extend beyond the final maturity of the respective series.
(h)	Interest/Coupon Payment Basis	Actual days/ 365 days
(i)	Yield to Maturity ("YTM") (%)	The YTM shall be determined prior to issuance.
(j)	Security/Collateral	Unsecured.
(k)	Details on utilisation of proceeds	The proceeds of the Senior Notes shall be utilised for the Issuer's general working capital requirements and to defray issuance expenses for the establishment of the Senior Notes Issuance Programme.
(l)	Sinking fund (if any)	Not applicable
(m)	Rating	Final long-term rating of AA3 assigned by RAM Ratings.
(n)	Form and Denomination	<p><u>Form</u> The Senior Notes shall be represented by Global Certificates in bearer form (exchangeable for definitive certificates in limited circumstances) in accordance with the Rules on the Scripless Securities under the Real Time Electronic Transfer of Funds and Securities ("RENTAS") System and/or any other procedures/guidelines issued by the relevant authority(ies). No physical delivery of the Senior Notes is permitted. The Global Certificates will be deposited with BNM acting as the Central Depository.</p> <p><u>Denomination</u> RM1,000 (unless required to be in such other denominations in accordance with the Rules on Fully Automated System for Issuing/ Tendering ("FAST") issued by BNM and/or any other relevant guidelines).</p>

(o)	Mode of Issue	The Senior Notes may be issued via private placement on a best effort basis (i.e. direct placement or bought-deal) and/or book building on a best effort basis without prospectus.
(p)	Selling Restriction	<p><u>At issuance</u> The Senior Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons falling within Schedule 6 or Section 229(1)(b) or Schedule 7 or Section 230(1)(b), and Schedule 9 or Section 257(3) of the Capital Markets and Services Act, 2007 (“CMSA”).</p> <p><u>After issuance</u> The Senior Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons falling within Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA.</p>
(q)	Listing Status	The Senior Notes may be listed on Bursa Malaysia Securities Berhad under the Exempt Regime. The SC will be notified accordingly in the event of such listing.
(r)	Minimum Level of Subscription (RM or %)	<p><u>Issuance via bought-deal or direct placement</u> 100%</p> <p><u>Issuance via book building</u> 5%</p>
(s)	Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained	<p>The Senior Notes Issuance Programme is subject to the approval from the SC on the waiver from having to comply with paragraphs 14.1(iii) and 14.1(vi) in relation to “Covenants by the Borrower” as set out in the SC’s Guidelines on the Minimum Contents Requirements for Trust Deeds in respect of the Senior Notes Issuance Programme. The SC’s approval on the waiver is sought concurrently with the SC’s approval for the Senior Notes Issuance Programme.</p> <p>Save for the above, no other regulatory approvals are required in relation to the issue, offer or invitation of the Senior Notes under the Senior Notes Issuance Programme.</p>
(t)	Conditions Precedent	<p>The availability of the Senior Notes Issuance Programme shall be subject to conditions precedent, including but not limited to the following:-</p> <ol style="list-style-type: none"> a) Receipt of a certified true copy of the Issuer’s Memorandum and Articles of Association and board of directors’ resolution authorising, amongst others, the execution of the transaction documents; b) Receipt of a list of the Issuer’s authorised signatories and their respective specimen signatures; c) Receipt of a report of the relevant winding-up search or the relevant statutory declaration in

		<p>relation thereto;</p> <p>d) The Issuer shall have obtained the approvals from the SC, where applicable, in respect of the Senior Notes Issuance Programme and a written confirmation from the solicitors addressed to the Lead Arranger that the approvals are unconditional or, if they are conditional, the conditions have been fulfilled (to the extent that they have to be fulfilled prior to the issuance of the Senior Notes);</p> <p>e) All the transaction documents shall have been duly executed and endorsed as exempted from stamp duty;</p> <p>f) The Issuer shall have obtained a minimum long-term rating of AA3 from RAM Ratings at the point of first issuance; and</p> <p>g) Satisfactory legal opinion from solicitors confirming (a) the validity, legality and enforceability of the transaction documents and any other relevant documents pertaining to the Senior Notes Issuance Programme, and (b) that all the conditions precedent have been fulfilled.</p>
(u)	Representations and Warranties	<p>Representations and warranties typical and customary for a programme of this nature, which shall include but not limited to the following:-</p> <p>a) The Issuer is a company duly incorporated and validly existing under the laws of Malaysia and it has the power and authority to carry on its business and to own its properties and assets;</p> <p>b) The Issuer has the power to enter into, exercise its rights under and perform its obligations under the transaction documents;</p> <p>c) The Issuer's entry into, exercise of its rights under and performance of the transaction documents do not and will not violate any existing law or agreements to which it is a party;</p> <p>d) The transaction documents create valid and binding obligations which are enforceable on and against the Issuer;</p> <p>e) No litigation or arbitration is current or, to the best of the Issuer's knowledge, is threatened, which if adversely determined would have a material adverse effect on the ability of the Issuer to comply with its obligations under the transaction documents;</p> <p>f) No step has been taken by the Issuer, its creditors or any of its shareholders or any other person on its behalf nor have any legal proceedings or application been started or threatened under Section 176 of the Companies Act 1976;</p> <p>g) The audited financial statements of the Issuer are prepared in accordance with generally accepted accounting principles and standards and they fairly represent its financial position;</p> <p>h) There has been no change in the business or condition (financial or otherwise) of the Issuer or its subsidiaries since the date of its last audited financial statements which might have a material</p>

		<p>adverse effect on the ability of the Issuer to comply with its obligations under the transaction documents; and</p> <p>i) Such other representations and warranties as may be advised by the solicitors for the Lead Arranger including but not limited to the requirements under the SC's Minimum Contents Requirements for Trust Deeds, save and except for such requirements waived by the SC pursuant to item (s) set out herein.</p>
(v)	Events of Default	<p>Standard events of default shall apply and shall include, but not be limited to: -</p> <p>a) The Issuer fails to pay any amount due under the Senior Notes Issuance Programme and/or the transaction documents on the due date or on demand, if so payable;</p> <p>b) The Issuer fails to observe or perform or commits a breach of any obligation, undertaking or covenant under the transaction documents (other than an obligation of the type referred to in (a) above) and in the case of a failure capable of remedy, the Issuer has not remedied the said breach within thirty (30) days after the Issuer became aware or having being notified of the failure;</p> <p>c) Any representation, warranty or statement which is made by the Issuer proves to be inaccurate in any material respect when made or repeated and in the case of a representation made in good faith but subsequently proves to be incorrect, the Trustee does not determine that such misrepresentation has been rectified to the Trustee's satisfaction within thirty (30) days after the Issuer became aware or having being notified of the failure;</p> <p>d) Any indebtedness of the Issuer (other than indebtedness arising from the Senior Notes Issuance Programme) becomes due or capable of being declared due before its stated maturity or any guarantee or similar obligations of the Issuer is not discharged at maturity or when called and the occurrence of such event has a material adverse effect on the Issuer to meet its obligations under the Senior Notes Issuance Programme or the transaction documents;</p> <p>e) There is a revocation, withholding or modification of a licenses, authorisation or approval that would materially impair or prejudice the Issuer's ability to comply with the terms and conditions of the Senior Notes Issuance Programme and/or transaction documents and no appeal in respect thereof is made by the Issuer within the time period stipulated under the Banking and Financial Institutions Act 1989 ("BAFIA") and/or any other relevant legislations;</p> <p>f) Any step is taken for the winding up, dissolution or liquidation of the Issuer or a petition for winding up, is presented against the Issuer and the Issuer has not taken any action to set aside such petition within sixty (60) days from the date of service of</p>

		<p>such winding up petition;</p> <p>g) An encumbrancer takes possession of, or a trustee, receiver or similar officer is appointed in respect of, the whole or substantial part of the business or assets of the Issuer or distress, legal process, sequestration or any form of execution is levied or enforced upon or instituted against any of the assets of the Issuer and is not discharged within sixty (60) days after being levied, enforced or instituted, or any security interest which may for the time being affect any of its assets becomes enforceable;</p> <p>h) Any legal proceedings, suit or action which could materially and adversely affect the obligations of the Issuer under the transaction documents or the Senior Notes Issuance Programme shall be instituted against the Issuer by any third party and the Issuer has not, within thirty (30) days from the date such legal proceedings, suit or action were instituted against the Issuer taken any reasonable steps to discharge or stay such legal proceedings, suit or action;</p> <p>i) The Issuer undergoes any scheme of reconstruction, arrangement or compromise pursuant to Section 176 of the Companies Act, 1965 or there is declared by a Malaysian court or authority, a moratorium on the payment of indebtedness or other suspension of payments generally (other than for the purposes of and followed by a scheme for reconstruction, amalgamation, consolidation or merger of the Issuer with prior approval in writing by the Minister of Finance or BNM, unless during or following such reconstruction, amalgamation, consolidation or merger the Issuer becomes or is declared to be insolvent); and</p> <p>j) Such other Events of Default as may be advised by the solicitors for the Lead Arranger.</p> <p>Upon the occurrence of any of the above Events of Default, the Trustee may and shall, if so directed by a special resolution of the holders of the Senior Notes, declare that an Event of Default has occurred and the Senior Notes are immediately due and repayable.</p>
(w)	Principal terms and conditions for warrants, (where applicable)	Not applicable
(x)	Other Principal Terms and Conditions for the issue	
(i)	Positive Covenants	<p>These shall include but not limited to the following:</p> <p>a) The Issuer shall at all times maintain its corporate legal existence and exercise reasonable diligence in carrying out its business in a proper and efficient manner and in particular, it shall ensure, amongst</p>

		<p>others, that all necessary approvals or relevant licenses are obtained;</p> <p>b) The Issuer shall at all times perform all its obligations and promptly comply with all provisions of the transaction documents and the terms and conditions of the Senior Notes Issuance Programme;</p> <p>c) The Issuer shall provide the following to the Trustee:</p> <ul style="list-style-type: none"> (i) within 180 days after the end of each financial year, a copy of its annual audited accounts and any other accounts, reports, notices, statements, circulars or other documents issued by the Issuer to its shareholders; (ii) annually, a certificate stating that the Issuer has complied with its obligations under the Trust Deed and the terms and conditions of the Senior Notes Issuance Programme and that there did not exist or had not existed, from the first issue date, any Event of Default and if such is not the case, to specify the same; and (iii) such information relating to the Issuer's affairs to the extent permitted by law which the Trustee may reasonably require from time to time in order to discharge its duties and obligations; <p>d) The Issuer shall immediately notify the Trustee in the event that the Issuer becomes aware of the following:</p> <ul style="list-style-type: none"> (i) the occurrence of any Event of Default and the Issuer shall take reasonable steps and/or such other steps as may be reasonably requested by the Trustee to remedy and/or mitigate the Event of Default; (ii) any circumstance that has occurred or any other matter that may materially prejudice the ability of the Issuer to perform its obligations under the Senior Notes Issuance Programme; (iii) any substantial change in the nature of the business of the Issuer; (iv) any change in the utilisation of the proceeds from the Senior Notes Issuance Programme other than for the purpose stipulated; (v) any change in the Issuer's withholding tax position or taxing jurisdiction; and (vi) any other matters that may materially prejudice the interests of the holders of Senior Notes; <p>e) The Issuer shall at all times keep proper books and accounts on a basis consistently applied in accordance with the laws of Malaysia and generally accepted accounting principles and standards in Malaysia;</p> <p>f) The Issuer shall at all times maintain a paying agent with a specified office in Malaysia;</p>
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(ii)	Negative covenants	<p>These shall include but not limited to the following:</p> <p>a) The Issuer shall not carry out any business or other activities other than that currently set out in its Memorandum and Articles of Association;</p> <p>b) Save and except for transactions lawfully entered into by the Issuer in the ordinary course of its banking and/or financial services business or such other incidental business(es) with its or its related corporations' directors, substantial shareholders or persons connected with any of them ("Interested Persons") and recurring transactions with Interested Persons approved by the shareholders of the Issuer, the Issuer shall not enter into any transaction, whether directly or indirectly with any of the Interested Persons unless:-</p> <p>(i) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not Interested Persons, provided that the transaction has been approved by the majority of its board of directors and, where applicable, shareholders at a general meeting; and</p> <p>(ii) with respect to transactions involving an aggregate payment or value equal to or greater than 25% of the Issuer's total shareholders' funds as reflected in the latest audited financial statements, the Issuer shall obtain certification from an independent adviser that the transaction is carried out on fair and reasonable terms, provided that the Issuer certifies to the Trustee that, where applicable, the Issuer has received the certification referred to in this sub-paragraph (ii), and that the transaction has been approved by the majority of its board of directors and, where applicable, shareholders at a general meeting;</p>

		<p>c) The Issuer shall not execute or omit to execute any document which may render any of the transaction documents to be illegal, void, voidable or unenforceable;</p> <p>d) The Issuer shall not use the proceeds derived from the Senior Notes Issuance Programme for purposes other than those stated herein; and</p> <p>e) Such other covenants as may be advised by the solicitors for the Lead Arranger including but not limited to the requirements under the SC's Minimum Contents Requirements for Trust Deeds, save and except for such requirements waived by the SC pursuant to item (s) set out herein.</p>
(iii)	Status	The Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, and will rank pari passu, without any preference amongst themselves, and equally with all other present and future unsecured and unsubordinated obligations (excluding deposits) of the Issuer, except those obligations preferred by law, liens or rights of set-off arising from the normal course of business.
(iv)	Redemption	Unless previously redeemed or purchased and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.
(v)	Open Market Acquisition and Cancellation	<p>The Issuer or any of its related corporations (within the meaning of the Companies Act 1965) may at any time acquire the Senior Notes at any price in the open market or by private treaty, provided:</p> <p>(a) Any of the Senior Notes so acquired by the Issuer shall be cancelled and cannot be reissued; or</p> <p>(b) Any of the Senior Notes acquired by the Issuer's related corporations need not be cancelled but will not entitle such related corporations to vote at any meetings of the holders of the Senior Notes and will not be deemed to be outstanding for the purpose of determining the total votes exercisable by the holders of the Senior Notes whenever such determination is required under the Trust Deed.</p>
(vi)	Changes of Circumstances	If at any time prior to the availability of the Senior Notes Issuance Programme, as a result of any change in applicable law, regulation or regulatory requirement or in the interpretation or application thereof or if compliance by the Lead Arranger / Facility Agent / Primary Subscriber(s) / investor(s) (collectively "the Financing Parties") with any applicable direction, request or requirement (whether or not having the force of law) will impose on the Financing Parties any condition, burden or obligation, then the commitment of the Financing Parties to arrange/ subscribe (as the case may be) under the Senior Notes Issuance Programme will terminate upon notice to the Issuer of the occurrence of such event after becoming aware thereof.

(vii)	Adverse Market	At any time prior to the first issuance under the Senior Notes Issuance Programme, the Financing Parties reserve the right to withdraw/ terminate the arrangement of the Senior Notes Issuance Programme if there occurs any change in the national or international financial, political or economic conditions, including but not limited to adversities in international/ domestic money, capital or syndicated loan markets, the business activities or financial position of the Issuer which in the opinion of the Financing Parties, will materially affect the offering and distribution of the Senior Notes under the Senior Notes Issuance Programme in the secondary market upon successful completion of the arrangement of the same.
(viii)	Trust Deed	The Senior Notes Issuance Programme shall be constituted by a trust deed, which shall be administered by the Trustee, who shall act on behalf of the holders of the Senior Notes.
(ix)	Taxation	All payments by the Issuer in respect of the Senior Notes Issuance Programme shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or Malaysian law, unless such withholding or deduction is required by law and the Issuer shall not gross up for any such withholding or deduction.
(x)	Interest on Late Payment(s)	In the event of overdue payment of any sums covenanted to be paid, the Issuer shall pay default interest of 1% above the prevailing Malayan Banking Berhad's base lending rate on such overdue amounts.
(xi)	Currency	Ringgit Malaysia
(xii)	Documentation	Standard documentation satisfactory to all parties concerned incorporating clauses normal and customary for a financing of this nature and/or as advised by the Lead Arranger's solicitors.
(xiii)	Governing Law	The laws of Malaysia
(xiv)	Jurisdiction	The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.

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3. INVESTMENT CONSIDERATIONS

The business of AmBank is subject to a number of risk factors, many of which are outside their control. Prior to making an investment decision, prospective investors should carefully consider, along with the other information in this IM, the following risks. The risks and risk factors set forth below are not an exhaustive list of the challenges currently facing AmBank or that may develop in the future. Additional risks, whether known or unknown, may in the future have a material adverse effect on AmBank or the Senior Notes.

3.1 Considerations Relating to the Malaysian Banking Industry

3.1.1 The AmBank Group may be subject to changes to the Malaysian regulatory environment for the financial industry

To the extent that the member companies of the AmBank Group are financial institutions licensed under BAFIA, those member companies are regulated by BNM. Those member companies are also subject to relevant securities and other laws in Malaysia. BNM is given extensive powers to regulate the Malaysian banking industry under BAFIA. This includes the authority to limit the interest rates charged by banks on certain types of loans, establish limits on lending to certain sectors of the Malaysian economy, establish priority lending guidelines in furtherance of certain social and economic objectives, and establish measures requiring maintenance of reserves and minimum capital adequacy requirement. BNM also has broad investigative and enforcement powers. Accordingly, potential investors should be aware that BNM could, in the future, significantly restrict business activities, set interest rates at levels or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including those member companies of the AmBank Group which are financial institutions licensed under BAFIA and IBA.

3.1.2 Deposits in Malaysia

On 16 October 2008, the Malaysian Government moved to guarantee all bank deposits in an effort to shore up confidence in the Malaysian financial system, particularly after several regional jurisdictions had done so to curb potentially damaging capital outflows. BNM announced the guarantee for all local and foreign currency deposits from 16 October 2008 until 31 December 2010. Once the temporary Government guarantee expires on 31 December 2010, MDIC plans to revert to the explicit and limited coverage Deposit Insurance System. MDIC will monitor developments in the banking system and evaluate the need to increase the limit and the scope of coverage at that time.

Generally, BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions. In the past, BNM has on a case-by-case basis provided a safety net for individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. Effective from 1 September 2005, BNM has introduced a deposit insurance system. Under the "Deposit Insurance System", eligible deposits are insured up to a prescribed limit of RM60,000 (inclusive of principal and interest) per depositor, per member institution. There is also separate coverage of up to RM60,000 per depositor, per member institution for Islamic deposits (i.e. those accepted under Shariah principles), accounts held under joint ownership, trust accounts and accounts in the name of sole proprietorships and partnerships. The Deposit Insurance System is administrated by MDIC, an independent statutory body, and all licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the Deposit Insurance System.

However, the fact that deposits exceeding the prescribed limits are not insured up to their full amount could lead to or exacerbate liquidity problems, which, if severe, could have an adverse effect on AmBank's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally.

3.2 Considerations Relating to the AmBank Group

3.2.1 Political and Economic Factors

Political and economic conditions and developments in Malaysia as well as abroad could have a profound effect on the financial performance of the AmBank Group. Adverse political and economic conditions or developments, such as an unstable political system, nationalisation and severe fluctuations in interest and currency exchange rates, create uncertainty and could discourage the free flow of investment capital and affect international trade, ultimately resulting in adverse developments in national economic activity. This in turn may have a material adverse impact on the financial performance of the AmBank Group as a financial services provider. As a result of globalisation, economic or market problems in a single country or region are increasingly affecting other markets generally. A continuation of these situations could adversely affect global economic conditions and world markets and, in turn, could cause a chain reaction effect and thus adversely affect the AmBank Group's businesses.

3.2.2 Changes in market conditions may have an adverse effect on AmBank's business, financial condition, and results of operations or prospects

The Malaysian economy is affected by changes in the global economic and market environment. Any widespread global financial instability may adversely affect the Malaysian economy, which could materially and adversely affect AmBank's business, financial conditions and results of operations or prospects.

Whilst AmBank does not have any investments in any assets or securities linked to, or the value of which is derived from, assets that could be classified as sub-prime residential mortgages, or in investment securities comprising asset funds and trusts which hold and invest in assets that are classified as sub-prime residential mortgages or any direct or indirect exposure to the sub prime residential lending market in US or elsewhere arising from the global liquidity and credit crunch which has since shown signs of recovery, the values of many of the investment securities that AmBank holds are sensitive to the volatility of the credit markets and accordingly, such investment securities may be adversely affected by future developments in the credit markets. Adverse changes to the conditions in the credit markets in the future may materially affect the value of AmBank's investment portfolio.

There can be no assurance that changes in market conditions will not adversely affect AmBank's business, financial condition, results of operations or prospects. For example, AmBank may decrease its risk tolerance in its lending activities, which could have the effect of reducing its interest margin and interest income, and ultimately the results of its operations.

In addition, to the extent that any of AmBank's borrowers have been adversely affected by the changes of market conditions and the global credit and financial markets generally, the ability of such borrowers to service their debt obligations to AmBank may also be affected. If loans to these borrowers were to become non-performing, this could adversely affect AmBank's business, financial condition, results of operations or prospects.

3.2.3 Competition

Whilst the number of domestic banking institutions has been reduced over time through consolidation, the Malaysian banking industry operates in a very competitive environment fostered by BNM's policies, inter-alia, foreign licensed Islamic banks and domestic Islamic banks which are now allowed to offer/perform products and services that are similar to those of the AmBank Group. Further, BNM has in 2009 announced further measures to liberalise the financial sector, including a framework for the issuance of up to 5 new commercial banking licenses and 2 new Islamic banking licenses to foreign financial institutions and the increase of foreign equity limits to 70% in existing domestic Islamic banks, investment banks, insurance and takaful companies. On 20 November 2009, BNM also announced that a new commercial bank license had been issued to a foreign institution under a bilateral arrangement between Malaysia and the People's Republic of China. These measures will further intensify competition to the AmBank Group. Although these policies are designed, in part, to encourage development of financial institutions in Malaysia and to strengthen domestic financial institutions in preparation for increased foreign competition, any increased competition could have an adverse effect on the AmBank Group's operations in the form of reduced margins, smaller market share and reduced income generally.

Although the AmBank Group would plan for expansion and growth in future business volume, the AmBank Group's future growth would inevitably be subject to competition from other service providers and also customer preference. As such, there can be no assurance that the AmBank Group will be able to maintain or increase its present market share in the future.

3.2.4 Interest rate changes

AmBank's exposure to interest rates arises mainly from its loan portfolio, holdings of securities and its interbank deposit/placement position.

To mitigate the risk of mismatch of interest rates on loans and deposits, AmBank has introduced, among other measures, floating-rate loan products. AmBank also regularly enters into interest rate swaps for interest rate hedging purposes, periodically sells portions of its portfolio of housing loans and auto finance loans to Cagamas Berhad (the National Mortgage Corporation), and undertakes asset securitisations, whereby the loans are sold on a non-recourse basis to a special purpose vehicle. However, the actual effect on earnings due to a change in interest rates depends on the direction, degree and timing of such change in interest rates, the behaviour and contractual repricing dates of AmBank's funding operations, assets and liabilities and its ability to respond to changes in interest rates.

Although BNM continues to influence interest rates, the banking industry has been given flexibility in setting lending rates, which allows AmBank to compete more effectively in terms of pricing in its target business segments. There can however be no assurance that BNM will not impose increased or additional controls on interest rates which may have an adverse impact on AmBank's business, financial condition, and results of operations or prospects.

3.2.5 A concentration in auto financing loans may adversely affect AmBank's loan portfolio and its business, financial condition, results of operations or prospects

Auto financing loans have historically accounted for a significant portion of the AmBank Group's loan portfolio and as of 31 December 2009, account for 41.9% of the AmBank Group's loan portfolio. The future growth of AmBank's auto financing business depends on a number of factors, including continued growth in the Malaysian economy supporting growth in automobile sales. Therefore, there can be no assurance that AmBank's auto financing loan portfolio, or its income from such

loans, will continue to grow. In addition, because of the concentration of such loans, AmBank's NPLs position is more exposed than it otherwise would be to the inability of its customers to service their auto loans, and the occurrence of any of the economic risks discussed in this section may require AmBank to make additional loan loss provisions.

3.2.6 A decline in AmBank's asset quality could adversely affect its business, financial condition, results of operations or prospects if its loan provisions are insufficient to cover its liabilities

AmBank's business, financial condition, results of operations or prospects could be adversely affected if AmBank's loan provisions are insufficient, the value of AmBank's collateral securing NPLs declines or a material amount of AmBank's loans becomes uncollectible. A portion of AmBank's collateral is in the form of vehicles, which do not maintain their value due to depreciation. However, AmBank has taken initiatives to accelerate tracking its month-in-arrears to be at or around key industry indicators. Any significant decline in AmBank's asset quality could adversely affect its business, financial condition, results of operations or prospects.

In addition, a portion of AmBank's loans is also secured by collateral such as real estate and securities. Any decline in the value of the collateral securing AmBank's NPLs, coupled with any inability to obtain additional collateral or inability to realise the value of collateral may require AmBank to increase its loan loss provisions, which may adversely affect AmBank's business, financial condition, results of operations or prospects.

Although AmBank believes that it has adopted a sound asset quality management and intends to maintain it, there is no assurance that the system will remain effective or adequate in the future.

3.2.7 AmBank may experience liquidity problems as it is dependent on short-term funding

The funding requirements of Malaysian banks are primarily met through short-term funding, namely fixed-term deposits from customers and from other financial institutions. AmBank's experience is that a substantial portion of its customers' fixed deposits are rolled over upon maturity. However, no assurance can be given that this will continue in the future. If a substantial number of depositors, or a small number of large depositors, fail to roll over deposited funds upon maturity, AmBank's liquidity position could be adversely affected and AmBank may be required to seek alternative sources of short-term or long-term funding, which may be more expensive than deposits, to finance its operations. Furthermore, there can be no guarantee that AmBank will be able to obtain such funds.

3.2.8 AmBank's risk management system may be inadequate or ineffective in managing risks

As a commercial banking institution covering activities including retail, commercial and corporate banking and treasury products and services, AmBank is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly divided into:

- (a) Market risk, which is the risk of loss associated with changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates, foreign exchange rates and equity prices;
- (b) Funding risk, which is the risk that AmBank is not able to fund its day-to-day operations at a reasonable cost;
- (c) Credit risk, which is the risk of loss due to the inability or unwillingness of a

counterparty to meet its payment obligations;

- (d) Operational risk, which is the risk of potential loss from a breakdown in internal processes and systems, deficiencies in people and management or operational failure arising from external events; and
- (e) Legal and regulatory risk, which is the risk of breaches of applicable laws and regulatory requirements, breaches of obligations of fidelity, unenforceability of counterparty obligations, and inappropriate documentation of contractual obligations.

Each of the business risks above has an implication on AmBank's financial condition and every transaction that AmBank undertakes is subject to, inter-alia, the abovementioned risks. AmBank's financial position may be adversely affected resulting from any of the risks operating on its own. For example, AmBank's investment position in certain assets may require a huge mark-down as a result of the slump in the market price of those assets, or AmBank may find that it will not be able to enforce a counterparty obligation due to imperfect documentation.

Far more critical to AmBank's financial condition is a risk that has a 'chain reaction' effect whereby the operation of one risk leads to the operation of one or more other risks. For example, a market downturn may result in AmBank's customers incurring losses thus weakening their financial condition and triggering an increase in credit risks. Such increased credit risks may require AmBank to set aside additional loss provisions which could potentially affect AmBank's credit rating adversely thereby increasing liquidity risk. In an extreme case, the additional loss provisions (if large) may lead to AmBank breaching regulatory capital requirements.

To counter the business risks it faces, AmBank has put in place a risk management framework to manage uncertainties such that deviations from AmBank's intended objectives are kept within acceptable levels. The risk management framework thus serves to identify, capture and analyse the risks assumed by AmBank at an early stage, continuously measuring and monitoring the risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient return.

However, the risk management framework, as a whole may not always be fully effective as there may be risks that have not been anticipated or identified and certain risks may be significantly greater than indicated by historical data. Further, the data relied upon to formulate the risk management framework may not be accurate, complete, up-to-date or properly evaluated. The process to manage operational, legal and regulatory risks would require proper recording and verification of a large number of transactions and events. Such process may not be fully effective in all cases. Accordingly, any failure in the effectiveness of AmBank's risk management procedures could have a material adverse effect on AmBank's business, financial condition, results of operations or prospects.

A description of AmBank's risk management structure is set out in Section 6.0 of this IM.

3.2.9 Major shareholders may influence policies of AmBank

As of 31 December 2009, Amcorp and ANZ (via ANZ Funds) held 16.72% and 23.78%, respectively, of the issued share capital of AHB, which, in turn, holds 100% of the issued share capital of AmBank through AMFB. As of 31 December 2009, TSDAH, the Chairman/Non-Independent Non-Executive Director held indirectly, a 100% controlling interest in Amcorp. Based on these shareholding interests in Amcorp, AHB and AmBank, each of these major shareholders may, to a certain extent, be able to exercise control over matters which require shareholders' approval. There can be no assurance that the corporate objectives and strategies of AmBank would not be substantially influenced by the policies of the shareholders. In the case

of ANZ as major shareholder, AmBank and such shareholder enjoy a strategic relationship which has been and is expected to continue to be of significant benefit to AmBank. If for any reason the nature or extent of ANZ's investment in AmBank were to change over time, there can be no assurance that AmBank would continue to benefit from this or any similar strategic relationship to the same extent.

3.2.10 Employee misconduct could adversely tarnish AmBank's image and affect its business, financial condition, results of operations or prospects

As with any business enterprise, the AmBank Group is susceptible to the risks associated with acts of misconduct by its employees including directors. Acts of misconduct by employees may take various forms and could include misappropriation of AmBank's assets or the assets of its clients, concealment and/or wilful misstatement of its liabilities, unauthorised transactions and/or commitment of its resources, and breach of client confidentiality.

Acts of misconduct by employees would not only result in financial loss to AmBank but may also tarnish its image, which would bring about a loss of its stature in the market. Furthermore, acts of misconduct may also cover breaches of laws, regulations and guidelines, which, in extreme cases, could result in suspension and/or revocation of its banking and finance licences under BAFIA.

Whilst the risks of misconduct by employees, including directors, cannot be entirely eliminated, AmBank has in place internal control systems to check such misconduct and to take appropriate actions.

AmBank is committed towards business integrity and professionalism and firmly supports effective corporate governance and development of best practices. AmBank's Board through various committees manages the business and affairs of the bank in a manner consistent with the objectives of good corporate governance and accountability towards the enhancement of shareholder value.

AmBank has continued to invest in human resource development to better equip its management team to keep abreast with current development of international market practices and to develop new skills required in meeting the demands of an increasingly dynamic and competitive market. Whilst there is no assurance that there would be continuity in AmBank's present management team throughout the tenure of the Senior Notes Issuance Programme, AmBank will endeavour to maintain its current prudent management philosophy and to continue to adhere to a high standard of corporate governance practices.

3.2.11 IT risk could affect AmBank's business, financial condition, results of operations or prospects

AmBank is susceptible to IT risk as large portions of its operational systems are computerised. However, AmBank has taken reasonable steps to reduce these risks, including the following:

- (a) Adoption of an IT risk assessment and risk treatment model which is used to monitor and manage the critical information system operational risk;
- (b) Adoption of an IT governance model which includes regular reviews by senior management;
- (c) Formulation of an "Information and Communication Technology" plan which is reviewed annually to ensure continuous upgrading of the critical IT application systems;

- (d) Formulation and adoption of disaster recovery procedures and facilities for critical application areas which are tested on a regular basis; and
- (e) Conduct of regular audits to ensure that appropriate mechanisms are in place and are being adopted for IT security and control.

AmBank has also recently obtained ISO27001 certification for two (2) data centres and the following IT services provided to support the data centres:

- IT risk and information security services;
- Network administration services;
- System administration services;
- Storage management and backup services;
- Database administration services; and
- Data centre management services.

3.2.12 Classification and Provisioning Policies for NPLs

AmBank adopts conservative accounting policies vis-à-vis BNM's requirements with regard to classification of NPLs, provision for bad and doubtful debts, general provision and write-off policies.

Further, the Malaysian Accounting Standards Board (MASB) had announced that Financial Reporting Standard (FRS) 139 - Financial Instruments: Recognition and Measurement will be applicable to all entities for annual periods beginning on or after 1 January 2010. For AmBank, FRS 139 will be applicable for the first time with effect from the financial year beginning 1 April 2010. FRS 139 requires, among others, the application of fair value accounting and impairment assessment for financial assets and financial liabilities. Therefore, the first time adoption of FRS 139 by AmBank may result in adjustments to opening retained earnings and the potential recognition of fair value adjustments to the income statements. Currently, AmBank is still in the process of preparing to make changes to systems and processes in readiness for compliance with FRS 139. As a result, the financial impact of adopting FRS 139 could not be reliably estimated yet.

Although AmBank believes that its loan portfolio is adequately provided, no assurance can be given that the level of provisions would prove to be adequately provided for or that AmBank would not have to make significant additional provisions for possible loan losses in the future.

3.2.13 Risk of possible future mergers and acquisitions within the banking industry

Given the consolidation of financial institutions in the domestic banking industry, there can be no assurance that the AHB Group will not be affected by or involved in any mergers or acquisitions in the future and that any such mergers or acquisitions will be guaranteed a successful implementation or will not have any adverse effect on the AHB Group's business, financial condition, results of operations or prospects. In particular, if the AHB Group makes a decision relating to any acquisition or merger in uncertain or highly competitive economic or market conditions, respectively, or for a substantial consideration, such an acquisition or a merger may result in an increase to its risk factor or a depletion of the resources of the AHB Group, which could have an adverse effect on the business, financial condition and results of operations of AmBank.

3.3 Considerations Relating to the Senior Notes

3.3.1 Liquidity of the Senior Notes

The Senior Notes will constitute a new issue of securities with no established trading market. No assurance can be given as to whether an active or liquid trading market for the Senior Notes will develop or if a trading market develops, that it will provide investors with liquidity of investments or that the liquidity will continue for the tenor of the Senior Notes Issuance Programme. Furthermore, no assurance can be given as to the market prices for the Senior Notes.

3.3.2 A downgrade in ratings may affect the liquidity and market price of the Senior Notes

The Senior Notes are rated AA3 by RAM Ratings. There can be no assurance that the rating will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgement, circumstances so warrant. Any downgrade or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Senior Notes but would not constitute an event of default or an event obliging the Issuer to prepay the Senior Notes.

3.3.3 There are no terms in the Senior Notes that limit the Issuer's ability to incur additional indebtedness, including but not limited to any indebtedness that are secured or ranks equally with the Senior Notes

There are no restrictions on the amount or number of other securities or any other form of indebtedness that AmBank may issue which are secured or ranks pari passu with the Senior Notes. The creation and issue of further securities or any other form of indebtedness that are secured or which rank pari passu with the Senior Notes shall not require the consent of the holders of the Senior Notes. The issue of such securities and/or incurrence of such indebtedness may reduce the amount recoverable by the holders of the Senior Notes in the event of dissolution or winding-up of AmBank.

3.3.4 Issuer's ability to meet its obligations under the Senior Notes

The Senior Notes constitute direct and unsecured obligations of the Issuer and are payable out of the business operations of the Issuer and thus will not be the obligations or responsibilities of any person other than the Issuer. The ability of the Issuer to meet its obligations to pay the nominal value of the Senior Notes and their interest will largely be dependent on the revenue generated by its operations and the receipts of dividends from its principal subsidiaries and its other subsidiaries. The ability of its principal subsidiaries and its other subsidiaries to pay dividends is dependent on them maintaining profitable operations and is subject to applicable laws, regulatory guidelines and restrictions on the payment of dividends by any of the regulatory authorities or by restrictions contained in relevant financial or other agreements.

3.4 Forward Looking Statements

Certain statements in this IM are forward-looking in nature. These statements include, among others, discussions of the AmBank Group's business strategies and expectations concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All forward-looking statements are based on estimates and assumptions made by the AmBank Group and third party consultants that, although believed to be reasonable, are subject to risks and uncertainties which may cause actual events and the future results of the AmBank Group to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this IM should not be regarded as a representation or warranty by the AmBank Group or any other person that the plans and objectives of the AmBank Group will be achieved.

4. DESCRIPTION OF THE ISSUER

4.1 History and Background Information on AmBank

AmBank was incorporated in Malaysia under the Act on 25 March 1969 as a public limited company, under the name of Malaysia Borneo Finance Corporation (M) Berhad (“MBFC”).

MBFC was listed on the Main Board of the stock exchange now known as Bursa Malaysia Securities Berhad on 8 June 1983 and changed its name to MBf Finance Berhad (“MBf Finance”) on 19 December 1985.

Pursuant to a restructuring scheme, MBf Finance became a wholly-owned subsidiary of MBf Capital Berhad (“MBf Capital”), with MBf Capital assuming the listing status of MBf Finance.

MBf Capital was listed on the Main Board of Bursa Securities in place of MBf Finance effective from 15 January 1993 and consequently, MBf Finance was delisted.

On 20 December 2001, Arab-Malaysian Finance Berhad (now known as AMFB Holdings Berhad and a wholly-owned subsidiary of AMMB Holdings Berhad (“AHB”)) acquired 100% of MBf Finance. MBf Finance then changed its name to AmFinance Berhad before assuming its present name, AmBank (M) Berhad on 1 June 2005.

AmBank is a licensed bank and finance company under BAFIA and it provides banking and financial services which include loans, advances and financing, deposit services, credit cards, remittance services, foreign exchange and (through its wholly-owned subsidiary, AmIslamic Bank Berhad) Islamic banking services.

As at 11 December 2009, the authorised share capital of AmBank is RM3,886,250,002 comprising 1,386,250,002 Shares and 2,500,000,000 IPS of which 670,363,762 Shares and 150,000,000 IPS respectively are issued and fully paid-up.

4.2 Business Overview

As at 31 December 2009, AmBank has unaudited consolidated total assets of RM88.97 billion, loans, advances and financing of RM63.57 billion, customer deposits of RM67.33 billion and shareholders’ funds of RM5.20 billion. In terms of total assets, AmBank is the fifth largest domestic bank in Malaysia (based on the published financial results of the nine domestic banks in Malaysia) as at 30 September 2009. AmBank is engaged in a wide range of retail, business and Islamic banking activities. Following the Business Transfer, as further described in Section 4.3 of this IM, AmBank has expanded its corporate, investment banking and treasury services to its clients.

AmBank has the fourth largest retail assets (defined as loans to individuals for purchase of transport vehicles, purchase of residential properties, credit cards receivables and loans for personal use) by value in Malaysia (based on the published financial results of the nine domestic banks in Malaysia) as at 30 September 2009. AmBank’s principal retail banking activities are the provision of consumer loans such as auto financing, mortgages and personal financing/co-operative loans small business and asset financing and credit cards. The focus of AmBank’s business banking activities is commercial lending and trade finance, in particular, for mid-sized corporations and SMEs in Malaysia. AmBank’s corporate and investment banking business is to provide treasury and lending services to its large corporate and institutional clients. Currently, AmBank’s distribution network comprises 189 branches (including 2 dedicated Islamic banking branches), 745 ATMs and 129 self-service EBCs in Malaysia. Besides its network of dedicated nationwide marketing officers and personal bankers, AmBank also leverages on the sales agents in the AHB Group. In total the AHB Group has over 7,000 personal bankers, marketing, sales and financial services personnel and agents.

The AHB Group was the fifth largest financial services group in Malaysia in terms of total assets based on the published financial results of both domestic and foreign financial services groups in Malaysia as at 30 September 2009. The AHB Group's business operations include Retail Banking, Business Banking, Investment Banking, Corporate and Institutional Banking, Life Insurance, General Insurance, Treasury and Markets, Islamic Banking and other related financial services. AHB controls 100.0% of the share capital of AmBank, through its wholly-owned subsidiary AMFB.

4.3 Group Internal Reorganisation

The integration of the fund-based business activities of AmInvestment Bank and AmBank ("**Business Transfer**") was completed on 12 April 2008. This has enabled AmInvestment Bank to leverage AmBank's balance sheet to provide for larger and more structured investment banking deal flow. This is crucial following the completion of the framework for investment banking whereby the BNM introduced more stringent limits on lending, underwriting of both debt instruments and equities as well as proprietary trading by investment banks.

In addition, the universal banking platform is in line with global trends and international market practices as it is now widely implemented by major banking groups.

4.4 Australia and New Zealand Banking Group Limited ("ANZ")

On 26 April 2007, AHB obtained the approval of its shareholders at an EGM for its proposed strategic partnership with ANZ by way of ANZ's equity participation via ANZ Funds, in the AHB Group. ANZ's equity participation entailed:

- (a) the issuance of 163,934,426 convertible preference shares by AHB to ANZ Funds at an issue price of RM3.05 per share which were convertible into 163,934,426 new shares in AHB, all of which have since been converted into shares in AHB by ANZ Funds in March 2008; and
- (b) the issuance of RM575.0 million exchangeable bonds by AmBank to ANZ Funds which were originally exchangeable into 188,524,590 new shares in AHB at RM3.05 per share; subsequent to a rights issue exercise undertaken by AHB to partially fund the privatisation of AIGB, the outstanding bonds were exchangeable for 194,915,254 shares in AHB and the exchange price was reduced to RM2.95 per share in AHB, all of which have since been exchanged into shares in AHB by ANZ Funds in August 2009.

ANZ Funds also acquired 300,000,000 shares in AHB in May 2007 pursuant to a purchase from Amcorp and 57,991,803 shares in AHB in January 2008 pursuant to ANZ Funds' entitlement under the said rights issue exercise undertaken by AHB. On 3 August 2009, AHB has allotted 194,915,254 new AHB shares to ANZ Funds upon the latter's notice to exchange its entire holding of the exchangeable bonds into new AHB shares. The paid-up capital of AHB has increased from RM2,722,969,590 as at 31 July 2009 to RM2,917,884,844 upon the exchange. ANZ Funds' shareholding increased from 19.17% to 24.57% upon the exchange.

Subsequently, on 25 August 2009, AHB announced the completion of its Special Issue Share exercise where 96,300,000 shares were fully allocated to eligible Bumiputera shareholders. AHB's current paid-up share capital is RM3,014,184,844. ANZ Funds' shareholding has been diluted to 23.78% currently.

ANZ has three representatives on the board of directors of AHB along with representations on the various Management and Board Committees of AmBank. ANZ's equity investment provides ANZ with the opportunity to nominate senior management appointments to the AHB Group. Current senior management nominees by ANZ include the Deputy Group Managing

Director/ Group Chief Financial Officer, Group Chief Risk Officer and Group Chief Operations Officer.

ANZ is an international banking and financial services group which is ranked amongst the top 50 banks in the world by market capitalisation. ANZ has over six million customers worldwide and a presence in over 30 countries, with its primary operations in Australia, New Zealand and Asia Pacific. ANZ's securities are listed on the Australia, New Zealand and New York Stock Exchanges. ANZ is a leading retail, corporate and institutional bank in Australia and one of the largest banks in New Zealand. Its retail business in Australia provides a full range of products through over 820 branches. In 2009, the recognition and awards which ANZ received included:

- Dow Jones Sustainability Indexes, September 2009 – ANZ ranked as the No. 1 bank globally on corporate sustainability performance for the third consecutive year
- Canstar CANNEX, June 2009 – ANZ was named the “Socially Responsible Bank of the Year”
- The Asian Banker, March 2009 – ANZ was awarded “Best Retail Bank in Australia” and “Best Retail Bank in Vietnam” in the Excellence in Retail Financial Services Award
- Financial Insight Innovation Award, March 2009 – ANZ MoneyManager was awarded for Innovation in Account Aggregation
- Insto Magazine, February 2009 – ANZ was awarded “Syndication Loans House of the Year” and “Trade Finance House of the Year” in the Insto Distinction Award.

ANZ has established partnerships with the following financial institutions in Asia: Metrobank Card Corporation (Philippines), Panin Bank (Indonesia), Sacombank (Vietnam), Saigon Securities Inc (Vietnam), ANZ Royal (Cambodia), Vientiane Commercial Bank (Laos), Bank of Tianjin (China) and the Shanghai Rural Commercial Bank (China).

On 4 August 2009, ANZ announced it had reached agreement with the Royal Bank of Scotland Group plc (“RBS”) to acquire selected RBS businesses in Asia delivering on its strategy to be a leading super regional bank by 2012. The acquisition includes the RBS retail, wealth and commercial businesses in Taiwan, Singapore, Indonesia and Hong Kong, and the institutional businesses in Taiwan, the Philippines and Vietnam.

The AHB Group's strategic partnership with ANZ has created further market growth opportunities, given ANZ's exposure to international products, banking systems as well as cross border capabilities in Asia. By leveraging on ANZ's capabilities in risk management, retail banking and business banking, product innovation, branding, IT infrastructure, training and development of personnel, AmBank aims to entrench its position as a premier financial institution providing innovative products and services to its customers.

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4.5 Corporate Information

4.5.1 Principal Place of Business

The registered office of AmBank is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur while the principal place of business of its Retail and Business Banking Divisions are located at Menara AmBank, No. 8, Jalan Yap Kwan Seng, 50450 Kuala Lumpur and Menara Dion, Jalan Sultan Ismail, 50250 Kuala Lumpur respectively.

4.5.2 Share Capital and Changes in Share Capital

Share Capital

The authorised and issued and fully paid-up share capital of AmBank as at 11 December 2009 are as follows:

Type	No. of shares	Par value (RM)	Total (RM)
Authorised	3,886,250,002	1.00	3,886,250,002
- Shares	1,386,250,002	1.00	1,386,250,002
- IPS	2,500,000,000	1.00	2,500,000,000
Issued and fully paid-up	820,363,762	1.00	820,363,762
- Shares	670,363,762	1.00	670,363,762
- IPS	150,000,000	1.00	150,000,000

The changes in the issued and paid-up share capital of AmBank since its incorporation are as follows:

Shares

Date of Allotment	No. of Shares allotted	Par value (RM)	Type of issuance	Cumulative share capital (RM)
25.03.1969	2	1.00	Subscribers' shares	2
11.06.1969	999,998	1.00	Cash	1,000,000
24.09.1969	200,000	1.00	Cash	1,200,000
11.11.1969	100,000	1.00	Cash	1,300,000
03.01.1970	100,000	1.00	Cash	1,400,000
31.03.1970	100,000	1.00	Cash	1,500,000
25.03.1971	500,000	1.00	Cash	2,000,000
23.06.1971	400,000	1.00	Cash	2,400,000
28.09.1971	220,000	1.00	Cash	2,620,000
29.12.1971	30,000	1.00	Cash	2,650,000
28.01.1972	250,000	1.00	Cash	2,900,000
13.03.1972	50,000	1.00	Cash	2,950,000
17.03.1972	50,000	1.00	Cash	3,000,000
10.04.1972	50,000	1.00	Cash	3,050,000
16.06.1972	50,000	1.00	Cash	3,100,000
02.11.1972	400,000	1.00	Cash	3,500,000
27.02.1973	500,000	1.00	Cash	4,000,000
18.03.1974	540,000	1.00	Cash	4,540,000
29.03.1974	460,000	1.00	Cash	5,000,000
04.11.1974	1,000,000	1.00	Cash	6,000,000
23.02.1976	5,325,000	1.00	Rights issue of 3 for 2 at RM1.00 per share	11,325,000
09.03.1976	3,675,000	1.00	Rights issue of 3 for 2 at RM1.00 per share	15,000,000
17.04.1980	2,300,000	1.00	Special issue to Bumiputera investors at RM1.10 per share	17,300,000

Date of Allotment	No. of Shares allotted	Par value (RM)	Type of issuance	Cumulative share capital (RM)
02.11.1981	6,920,000	1.00	Rights issue of 2 for 5 at RM1.00 per share	24,220,000
14.03.1983	67,816,000	0.50 ¹	Bonus issue of 7 for 5 at RM0.50 per share	58,128,000
09.05.1983	1,744,000	0.50 ¹	Cash	59,000,000
18.06.1984	29,500,000	0.50 ¹	Rights issue of 1 for 4 at RM1.30 per share	73,750,000
21.08.1989	73,750,000	0.50 ¹	Rights issue of 1 for 2 at RM0.50 per share	110,625,000
22.10.1990	110,625,000	0.50 ¹	Rights issue of 1 for 2 at RM1.20 per share	165,937,500
29.11.1991	110,625,000	0.50 ¹	Bonus issue of 1 for 3 at RM0.50 per share	221,250,000
31.12.1991	221,250,000	0.50 ¹	Rights issue of 2 for 3 at RM0.90 per share	331,875,000
16.12.1992	663,750,000	0.50 ¹	Shares allotted to MBf Capital pursuant to a scheme of arrangement	331,875,000 ²
16.12.1996	663,750,000	0.50 ¹	Bonus issue of 1 for 1 at RM0.50 per share	663,750,000
23.06.1997	700,000,000	0.50 ¹	Cash	1,013,750,000
29.07.1999	724,000,000	0.50 ¹	Cash	1,375,750,000
29.07.1999	2,476,000,000 ⁵	0.50 ¹	Allotment of Preference Shares	2,613,750,000
12.06.2002	(5,227,499,996)	0.50 ¹	Capital reduction	2 ³
12.06.2002	0	1.00	Consolidation	2 ³
18.07.2002	528,402,118	1.00	⁴	528,402,120
31.05.2005	64,825,308	1.00	⁶	593,227,428
29.06.2005	17,136,334	1.00	⁶	610,363,762
20.05.2008	60,000,000	1.00	⁷	670,363,762

Notes:

- ¹ The par value of the shares was subdivided from RM1.00 to RM0.50 on 22 December 1981.
- ² The shares were cancelled on 16 December 1992 pursuant to a scheme of arrangement under Section 176 of the Act between MBf Finance and its shareholders sanctioned by the High Court of Malaya on 17 September 1992 under Originating Petition No. D6-26-27-92 and re-allotted to MBf Capital on the same date. Pursuant to the said scheme, every one (1) ordinary share of RM0.50 each in MBf Finance was exchanged for one (1) new ordinary share of RM1.00 each in MBf Capital.
- ³ Pursuant to an order by the High Court of Malaya dated 22 April 2002 for capital reduction and consolidation in accordance with Section 64(2) of the Act.
- ⁴ Settlement for part of the consideration due in respect of the transfer of business from AMFB pursuant to the vesting order of the High Court of Malaya under Section 50 of BAFIA.
- ⁵ Preference shares which were subsequently converted to ordinary shares of RM0.50 each on 23 January 2002.
- ⁶ 81,961,642 new Shares allotted to AMFB pursuant to the acquisition of all issued shares in Amlslamic Bank.
- ⁷ Conversion of RM300,000,000 nominal amount of Interest Bearing Irredeemable Convertible Unsecured Loan Stock due 2017 ("ICULS") at the conversion price of RM5.00 nominal amount of ICULS for every one (1) Share.

IPS

Date of Allotment	No. of IPS allotted	Type of issuance	Cumulative share capital (RM)
18.05.2007	150,000,000	Allotment of Preference Shares	150,000,000

4.5.3 Substantial Shareholders

Based on the Register of Substantial Shareholders, the substantial shareholders of AmBank as at 11 December 2009 and their shareholdings in AmBank are as follows:

Substantial Shareholders	Nationality/ Country of Incorporation	Direct interest	No. of Shares		%
			%	Indirect interest	
AMFB	Malaysia	670,363,762 ³	100	-	-
AHB	Malaysia	-	-	670,363,762 ^{1,3}	100
TSDAH	Malaysian	-	-	670,363,762 ^{2,3}	100
Amcorp	Malaysia	-	-	670,363,762 ^{2,3}	100
CGSB	Malaysia	-	-	670,363,762 ^{2,3}	100
ANZ Funds	Australia	-	-	670,363,762 ^{2,3}	100
ANZ	Australia	-	-	670,363,762 ^{2,3}	100

Notes:

- 1 Deemed interested by virtue of its interest in AMFB
- 2 Deemed interested by virtue of his/its interests in AMFB via his/its substantial interests in AHB
- 3 Excluding 150,000,000 IPS

4.6 Subsidiaries of AmBank

The following are the subsidiaries of AmBank as at 11 December 2009:

Name of Company	Country of Incorporation	Effective Equity Interest (%)	Principal Activities
AmIslamic Bank	Malaysia	100	Islamic banking
AmTrade Services Limited	Hong Kong	100	Trade finance services
AMBB Capital (L) Ltd	Labuan, Malaysia	100	Special purpose vehicle
AmCapital (L) Inc	Labuan, Malaysia	100	Special purpose vehicle
AmProperty Holdings Sdn Bhd	Malaysia	100	Property investment
Bougainvillea Development Sdn Bhd	Malaysia	100	Property investment
MBf Information Services Sdn Bhd	Malaysia	100	Rental of computer equipment and the provision of related support services
MBf Trustees Berhad	Malaysia	60	Trustee services
MBf Nominees (Tempatan) Sdn Bhd	Malaysia	100	Nominee services
MBf Equity Partners Sdn Bhd *	Malaysia	100	Dormant
Natprop Sdn Bhd	Malaysia	100	Dormant
Teras Oak Pembangunan Sendirian Berhad	Malaysia	100	Dormant
Komuda Credit & Leasing Sdn Bhd	Malaysia	100	Dormant
Everflow Credit & Leasing Corporation Sdn Bhd	Malaysia	100	Dormant
AmCredit & Leasing Sdn Bhd	Malaysia	100	Dormant
Li & Ho Sdn Berhad *	Malaysia	100	Dormant
Anling Sdn Bhd *	Malaysia	100	Dormant

Name of Company	Country of Incorporation	Effective Equity Interest (%)	Principal Activities
MBf Nominees (Asing) Sdn Bhd *	Malaysia	100	Dormant
Malco Properties Sdn Bhd	Malaysia	81.51	Dormant
Lekir Development Sdn Bhd *	Malaysia	100	Dormant
Crystal Land Sdn Bhd *	Malaysia	97.87	Dormant
Economical Enterprises Sendirian Berhad	Malaysia	100	Dormant
AmInternational (L) Ltd	Labuan, Malaysia	100	Offshore banking
AmPremier Capital Berhad	Malaysia	100	Special purpose vehicle
AmMortgage One Berhad	Malaysia	100	Special purpose vehicle

Note:

* These subsidiaries had applied to the Companies Commission of Malaysia (“CCM”) for striking off their names from the Register of CCM and had on 22 January 2010 received notification from CCM that the dissolution pursuant to Section 308 of the Act will take effect from 21 March 2010, save and except for MBf Equity Partners Sdn Bhd which shall take effect from 31 March 2010.

4.7 Principal Subsidiary of AmBank

AmIslamic Bank

AmIslamic Bank was incorporated in Malaysia as a public limited company on 14 April 1994 under the Act originally under the name of Arab-Malaysian Bank Berhad (“**AMBB**”). It is a 100% owned subsidiary of AmBank and its ultimate holding company is AHB.

AMBB was incorporated to acquire the commercial banking business of the Malaysian branch of Bank of America Asia Limited which was completed on 1 August 1994. On 1 June 2005, in line with the initiative announced by BNM on the merger of the commercial banking and finance company businesses in a banking group into a single entity, the banking business of AMBB was transferred to AmFinance Berhad, a licensed finance company subsidiary of AHB. With the merger, AmFinance Berhad adopted its present name, AmBank, and AMBB ceased its operation.

On 1 May 2006, AMBB adopted its current name, AmIslamic Bank, and commenced operations as an Islamic bank under the IBA after AmBank transferred all of its Islamic banking business to AmIslamic Bank.

AmIslamic Bank provides a complete range of Islamic commercial banking products and services in accordance with Shariah principles.

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4.8 Information on Directors and Senior Management

4.8.1 Board

The members of the Board as at 11 December 2009 are as follows:

Name / Designation	Date of appointment	Nationality
TSDAH (Chairman, Non-Independent Non-Executive Director)	20.12.2001	Malaysian
Tun Mohammed Hanif bin Omar (Independent Non-Executive Director)	20.12.2001	Malaysian
Tan Sri Datuk Clifford Francis Herbert (Independent Non-Executive Director)	01.10.2005	Malaysian
Dato' Gan Nyap Liou @ Gan Nyap Liow (Independent Non-Executive Director)	15.06.2006	Malaysian
Tan Kheng Soon (Independent Non-Executive Director)	01.10.2005	Malaysian
Cheah Tek Kuang (Chief Executive Officer)	20.12.2001	Malaysian
Ashok Ramamurthy (Non-Independent Non-Executive Director)	18.11.2008	Australian

4.8.2 Directors' Shareholdings

Name (Designation)	No. of Shares held as at 11 December 2009			
	Direct	%	Indirect	%
TSDAH (Chairman, Non-Independent Non-Executive Director)	-	-	670,363,762 ^{1,2}	100
Tun Mohammed Hanif bin Omar (Independent Non-Executive Director)	-	-	-	-
Tan Sri Datuk Clifford Francis Herbert (Independent Non-Executive Director)	-	-	-	-
Dato' Gan Nyap Liou @ Gan Nyap Liow (Independent Non-Executive Director)	-	-	-	-
Tan Kheng Soon (Independent Non-Executive Director)	-	-	-	-
Cheah Tek Kuang (Chief Executive Officer)	-	-	-	-
Ashok Ramamurthy (Non-Independent Non-Executive Director)	-	-	-	-

Notes:

¹ Deemed interested by virtue of his interests in AMFB via his substantial interests in AHB

² Excluding 150,000,000 IPS

4.8.3 Directors' Profiles

Y. Bhg. Tan Sri Dato' Azman Hashim

TSDAH, a Malaysian, was appointed to the Board on 20 December 2001. TSDAH has been the Chairman of AHB, the holding company of AmBank, since 1991. He is the Non-Independent Non-Executive Chairman of AHB.

TSDAH also sits as Chairman of the board of directors of several subsidiaries of AHB, namely AIGB, AMFB, AmInvestment Bank, AmIslamic Bank, AmProperty Trust Management Berhad, AmLife and AmG Insurance Berhad.

TSDAH, a Chartered Accountant (FCPA), a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined BNM and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the board of directors of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired the then Arab-Malaysian Development Bank Berhad which is now known as AmInvestment Bank.

TSDAH is the Executive Chairman of Amcorp and RCE Capital Berhad, and Chairman of Malaysian South-South Corporation Berhad, MCM Technologies Berhad, Institute of Bankers Malaysia and the Islamic Banking and Finance Institute Malaysia Sdn Bhd. He serves as a member on the board of directors of Pembangunan MasMelayu Berhad and has recently been appointed as a director of Asian Institute of Finance Berhad (formerly known as Financial Services Education Centre Berhad). TSDAH is also involved in several charitable organisations as Chairman of AmGroup Foundation, ECM Libra Foundation and Perdana Leadership Foundation, and trustee for Yayasan Perpaduan Nasional, Malaysian Liver Foundation, Yayasan Azman Hashim, Yayasan Tuanku Najihah, Yayasan Canselor Open University Malaysia and Yayasan Wakaf Malaysia.

TSDAH is the Chairman of the Malaysian Investment Banking Association, the Malaysia Productivity Corporation and Chairman Emeritus of the Pacific Basin Economic Council (PBEC) International and Co-Chairman of Malaysia – Singapore Roundtable. He is President of the Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysian Prison FRIENDS Club and Non-Aligned Movement's (NAM) Business Council and Treasurer, Malaysia-Australia Foundation. He is a Member of the APEC Business Advisory Council, East-Asia Business Council, The Trilateral Commission (Asia-Pacific Group), the Malaysian-British and Malaysia-China Business Councils, and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council. He is also the Leader of the ASEAN-Japanese Business Meeting (Malaysia Committee, Keizai Doyukai) and is on the board of Advisors, AIM Centre for Corporate Social Responsibility. He is the Pro-Chancellor, Open University of Malaysia and Member, Governing Body of the Asian Productivity Organisation and International Advisory Panel, BNM International Centre for Education in Islamic Finance (INCEIF).

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Y. A. Bhg. Tun Mohammed Hanif bin Omar

Tun Mohammed Hanif bin Omar, a Malaysian, was appointed to the Board on 20 December 2001. Tun Mohammed Hanif also sits on the board of directors of AHB and other subsidiaries of AHB, namely AMFB, Amlslamic Bank and AmInvestment Bank.

Tun Mohammed Hanif was the Inspector-General of the Malaysian Police Force for 20 years until his retirement in January 1994. Tun Mohammed Hanif is also currently the Chairman of General Corporation Berhad, Deputy Chairman of Genting Berhad and Genting Malaysia Berhad (formerly known as Resorts World Bhd). He has been the President of the Malaysian Institute of Management since 2001.

Tun Mohammed Hanif received his Bachelor of Arts from the then University of Malaya, Singapore in 1959, LLB (Honours) from Buckingham University, United Kingdom in 1986 and Certificate of Legal Practice (Honours) from the Legal Qualifying Board in 1987.

Y. Bhg. Tan Sri Datuk Clifford Francis Herbert

Tan Sri Datuk Clifford Francis Herbert, a Malaysian, was appointed to the Board on 1 October 2005.

Tan Sri Datuk Clifford joined the Malaysian Civil Service in 1964 as Assistant Secretary in the Public Services Department from 1964 to 1968. Subsequently, he served in the Ministry of Finance from 1975 to 1997, culminating as Secretary General to the Treasury. He retired from the civil service in 1997.

As Secretary General in the Ministry of Finance, he was also appointed as alternate Governor of the World Bank. From 1994 to 2000, Tan Sri Datuk Clifford was Chairman of KL International Airport Berhad which built the Kuala Lumpur International Airport. He had been a board member of numerous statutory bodies and government related public companies among them being Kumpulan Khazanah Nasional Berhad, Malaysia Airline System Berhad, PetroliaM Nasional Berhad, Bank Negara Malaysia, the Securities Commission and Chairman of Percetakan Nasional Malaysia Berhad. Additionally, Tan Sri Datuk Clifford is also involved in several NGOs.

Tan Sri Datuk Clifford at present sits on the respective board or directors of Genting Malaysia Berhad (formerly known as Resorts World Bhd), Shell Refining Company (Federation of Malaya) Berhad, AHB, AmInvestment Bank and Amlslamic Bank.

Tan Sri Datuk Clifford holds a Masters of Public Administration from University of Pittsburgh, US and a Bachelor of Arts (Honours) in Economics from University of Malaya.

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Y. Bhg. Dato' Gan Nyap Liou @ Gan Nyap Liow

Dato' Gan Nyap Liou @ Gan Nyap Liow, a Malaysian, was appointed to the Board on 15 June 2006. He is also a board member of AmIslamic Bank.

Dato' Gan was with Accenture, a global management and technology consulting firm for 26 years until his retirement in December 2004. He was a partner for 16 years and had held many global leadership roles including Managing Partner for Malaysia, ASEAN, Asia and Corporate Development, Asia Pacific. Dato' Gan is currently the Chairman/ Director of Cuscapi Berhad and also a Director of Tien Wah Press Holdings Berhad, AMDB Berhad, Tanjong Public Limited Company, Badan Pengawas Pemegang Saham Minoriti Berhad (Minority Shareholder Watchdog Group) and Saujana Resort (M) Berhad.

Dato' Gan was also the Chairman of the Association of Computer Industry Malaysia and the Vice President of the Association of Asian Oceania Computer Industry Organisation, and was a member of the Ministry of Science and Technology Think Tank, Copyright Tribunal and the Labuan International Financial Exchange Committee.

Dato' Gan is a Chartered Accountant, a Fellow of the Association of Chartered Certified Accountants and a Certified Management Consultant.

Mr. Tan Kheng Soon

Mr. Tan Kheng Soon, a Malaysian, was appointed to the Board on 1 October 2005.

Mr. Tan began his career in the financial industry with his attachment to BNM from 1959 to 1986. He served in various departments including economics, foreign exchange, exchange control and investment, until he was promoted to Manager of the Exchange Control Department, and was later seconded to Cagamas Berhad as its first General Manager in 1986. In 1989, he joined Malaysian French Bank Berhad (now known as Alliance Bank Berhad) as Senior Vice-President and retired from office in October 1996. He was a Director of AmBank Berhad (now known as AmIslamic Bank) from 1999 until 2005.

Mr. Cheah Tek Kuang

Mr. Cheah Tek Kuang, a Malaysian, was appointed to the Board on 20 December 2001. Mr. Cheah is currently the Group Managing Director of AHB and Chief Executive Officer of AmBank.

Mr. Cheah joined AmInvestment Bank in 1978 and held various senior positions. In 1994, he was promoted to Managing Director, and he became the Group Managing Director of AmInvestment Bank from January 2002 to December 2004 before assuming the office of Group Managing Director in AHB. He remains as a Non-Independent Non-Executive Director of AmInvestment Bank.

Mr. Cheah's directorships in other public companies include AIGB, AmIslamic Bank, AmLife, AmG Insurance Berhad, Bursa Malaysia Berhad and Cagamas Berhad. He is an Investment Panel Committee Member of Kumpulan Wang Persaraan. He also currently serves as a Council Member of the Association of Banks in Malaysia and is the Alternate Chairman of the Malaysian Investment Banking Association.

Mr. Cheah has a Bachelor of Economics (Honours) degree from the University of Malaya and is a Fellow of the Institute of Bankers Malaysia.

Mr. Ashok Ramamurthy, an Australian, was appointed to the Board on 18 November 2008. Mr. Ashok is currently the Deputy Group Managing Director/ Group Chief Financial Officer of AHB. Mr. Ashok is also a director in AHB's subsidiaries, namely AIGB, AmInvestment Bank and AmIslamic Bank.

As the Group Chief Financial Officer of AHB, Mr. Ashok is accountable for the delivery of financial performance to meet the targets set by the Group Managing Director and AHB board of directors and to meet all financial regulatory reporting requirements. The role, as a key member of the leadership committees, requires him to proactively manage resources and trends to deliver superior financial performance in a challenging and competitive environment.

Mr Ashok is the Senior ANZ representative in the AHB Group and accountable for building enduring relationships between ANZ and the AHB Group. This is a key role representing ANZ interests as a director in the Board and various sub-committees of the major subsidiaries of the AHB Group.

Mr. Ashok has over 20 years finance experience within ANZ, across multiple geographies including New Zealand, Australia and India. He has been successful in developing and executing transformational strategy and leading large finance and shared services functions within ANZ.

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4.8.4 Profile of Key Management

Mr. Cheah Tek Kuang

Please refer to Section 4.8.3 of this IM.

Mr. Ashok Ramamurthy

Please refer to Section 4.8.3 of this IM.

Y. Bhg. Datuk Mohamed Azmi Mahmood

Datuk Mohamed Azmi Mahmood, a Malaysian, is currently the Managing Director, Retail Banking of AmBank and has 28 years of experience in the banking industry.

Datuk Mohamed Azmi first joined Arab-Malaysian Finance Berhad (now known as AMFB) in 1981 as an Accountant. Over the years, he rose to become Senior General Manager. In 1989, he was seconded by BNM to First Malaysia Finance Berhad as its Chief Executive Officer in a rescue scheme of the finance company. In January 1991, he rejoined AMFB and was promoted to Managing Director on 1 August 1994, which he held until 14 June 2002 to assume the office of Managing Director, Retail Banking in AmBank with effect from 15 June 2002.

Datuk Mohamed Azmi is also a Director of AmLife, AmG Insurance Berhad, AmMortgage One Berhad, Malaysian Electronic Payment System (1997) Sdn Bhd (MEPS), MEPS Currency Management Sdn Bhd, Akademi IBBM Sdn Bhd, Financial Information Services Sdn Bhd and FIS Data Link Sdn Bhd.

Datuk Mohamed Azmi is also a Council Member and Honorary Treasurer of the Association of Finance Companies of Malaysia, a Council Member and Honorary Treasurer of the Association of Hire Purchase Companies of Malaysia, a Member of the Council and Committee of the Institute of Bankers Malaysia. He is a Fellow of the Institute of Bankers Malaysia.

Y. Bhg. Dato' James Lim Cheng Poh

Dato' James Lim Cheng Poh, a Malaysian, joined AmBank Berhad as its Managing Director/CEO, on 15 June 2004. After the merger of the business operations of AmBank Berhad and AmFinance Berhad, whereby AmFinance Berhad became AmBank (M) Berhad on 1 June 2005, he was then appointed as Managing Director, Business Banking of AmBank (M) Berhad. On 30th June 2005, Dato' James was appointed as a Director on the board of directors of AmLife.

He graduated from Camborne School of Mines (England) in Mining Engineering and holds a Masters Degree in Science (Engineering) from Queen's University in Canada as well as a Masters Degree in Business Administration from Harvard University, US.

Prior to joining AmBank Berhad, he served in the Hong Leong Group for more than 20 years. He joined the Hong Leong Group in 1983 and held various senior positions and served in various capacities including insurance, properties and finance in the Hong Leong Group. In 1994, he was appointed as the Senior Group Managing Director of Hong Leong Bank Berhad, a position he held until 16 October 2003. Under his leadership, he has developed Hong Leong Bank into one of the fastest growing banks in the country.

Ms. Pushpa Rajadurai

Ms. Pushpa Rajadurai, a Malaysian, is currently the Managing Director of Corporate & Institutional Banking of the AmBank Group. Prior to that, she was the Executive Director of AmInvestment Bank since January 2005. Before 2005, she was the Director/ Head of Corporate Finance involved in both the equity and equity-linked business of the investment bank. She has more than 25 years of experience in the investment banking and financial consultancy.

She presently holds the position of chairperson for the Corporate Finance Committee of the Malaysian Investment Banking Association. She is actively involved in industry development and works extensively with the regulatory bodies in Malaysia at consultative forums and on financial and capital markets matters.

She is a Fellow of the Chartered Association of Certified Accountants and a Member of the Malaysian Institute of Accountants. Prior to joining AmInvestment Bank, she was attached to PricewaterhouseCoopers.

She holds various directorships in the AmBank Group which includes the trustee services, venture capital and REITs management, offshore banking, stockbroking and investment banking and private equity.

Mr. Teng Chean Choy

Mr. Teng Chean Choy, a Malaysian, is currently the Managing Director/Head of Treasury and Markets of the AmBank Group. He joined the AmBank Group through the investment bank arm, AmInvestment Bank on 9 March 1995 as Group Treasurer. Currently, he is responsible for the overall Treasury functions and business activities of the AmBank Group, which includes foreign exchange, interest rate and commodities derivatives business.

He sits on the respective boards of directors of AmInternational (L) Ltd, AmBank's offshore banking subsidiary and AmFutures Sdn Bhd, a wholly-owned subsidiary of AmInvestment Bank involved in futures broking.

Prior to joining AmInvestment Bank, he was the Treasury Manager of a large local bank. Mr. Teng obtained his Diploma in Management from the Malaysian Institute of Management in 1985 and a Master in Business Administration from the University of Hull, United Kingdom in 1998.

Y. Bhg. Datuk Mahdi bin Morad

Datuk Mahdi bin Morad, a Malaysian, is currently the Chief Executive Officer of AmIslamic Bank Berhad. The previous position held by Datuk Mahdi was Executive Director, Retail Banking of AmBank. He joined Arab-Malaysian Finance Berhad (now known as AMFB Holdings Berhad) in 1989. Prior to this, he held various positions in Asia Commercial Finance Berhad and Sime Darby Plantations Berhad.

Datuk Mahdi has a Bachelor of Science degree in Agricultural Business from Iowa State University, US and a Masters degree in Business Administration from University of Missouri, US.

Datuk Mahdi serves as a director on the boards of various subsidiaries of AmBank, namely AmPremier Capital Berhad, AMBB Capital (L) Ltd, AmCapital (L) Inc., MBf Information Services Sdn Bhd, AmProperty Holdings Sdn Bhd and AmCredit & Leasing Sdn Bhd. He is also the Chairman of Arab-Malaysian Credit Berhad.

Mr. Andrew Strain Kerr

Mr. Andrew Strain Kerr, an Australian, is currently the Chief Risk Officer of AmBank Group. Mr. Kerr is responsible for the development and key leadership of the risk function within the AmBank Group, ensuring the financial and reputational integrity of AmBank through an effective risk management framework. He has over 28 years banking experience (including 8 years in South East Asia) with major international financial institutions (including 15 years with Bank of America and 5 years with ANZ), where he has held key leadership and management positions. He has worked predominantly in the areas of corporate finance and Risk Management (including extensive work on Basel II transition experience and as Chairman and/or member of Credit Risk, Traded Market Risk, Asset & Liability Risk, Portfolio Management & Policy, Operational Risk and Executive Management committees). Mr. Kerr has been very successful in instilling a strong credit culture both at the organisational and business unit levels.

Mr. Ross Neil Foden

Mr. Ross Neil Foden, is currently the Group Chief Operations Officer of the AmBank Group. His role is to lead the consolidation of the operational functions across the AmBank Group and assist with improving their operational capabilities. He was the General Manager for Operations and Transformation of ANZ Asia Pacific and was accountable for Operations across the various geographies, product businesses and the Project Management Office overseeing more than 40 projects currently being implemented across the division.

Prior to joining ANZ, Mr. Ross worked with HSBC for over 29 years across the United Kingdom, Hong Kong and Malaysia wherein he has held a number of senior positions in Operations. At his last role as the Managing Director of HSBC Electronic Data Processing, he was accountable for over 3,500 staff undertaking work for 16 countries.

Mr. Sim How Chuah

Mr. Sim How Chuah, a Malaysian, is currently a Senior General Manager in the Business Banking Division at AmBank. He joined Arab-Malaysian Finance Berhad (now known as AMFB Holdings Berhad) in 1984 and was subsequently transferred to AmBank in 1994. Prior to joining AMFB, he was with BDO Binder from 1974 to 1984 where he was initially with the audit arm and his last position was a Director and Manager of the firm's company secretarial unit. He has more than 20 years of experience in the banking industry. He also serves as a Director on the board of directors of AmPremier Capital Berhad, AMBB Capital (L) Ltd and AmCapital (L) Inc, subsidiaries of AmBank.

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4.9 AmBank's Businesses

Following the completion of the Business Transfer, AmBank's operations have been divided into five business divisions: the Retail Banking Division, the Business Banking Division, the Corporate and Institutional Banking Division, the Treasury and Markets Division and the Islamic Banking Division (which crosses AmBank's various lines of business, including Retail and Business Banking). As at 31 December 2009, 65.8% of AmBank's net profits are derived from its Retail Banking Division.

4.9.1 Retail Banking

AmBank's Retail Banking services and products are offered across the following business units:

- auto financing;
- mortgages and other consumer loans;
- credit cards and line of credit;
- personal financing/ co-operative loans;
- asset financing and small business (including leasing and equipment financing);
- deposits (savings accounts, demand deposits and fixed term deposits); and
- retail distribution (including transactional banking, bancassurance, wealth management and the distribution of investment products and insurance products).

As at 31 December 2009, the Retail Banking business served approximately 5.1 million customer accounts through its distribution network of branches, ATMs, EBCs, 24-hour customer contact centre, mobile banking and internet banking services. The AmBank Group's retail assets (including Islamic financing sold to Cagamas Berhad, which per BNM guidelines are required to be accounted for as off balance sheet items) were RM42.7 billion gross loans as at 31 December 2009 comprised mainly of loans for the purchase of transport vehicles, for the purchase of residential properties, credit cards receivables and loans for personal use.

AmBank has adopted a customer service campaign known as Customer F.I.R.S.T. (which stands for Friendly, Innovative, Responsive, Simple and Trustworthy). Under this campaign, AmBank benchmarks itself against banking practices and reviews and rewards branches that excel in customer service.

In addition, AmBank's branches operate as full service retail banking shopfronts offering customers traditional retail banking products and services as well as bancassurance and investment services. This service model is intended to ensure that branch personnel are simultaneously focused on providing efficient and effective service to customers whilst driving business growth with an entrepreneurial mindset. In recent years, AmBank has increased the number of customer facing personnel in branches and also transformed the sales zone in its branches to ensure a more conducive environment for customer sales interactions.

(a) Auto financing

The AmBank Group had RM25.3 billion loans outstanding in the purchase of transport vehicles sector, representing approximately 38.3% of the AmBank Group's total loan portfolio as at 31 December 2009.

The following table sets out the AmBank Group's vehicle financing portfolio as at the dates indicated.

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 December 2009
Loans for purchase of transport vehicles	RM billion 22.74	RM billion 24.12	RM billion 24.35	RM billion 25.25

AmBank has been focusing on rebalancing its portfolio by focusing on viable profit segments. AmBank has established relationships with over 4000 new, used and reconditioned vehicle dealers in Malaysia. AmBank also has strategic alliances with all of the major car manufacturers and car distributors in Malaysia.

AmBank's market share has grown in recent years as a result of AmBank's pricing strategies, its focus on product innovations and service, and its continued relationships with vehicle dealers. AmBank continues to form new alliances with vehicle distributors so as to increase growth in, and diversify, its vehicle financing portfolio.

Auto financing is usually offered on a fixed-rate basis, generally secured by the vehicle being purchased and typically has a term of three to seven years (with a maximum of nine years). The financing typically represents 75.0% to 90.0% of the assessed collateral value of the vehicle to be financed, depending on the credit assessment of the borrower, and the age of the vehicles.

Prior to granting loans for used vehicles, AmBank requires an inspection by Pusat Pemeriksaan Kenderaan Berkomputer Sdn Bhd, the official vehicle inspection body in Malaysia to assess the roadworthiness of the vehicles.

AmBank's auto financing operations and fulfilment department has obtained the ISO 9001 certifications from the Department of Standards Malaysia, the United Kingdom Accreditation Service and the *Comité Français d'Accréditation*, for auto financing processing, documentation, disbursement and customer service.

AmBank implements an automated credit scoring system as part of its ongoing efforts to improve credit risk management AmBank's turn-around time in credit processing.

AmBank continues to undertake marketing initiatives, participation in roadshows and sales promotions with vehicle distributors and dealers throughout Malaysia. AmBank intends to grow its auto financing portfolio by:

- (i) streamlining processing operations to five Business Centres in Klang Valley, 11 outside Klang Valley with 28 other Auto Finance Units spread across the nation;
- (ii) improving service and turn-around time in credit appraisals and disbursements via its automated credit scoring system;

- (iii) introducing more products, and programmes including a dedicated Dealer Management Programme; and
- (iv) conducting regular dealer satisfaction surveys and establishing tie-ups with new dealers.

AmBank continuously reviews its risk management scorecards and credit scoring capabilities to offer customers differential interest rates according to their credit profile.

In June 2007, AmBank won the Excellence in Automobile Lending Award for the Asia Pacific and Persian Gulf Region at the Sixth Asian Banker Excellence in Retail Financial Services Awards.

In 2008, AmBank Auto Finance Division won another award – the Frost & Sullivan Award for Automotive Finance Company of The Year.

(b) Mortgages and Other Consumer Loans

In the residential mortgages segment, the AmBank Group had approximately 6.5% of the domestic market (including Islamic financing asset sold to Cagamas Berhad, which per BNM guidelines are required to be accounted for as off balance sheet items) as at 31 March 2009 with gross loan assets of RM11.3 billion. As at 31 December 2009, the financing of residential mortgages represented approximately 17.3% of the AmBank Group's total loan portfolio. The table below sets out the AmBank Group's residential property financing portfolio as at the dates indicated.

	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 December 2009
Loans for residential property	RM billion 10.73	RM billion 10.95	RM billion 11.31	RM billion 11.42

AmBank's residential property loans normally have terms of between 20 and 25 years, with a maximum loan tenure of 30 years. Under construction residential property loans are typically provided on fixed-rate basis for a period of one to two years, and of variable rate for the remaining tenure, and are secured by a registered charge on the property being financed. As for completed residential property loans, the loan structure is mainly structured on variable rate for the whole tenure. Generally, interest on residential property loans is calculated on a daily reducing balance basis.

AmBank's marketing activities in relation to mortgages and other consumer loans include product-bundling initiatives and active participation in sales launches. AmBank also has strategic alliances with major housing developers to provide end financing packages to home buyers. In addition, AmBank has expanded the sales channels and emphasis on the extensive branch distribution channels.

AmBank introduced several key initiatives to strengthen the retention program and further emphasised on the importance of loan quality with revised credit policies and processes.

AmBank currently has five mortgage business centres in Kuala Lumpur, Penang, Johor Bahru, Kuching and Kota Kinabalu and three mortgage marketing hubs in Ipoh, Malacca and Kuantan, as well as offering mortgage products through its entire network of 189 retail branches through branch managers and a specialised sales force comprising personal bankers and consumer lending specialists.

(c) Credit Cards and Line of Credit

As at 31 December 2009, AmBank was the seventh largest credit card lender in Malaysia based on credit card receivables amongst all credit card lenders. In addition to issuing its own credit cards, AmBank also has a strategic alliance with an independent credit card issuer, MBf Cards. Credit cards receivables owned by AmBank generated from cardholders of MBf Cards amounted to more than RM0.9 billion as at 31 December 2009. AmBank had financed about 1.0 million credit card accounts with total credit cards receivables of nearly RM1.9 billion as at 31 December 2009.

AmBank issues MasterCard and Visa credit cards as well as Al-Taslif card-i through its wholly-owned subsidiary, AmIslamic Bank. Among others, AmBank has entered into several co-brand credit and prepaid card arrangements with RealRewards, one of the country's largest cross-industry loyalty program operator and eCosway. The latest addition to the credit card family is True Visa, a no-frills card targeting the cost conscious and financially savvy segment. This product offers a monthly interest of 12% p.a. while allowing cardmembers the option to choose from an array of card features/benefits (frills) and pay for those that are utilised.

AmBank is also undertaking cross-selling efforts to increase product holding ratio amongst the AmBank Group customers, offering product bundling offers to its corporate banking customers and retail lending products, such as residential property loans and auto financing. Other marketing initiatives implemented by AmBank include co-marketing programmes with AmLife. The recent alliances with global brands to offer gifts for balance transfer and quick cash on instalment repayment programme had brought in more than RM300.0 million of new receivables.

As an extension to its Balance Transfer with gift promotion, AmBank introduced a separate credit limit for Balance Transfer in December 2009. This was a move by the Bank to retain its market share in light of the imposition of the Credit Card Service Tax. The new programme offers 1 card, 2 credit limits which allows cardmembers to consolidate outstanding balances from other cards to their AmBank while freeing the first credit limit for their usual card spend.

In 2009, AmBank launched its Cash Rebate programme, offering up to 10% on essential items such as groceries and petrol, at all hypermarkets and on petrol brands.

In June 2006, AmBank introduced prepaid cards in Malaysia and has penetrated into various key segments with its co-brand cards for the youth, multi-level-marketing organisations, payroll, foreign remittance and telecommunications. AmBank has, in November 2007, launched the AmBank i-Talk Prepaid MasterCard, a joint collaboration between Telekom Malaysia Bhd and AmBank. As at 31 December 2009, AmBank had sold over 327,000 prepaid cards, making it the largest prepaid card issuer in Malaysia.

AmBank has enjoyed growth in its merchant acquiring business. Besides its own sales team, AmBank also has tie ups with Master Merchants to accelerate the take up of new merchants. Joint Marketing promotions which drive card usage at merchant outlets supported by AmBank's communication channels is also seen as a key incentive for merchants to join AmBank. As at 31 December 2009, AmBank has about 9,000 merchants.

(d) Personal Financing/Co-operative Loans

As at 31 December 2009, the AmBank Group ranked third in personal financing/co-operative loans, based on the published financial results of domestic and foreign financial institutions in Malaysia, with a market share of 7.1% and based on a gross financing portfolio of RM2.1 billion.

The principal personal financing/co-operative loans products offered by Amlslamic Bank, a subsidiary of AmBank, is aimed at members of co-operatives who are government employees. The asset quality of such personal financing/co-operative loans is significantly enhanced by the payment method, which is typically via a deduction from monthly salary.

Amlslamic Bank has launched various sales campaigns to increase AmBank and Amlslamic Bank brand visibility. From June to December 2009, Amlslamic Bank has launched campaigns such as "School Holiday", "Duit Raya" and "Back to School". Besides having personal financing facility, customers enjoy free gift and cash money during the campaign period.

(e) Transactional Banking, Bancassurance and Wealth Management

In addition to cross-selling deposit products through its various channels, emphasis is placed on distribution of lending products, such as mortgages, auto financing and micro loans. This business unit also offers customers access to investment products such as fixed income and equity unit trusts, insurance products (such as mortgage reducing term assurance, life, general and auto insurance) and other bancassurance products. In furtherance of AmBank's strategy to grow market share in selected segments and share of customer wallet through cross selling initiatives, such investment and insurance products are substantially sourced from within the AHB Group. In addition, these products are complemented by products sourced from 3rd party insurers and funds management houses to ensure AmBank customers have access to a broader range of products and services in the market.

This business unit also oversees the operations of AmBank's extensive customer facing channels inclusive of:-

- 189 branches nationwide
- 129 EBCs
- 190 cash deposit machines and 143 cheque deposit machines
- 745 ATMs
- 24 x 7 customer contact centres (inbound and outbound capabilities)
- internet banking
- mobile phone / device banking

(f) Deposits

The various deposit products offered by the Retail Banking Division include savings accounts, demand deposits and fixed term deposits.

The Bank has grown its term deposits base by maintaining relationships with its customers and a pricing strategy to assist in funding asset growth.

The Bank's key strategies revolve around the concepts of:

- (1) **Acquisition** – understanding its key customer segments and meeting their Transact and Save needs;
- (2) **Activation** – increasing transactionality and primary accounts; and
- (3) **Anti-Attrition** – prevention to reduce dormancy and closure.

These strategies are underpinned by the delivery of key customer proof points centred around the themes of simplicity, friendliness and convenience. The Bank continues to focus on initiatives which will provide long-term sustainable growth specifically in low-cost deposits. This growth comes from a growing base of customers who choose AmBank for their primary banking relationship, and is driven by several factors such as convenience, accessibility and branding.

In the pipeline for the next financial year of 2011 are a number of products and campaigns which are targeted at specific segments of the market as well as major broad based acquisition campaign to increase deposit balances specifically in low-cost deposits. These are strategic initiatives designed to expand AmBank's customer base and grow share of existing customers' wallets whilst increasing balances in the deposit portfolio.

(g) *Asset Financing and Small Business*

Asset Financing and Small Business primarily provides financing products to SMEs, including industrial hire purchase, term loan, commercial property loan, overdraft, trade financing, bank guarantee and block discounting.

AmBank actively promotes BNM-funded loan schemes, such as the Fund for Small and Medium Industries and the New Entrepreneurs Fund, all of which are intended to assist SMEs in accessing cheaper loan financing.

In ensuring SMEs are able to access to various financing products, AmBank provides loan packages under various guarantee schemes of Credit Guarantee Corporation Malaysia Berhad.

As at 31 December 2009, the AmBank Group's asset financing and small business gross loan portfolio amounted to RM2.5 billion.

Besides focusing on direct sales, the marketing team of AmBank's Asset Financing and Small Business unit also focuses on strengthening its relationship with suppliers and vendors. AmBank has also, in February 2007, launched AmMikro, its micro-financing product. AmMikro's mandate is to provide unsecured term loans with fixed repayment periods to eligible micro enterprises for working capital purposes. The introduction of the micro financing product is in line with the sovereign call to build up the SMEs sector.

4.9.2 Business Banking

The Business Banking Division provides a wide range of products and services to Corporate and Commercial customers. In addition, the SMEs market segment has also been identified as a target market with high growth potential. The Business Banking Division has also established a Bumiputera unit that focuses on expanding our customer base to include Bumiputera entrepreneurs, Government-Linked Corporations ("GLCs") and statutory bodies. The products and services offered include:

(a) *Corporate Lending*

AmBank provides traditional corporate lending products and services, including working capital financing and other commercial loans (such as overdrafts, revolving credit facilities, project financing, bridging loans and syndicated loan participation).

The Business Banking Division also offers a lending programme (for both Conventional and Islamic) focusing on SMEs financing requirements in

respect of the purchase of commercial and industrial properties. This programme offers a more flexible and faster approval process compared to the approval process normally applicable within the Business Banking Division.

(b) Trade Services

AmBank's trade businesses contribute RM3.1 billion in receivables as at 31 December 2009. The Business Banking Division intends to further increase its trade business to boost non-interest income.

From a 13th ranking position in 2006, AmBank has now moved up to the 5th spot in terms of trade assets size in Malaysia as at 30 September 2009. AmBank is also the largest non-government linked trade assets bank in Malaysia.

(c) Factoring

The AmBank Group exposure to the factoring business stands at RM49.0 million as at 31 December 2009. Currently, AmBank has allocated RM500 million to a lending programme to support its factoring products. The factoring lending programme focuses primarily on providing loans to contractors that supply products and services to government ministries and state agencies, multi-national companies and large corporations. This risk is mitigated as the assignment of receivables and collection are from a stronger-rated debtor party.

The factoring lending programme has a more streamlined approval system which allows faster turnaround time for loan processing. Factoring products offer attractive working capital financing instruments due to reasonable fees, faster turnaround time and comprehensive associated services including performance guarantees, advanced payment guarantees, upfront mobilisation funding prior to commencement of work and certification of progress works.

(d) Cash Management and Transaction Management

AmBank's cash and transaction management product has been subscribed by more than 3,000 corporate customers. The product is assisting customers to achieve efficiency in their daily transactions by streamlining transaction processing in their daily and routine cash management tasks. AmBank's current cash management solutions include receivables management, payables management, liquidity management and corporate Internet banking.

As part of the division's strategy to extend its geographical reach, five business centres have been set-up, i.e. in Johor Bahru, Kota Kinabalu, Kuala Lumpur, Kuching and Penang. These RBCs are further supported by 12 CBCs strategically located throughout the country. The CBCs provide marketing services and serve as document collection centres. The RBCs also cross-sell the Group's products and services, such as debt capital markets products, corporate finance advisory services and private banking products. The Business Banking Division customers are also supported by AmBank's branch network in their daily transactional requirements. In addition, there are also 3 product teams, namely trade, factoring and cash management, which supports the marketing arm in the provision of advisory service, new product development and operations.

In the past year, AmBank has:

- strengthened its relationships with cross-border partners and added correspondent banks for ease of foreign clearing and trade transactions;
- introduced structured lending programmes and contract financing programmes through the use of factoring services, which provide flexibility and speed for customers awarded with supplies and services contracts by Government ministries and agencies;
- ensured more structured and systematic coverage of the market by its relationship managers, who have been identified to specialise in selected growth industries, such as oil and gas, metals, chemicals, palm oil, infrastructure and utilities as well as fast moving consumer goods sectors; and
- reengineered its end-to-end processes to allow for more speedy approvals of loan applications and timely usage of funds.

4.9.3 Corporate and Institutional Banking

Corporate and Institutional Banking (“**CIB**”) is a division which focuses on deepening and expanding banking relationships with the AmBank Group’s corporate clients, as well as offering of a wider spectrum of the AmBank Group’s commercial banking and investment banking products. CIB focuses on the following areas of business:

- (a) Relationship Banking
Relationship Banking provides clients with financial solutions, which include but are not limited to lending, debt and equity capital markets, trade and cash management, foreign exchange and derivatives, as well as advisory and investment products.
- (b) Offshore Banking
The AmBank Group’s offshore banking operations in Labuan International Business and Financial Centre comprises Labuan Offshore Branch (“AmBank-LOB”) and AmInternational (L) Ltd (“**AMIL**”), which focus on providing foreign currency financing solutions to Malaysian corporation venturing abroad. These include financing for cross-border acquisitions in Singapore and Indonesia, and providing financing to Malaysian corporations which undertake joint venture projects in Hong Kong, India, China, Indonesia and Vietnam in the oil and gas, energy and services as well as the plantation sectors.

CIB works closely with other divisions within the Group to structure value-added financial solutions for the AmBank Group’s clients. With the increase in the coverage of banking solutions by this division, the CIB teams are able to increase coverage of clients in various sectors. In addition, by marketing various products and services that the AmBank Group offers, this division also plays a pivotal role in cross-selling the products and services of the AmBank Group.

Going forward, the broad strategies of the division will be to diversify and differentiate, in line with the AmBank Group’s strategic objectives. In addition, the division has well-documented asset writing strategies to provide it with clear direction during the current financial market conditions.

4.9.4 Treasury and Markets

In line with the centralisation of the Bank's existing treasury activities together with its collaborative partnership business in foreign exchange and derivatives, the Group Treasury division whose responsibilities comprise the conventional and Islamic treasury activities of the Bank has been renamed as Treasury and Markets division.

The Treasury and Markets division provides capabilities for the trading of interest rates, derivatives and foreign exchange across every market segment including the consumer, SME, corporate, institutional and inter-bank markets.

Following the strategic investment by ANZ in AHB, AmBank and AHB have on 28 August 2008 entered into a Foreign Exchange, Interest Rate and Commodities Technical Services Agreement ("TSA") with ANZ to accelerate the expansion and development of the foreign exchange, interest rate and commodities derivatives business of the AmBank Group.

The TSA represents a significant milestone in the roll out of the strategic initiatives which is expected to contribute considerable value-add as part of the AmBank Group's strategic partnership to develop a sustainable and viable business for foreign and local customers of the AmBank Group and its subsidiary companies. This is expected to be implemented by leveraging ANZ's technical skills, processes and know-how in areas relating to sales and trading, risk, product development and systems. This is expected to fast-track the exponential growth of the AmBank Group's market share in the expanding market for foreign exchange, interest rate and commodities derivatives products.

4.9.5 Islamic Banking

The AmBank Group's Islamic Banking business crosses AmBank's various lines of businesses. Islamic investment banking transactions are often originated out of other corporate entities within the AHB Group. As at 31 March 2009 and as compared to its competitors in the Malaysian market, the AmBank Group was ranked fifth in Islamic banking (including Islamic window) based on total assets, third in Islamic hire purchase and second in Islamic credit cards in Malaysia (based on the published financial results of the 10 domestic banks in Malaysia). As at 31 December 2009, the AmBank Group's Islamic banking business had gross total financing (net of loans sold to Cagamas Berhad) of approximately RM12.3 billion. The Islamic banking business applies the same credit approval process, credit scoring system and collateral policy as those of AmBank.

The AmBank Group offers a complete range of commercial and retail banking services to its clients through AmIslamic Bank.

Since its inception, AmIslamic Bank has not only shown growth but has also capitalised on the robust demand for Islamic financial services. With its universal banking license and 16 years of experience in offering Islamic banking products & services via the AmBank Group's channels, AmIslamic Bank continues to build its relationship with existing customers as well as cultivate new ones in providing a complete range of retail and commercial banking products and services. This is further complemented by the AmBank Group's extensive network of branches, ATM's, and e-banking centres nationwide.

In addition to its Islamic banking business activities, one of the key aspects of AmIslamic Bank's operations is in paying its zakat contributions as part of its corporate social responsibility as well as duty as an Islamic business entity.

The following are some of the strategic initiatives that are being undertaken at AmIslamic Bank, some of which have been completed:

Dedicated branches

As a key component of its business moving forward, Amlslamic Bank has set up 2 dedicated branches in Bandar Baru Bangi and Putrajaya, which began operations in November 2007. This was undertaken with the objective of enhancing its visibility and fulfilling the AmBank Group's vision in making Amlslamic Bank the premier Islamic bank of choice in Malaysia and the region. These 2-standalone branches are expected to be joined by a 3rd branch to be located at IIUM in Gombak in June 2010.

Amlslamic Branding for the Group

In an effort taken by Amlslamic Bank in conjunction with the International Currency Business Unit ("ICBU") license granted by BNM, the AmBank Group is now adopting the brand name of "**Amlslamic**" in order to create and build a brand that is relevant and preferred for Islamic banking & finance both locally and globally.

Synonymous with being the AmBank Group's Islamic entity, "Amlslamic" shall be known as the promoting brand for all the Group's Islamic products and services including investment banking, funds management and ICBU products.

Amlslamic being an Islamic brand name is expected by the AmBank Group to be a more preferred brand for Islamic business activities/investors etc. This is expected to also provide a greater brand exposure and growth potential for Amlslamic brand in the global Islamic banking and finance scene (under the Malaysian Government's initiative to promote Malaysia as a major hub for international Islamic finance through the Malaysian International Islamic Financial Centre (MIFC).

A dual signage comprising signages of Amlslamic and AmBank throughout its shared branches network has also been introduced with the objective of strengthening Amlslamic's brand visibility.

Tie Ups & Alliances

Amlslamic Bank has invested in tying up its products through various alliances and collaborations with 3rd parties to expand its product reach and market penetration. The following are some of the initiatives:

- Amlslamic Bank had signed a tri-partite agreement with Takaful IKHLAS Sdn Bhd and FWU AG (which specialises in "white label" investment solutions for European and International distribution partners) to promote the distribution of a takaful investment-linked plan through Amlslamic Bank and AmBank's branches throughout the country. Under this programme, a customer can invest funds in specific Islamic deposits that are linked to the Takaful plan. This has made Malaysia the first country to introduce such a partnership i.e. between an Islamic institution, a takaful institution and FWU AG. To-date, Amlslamic Bank had been awarded the "Best Bancatakal Award 2009" by the Malaysian Takaful Association for Amlslamic Bank's sales of AmHigh Takaful; and
- Amlslamic Bank's granting to Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN") of a 10-year RM1.5 billion Bai' Inah Term Financing guaranteed by the Government of Malaysia where Amlslamic is the financier and facility agent.

Retail and Business Banking Activities

In 2009, the major focus was on growing the AmBank Group's retail and commercial business. In this regard, a number of new products and programmes were introduced:

- Flexi Bai' Bithaman Ajil for House Financing-I, house financing product with flexible rate features as opposed to fixed rate financing;
- AmMomentum Select Islamic Negotiable Instruments of Deposit (NID-i), an Islamic structured deposit;
- AmIslamic Bank signed a Memorandum of Participation for Bursa Commodity House ("BCH"). BCH is a MIFC initiative operated by Bursa Securities' wholly-owned subsidiary, Bursa Malaysia Islamic Services Sdn Bhd. BCH is Shariah-compliant web-based commodity trading platform aimed at facilitating commodity murabahah transactions for the development of the Islamic financial market infrastructure as well as to facilitate liquidity management for Islamic financial institutions; and
- the Wakalah Deposit Investment account for corporate customers and interbank placements.

4.10 Competitive Strengths

AmBank considers the following to be its principal competitive strengths:

4.10.1 Strategic partnership with ANZ, a major international banking and financial services group

The partnership with ANZ enables AmBank to leverage on the international expertise and strengths of ANZ, as ANZ brings with it its international best practices as well as exposure to international products, banking systems and cross border capabilities. The equity participation of ANZ is expected to enable AmBank to compete more effectively against international banks, given the expected enhancement of its product development abilities and risk management practices.

The capital infusion provided by ANZ through its equity participation in AHB, which capital in turn was injected into AmBank to strengthen its balance sheet and place AmBank in a stronger position in the Malaysian and international markets.

AmBank believes that the following benefits will be derived by AmBank from the AHB Group's strategic partnership with ANZ:

- (i) Risk Management Framework: ANZ has a proven track record in transferring risk capabilities to its partners. This includes improvements of credit risk management systems, knowledge transfer on Basel II implementation and enhancement of financial discipline.
- (ii) Retail and Business Banking: ANZ has experience and capabilities in deposit-raising strategies, auto financing, mortgages and branch service enhancement. ANZ's experience with SMEs will also enable AmBank to leverage ANZ's vast corporate banking experience for business expansion purposes. ANZ's credit card business in other Asian markets is expected to enable AmBank to adopt ANZ's best practise and capture a larger share of the fast-growing Malaysian credit card market.

- (iii) Product Innovation: AmBank will have access to ANZ's products and services expertise for product enhancement and innovation as well as cross-selling activities via AmBank's existing franchise and distribution channels.
- (iv) Branding: It is envisaged that ANZ will add significant credibility and provide a "unique selling point" for AmBank to position itself as a domestic bank with a significant foreign shareholding, and further strengthen its brand equity.
- (v) IT Infrastructure and other Operations: AmBank is expected to be able to leverage on ANZ's international standards and IT practices for the enhancement of its existing IT infrastructure. ANZ's best practices in the area of compliance are expected to enable AmBank to enhance its internal auditing and reporting systems. Further, AmBank is expected to also gain exposure to ANZ's highly automated banking processes and centralised back office operations.
- (vi) Training and Development: With staff secondment and training, AmBank is expected to be able to absorb and implement ANZ's international service standards to enhance the overall quality of its human capital.
- (vii) Regional Presence and Cross-Border Transactions: The partnership is expected to also provide AmBank with access to ANZ's wide international network for remittance, trade finance operations and investment banking cross border dealflow.

On 28 August 2008, with the technical expertise from ANZ, the AHB Group has established the foreign exchange, interest rate derivatives and commodities business. The AHB Group is leveraging on ANZ's markets sales, trading, IT, risk, product development and process skills to set foundation for a sustainable markets business in the Group. The business aspiration is to build complete and integrated end-to-end solutions that add significant value across the Group's business segments including retail banking, business banking and corporate banking.

4.10.2 Extensive and diversified distribution network

AmBank currently operates 189 branches (including 2 dedicated Islamic banking branches), 745 ATMs and 129 self-service EBCs in Malaysia. Besides its network of dedicated nationwide marketing officers and personal bankers, AmBank also leverages on the sales force in the AHB Group which comprise marketing, sales and financial services personnel and agents. In addition to its branch network, AmBank has a 24-hour customer contact centre aimed at providing its customers with convenient point of contact. At the 10th CCAM Annual Contact Centre Awards held on 6 November 2009, AmBank received the following awards:

- Best Telemarketing Contact Centre (Open), Silver Award
- Best Contact Centre Manager (Below 100 seats), Silver Award
- Best Contact Centre Telemarketer (Open), Silver Award
- Best Contact Centre Support Professional (Below 100 awards), Silver Award
- Mystery Shopper Results (Telemarketing), Bronze Award

AmBank intends to expand its network of branches to more than 200 in key growth corridors and highly populated areas by AmBank's chosen customer segments in the short to medium term. In addition, AmBank offers recently-upgraded Internet and best in class mobile phone banking facilities to all of its customers.

4.10.3 Extensive and diversified retail banking business

AmBank has established a retail franchise and has established a niche in Islamic Banking and offers a diversified range of retail banking products and services covering seven principal areas: (i) auto financing; (ii) mortgages and other consumer

loans; (iii) credit cards and line of credit; (iv) personal financing/co-operative loans; (v) asset financing and small business (including leasing and equipment financing), (vi) retail distribution (including transactional banking, bancassurance, wealth management and the distribution of investment products and insurance products); and (vii) deposits (including savings accounts, demand deposits and fixed term deposits). This range provides AmBank with an extensive retail loan base. As at 31 December 2009, the AmBank Group's retail assets were RM43.8 billion.

4.10.4 Leading market position in key products

AmBank is the second largest provider of auto financing in Malaysia, with a market share of approximately 21% as at 31 December 2009, and currently has relationships with over 4,000 dealers in Malaysia. These relationships provide an extensive distribution network for AmBank's auto financing products.

AmBank is also a leading Islamic banking franchise. Its subsidiary, AmIslamic Bank is the fifth largest Islamic bank in Malaysia in terms of asset size as at 30 September 2009, and the second largest Islamic credit card issuer in Malaysia, measured by the total amount of credit card receivables outstanding as at 30 September 2009, commanding a 31% market share.

4.10.5 Ability to provide and cross-sell a wide range of products and services

As part of the AHB Group, AmBank is able to leverage a group-wide sales force to assist it in offering a wide range of products and services provided by other members of the AHB Group, making it a "one-stop" financial centre for customers. At AmBank's branches, customers can purchase, for example, unit trust funds (which AmBank cross-sells with AmInvestment Bank), insurance products (which AmBank cross-sells with AmLife) and securities trading services offered by other members of the AHB Group.

4.10.6 Established and reputable brand name

AmBank believes it has established a reputable and recognised brand name in Malaysia. The AmBank Group was selected as one of the Top 30 Most Valuable Brands in Malaysia through a brand valuation exercise carried out by the Association of Accredited Advertising Agents Malaysia in collaboration with The Edge Malaysia. This recognition was accorded on 1 November 2009 and depicts the strength of AmBank's brand in Malaysia.

AmBank's brand values are expressed through the acronym "F.I.R.S.T.", standing for "Friendly, Innovative, Responsive, Simple and Trustworthy". By applying these values, AmBank strives to be the best bank in Malaysia and seeks to provide exceptional customer service. AmBank is committed to the satisfaction of its customers.

4.10.7 Important strategic alliances

AmBank has entered into a number of strategic alliances including an arrangement with MBf Cards, currently the largest non-bank credit card issuer in Malaysia for the provision of credit card financing. In addition, AmBank has engaged continuous alliances with major housing developers and participated in major property roadshows. In June 2009, AmBank had also embarked on a first-of-its-kind mortgage facility for Telekom Malaysia Berhad (TM) via AmMortgage One Bhd, a wholly-owned subsidiary of AmBank. In effect, the said facility involves the outsourcing and securitisation of TM employees' residential loans. AmBank also has relationships with government co-operatives to expand its personal financing/co-operative loans services throughout Malaysia. In the auto financing sector, AmBank has strong business alliances with almost all car manufacturers and principals, franchise holders as well as a very strong and established network with the used auto dealers.

AmBank has introduced NexG prepaid credit cards and is the largest issuer of the prepaid card in Malaysia and has an alliance with one of its key strategic partners, TM to issue a co-branded prepaid card with iTalk airtime. Other key strategic alliances include e-Cosway and RealRewards. In addition, AmBank has forged a strategic alliance to install 400 ATMs at 7-Eleven stores (24-hour convenience stores) nationwide. At present, there are 342 AmBank ATMs at selected 7-Eleven stores.

4.11 Strategy

AmBank's focus is to achieve sustainable and profitable growth within its risk management framework. In order to achieve this objective, AmBank aims to meet the needs of its customers and develop innovative and competitive products and services.

To best effect each of the business strategies enumerated below, AmBank intends to leverage on the international expertise and strengths of ANZ. ANZ brings with it its international best practices as well as exposure to international products, banking systems and cross border capabilities. AmBank's principal strategies are in alignment to the overall strategies of the AHB Group, and are as follows:

4.11.1 Maximise income, continue to deliver profitable growth and meet its return on equity targets by focusing on its core business areas

The AHB Group had in late 2007 announced its medium term aspirations which include an intention to double its 31 March 2007 underlying net profit after tax and attain a return on equity of 17% to 20%. Amidst the current global economic challenges that have arisen since then, the Group is currently evaluating the timeframe to achieve its medium term aspirations. AmBank aims to meet these targets by continuing to focus on its core business areas.

Business Areas Current Focus

Auto financing	<ul style="list-style-type: none"> • Grow profitability via segmentation approach • Enhance risk based pricing models • Improve dealership management
Mortgages	<ul style="list-style-type: none"> • Grow its middle to high end market segments • Focus on secondary refinancing & owner occupied housing • Adopt rigorous risk based approach to investment properties
Credit cards	<ul style="list-style-type: none"> • Grow cards base, utilisation, revenue and profitability via free for life programs, low rate cards, family cards and co-branding • Enhance focus on merchant acquisition • Be "card of choice" by increasing product holding ratio
Personal financing/Co-operative loans	<ul style="list-style-type: none"> • Build relationships to grow receivables and profitability • Enhance customer service • Enhance bundling
Asset financing and small business	<ul style="list-style-type: none"> • Enhance retention strategies • Build strategic alliances with machinery dealers & suppliers • Introduce new loan packages and focus on industrial hire purchase refinancing

Deposits	<ul style="list-style-type: none"> • Acquisition focus on transact and save needs of mass market, small businesses, and emerging and mass affluent segments • Activation focus on payroll crediting and direct credits and debits • Anti-attrition focus to prevent dormancy
Business Banking	<ul style="list-style-type: none"> • Entrench business in preferred and stable industries in accordance to government stimulus packages • Maintain good relationship with existing customers through excellent service • Target new customers with good track record, feasible business plans and operating in viable sectors

4.11.2 Decrease cost of funds in tandem with enhancements to cost efficiency

The AHB Group has outlined as part of its strategic aspirations, a targeted reduction in its funding costs, while simultaneously reducing the interest rate volatility risk in its funding costs. AmBank aims to move towards the target by improving its funding and liquidity profile, building its deposit distribution capabilities and creating deposit-focused product units.

The AHB Group also seeks to reduce its costs and increase its efficiency in various other aspects of its business and attain, in the medium term, a cost to income ratio of circa 40%. From an operational perspective, AmBank aims to centralise its key processes and backroom activities to increase its efficiency. AmBank also aims for further operational enhancement via simplification, automation and outsourcing. With respect to its employees, AmBank aims to streamline performance management activities to align targets across its banking business.

4.11.3 Reduce NPLs and strengthen receivables management, collections and risk management policies

The AHB Group aims to reduce its net NPLs ratio to below system levels in the medium term upon recovery from the current global, regional and domestic economic downturn. AmBank aims to strengthen its credit risk infrastructure and improve its risk assessment processes with the goal of further refining credit scoring across all retail products. New and enhanced rating models are expected to be launched in 2010, to generate obligor's probability-of-default, loss-given-default and exposure-at-default. AmBank has established a centralised retail collection centre to focus on maximising recovery efforts.

4.11.4 Differentiate and enhance customer experience

AmBank aims to elevate the customer experience through brand differentiation and migration of customer transactions to preferred and more cost effective delivery channels. AmBank consistently monitors its brand position in the market and is dedicated to the enhancement of its brand positioning and brand awareness amongst consumers, with a particular focus on customer profitability in all sales acquisition programmes and campaigns.

4.11.5 Leverage the synergies of AmBank's Business Banking, Retail Banking and Corporate and Investment Banking divisions

AmBank currently aims to utilise the synergies of its Business Banking and Retail Banking divisions to:

- reduce the cost of borrowing by achieving CASA ("Current Accounts Saving Accounts") portfolio growth;
- reduce operational cost by achieving cost efficiencies; and
- introduce new products and services.

Following the Business Transfer, AmBank also intends to further enhance the synergies between its existing divisions and the newly transferred divisions.

4.11.6 Extend distribution of banking products and services to all branches

AmBank aims to extend its comprehensive banking products and services to all of its branches, including offering overdraft services and additional international remittance services.

In the insurance business segment of the AHB Group, Friends Provident Fund PLC and Insurance Australia Group Ltd currently holds 30% and 49% stakeholding in the life insurance and general insurance businesses respectively. These strategic partnerships provide benefits to the AHB Group in the form of more sophisticated product development and improved analytics. AmBank cross-sells these insurance products at its branches and via its personal bankers.

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5. FINANCIAL INFORMATION

5.1 Financial Highlights

A summary of the consolidated financial statements of the AmBank Group based on the audited financial statements for the past three (3) FYEs 31 March 2007 to 2009 as well as the unaudited financial statements for the nine (9) months financial period ended 31 December 2009 are as follows:

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Income Statement				
Revenue	4,301.1	4,348.7	4,866.5	3,788.0
Interest income	3,209.3	3,210.6	3,724.2	2,652.1
Interest expense	(2,007.5)	(1,777.2)	(2,025.7)	(1,334.8)
Net interest income	1,201.8	1,433.4	1,698.5	1,317.3
Net income from Islamic Banking business	518.8	493.0	538.3	508.8
Other operating income	283.7	305.7	177.3	370.9
Share in results of associates	-	0.1	0.1	0.1
Net income	2,004.3	2,232.2	2,414.2	2,197.1
Other operating expenses	(748.6)	(857.6)	(982.5)	(864.5)
Operating profit	1,255.7	1,374.6	1,431.7	1,332.6
Allowance for losses on loans and financing	(1,446.3)	(553.7)	(349.2)	(430.3)
Provision for commitments and contingencies	-	-	(12.0)	8.0
Impairment loss	(225.1)	(83.1)	(58.8)	(89.6)
Profit/(loss) before zakat and taxation	(415.7)	737.8	1,011.7	820.7
Zakat	(0.8)	(0.6)	(1.0)	(1.2)
Taxation	54.1	(271.1)	(309.5)	(219.1)
Profit/(loss) after zakat and taxation	(362.4)	466.1	701.2	600.4
Net Profit/(loss) attributable to equity holder of AmBank	(362.4)	466.1	701.2	600.4
Earnings per share (sen)				
Basic	(59.37)	71.09	104.71	89.57
Fully diluted	-	60.23	86.66	73.19

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Balance Sheet				
ASSETS				
Cash and short-term funds	9,982.6	8,933.4	17,106.4	13,454.7
Deposits and placements with banks and other financial institutions	2,244.8	1,968.5	421.1	795.5
Securities held-for-trading	1,117.3	1,771.2	1,387.4	2,034.1
Securities available-for-sale	598.8	119.4	5,598.5	6,527.7
Securities held-to-maturity	1,117.6	656.7	753.4	548.4
Derivative financial assets	-	71.7	477.1	350.6
Loans, advances and financing	43,465.5	47,949.5	56,739.8	63,570.0
Other assets	818.1	863.1	754.0	1,058.3
Statutory deposit with BNM	1,638.0	1,526.5	517.6	130.2
Deferred tax asset	827.0	629.6	344.2	229.1
Investment in associates	0.6	0.7	0.8	0.9
Prepaid land lease payments	-	4.4	4.1	3.8
Property and equipment	181.9	168.8	171.2	192.1
Intangible assets	54.5	61.5	66.4	75.5
TOTAL ASSETS	62,046.7	64,725.0	84,342.0	88,970.9
LIABILITIES AND EQUITY				
Deposits from customers	37,135.9	41,535.5	63,947.1	67,327.1
Deposits and placements of banks and other financial institutions	16,153.7	12,316.4	7,641.4	7,468.9
Derivative financial liabilities	-	85.7	565.5	410.1
Obligations on securities sold under repurchase agreements	444.3	-	-	-
Bills and acceptances payable	1,461.6	1,909.2	2,120.2	1,860.2
Recourse obligation on loans sold to Cagamas Berhad	702.6	208.8	155.0	140.4
Other liabilities	1,223.7	1,451.0	1,384.3	1,877.7
Subordinated term loans	460.0	460.0	-	-
Hybrid securities	684.2	689.5	825.9	776.4
Medium term notes	-	860.0	1,460.0	1,557.8
Subordinated bonds	600.0	600.0	400.0	400.0
Exchangeable bonds	-	575.0	575.0	575.0
Term loans and Revolving Credit	-	-	145.8	239.6
Capital Securities	-	-	500.0	985.0
Irredeemable Convertible Unsecured Loan Stocks	-	131.6	-	-
Irredeemable Non-Cumulative Convertible Preference Shares	-	150.0	150.0	150.0
Total Liabilities	58,866.0	60,972.7	79,870.2	83,768.2
Share capital	610.4	610.4	670.4	670.4
Reserves	2,570.3	3,141.9	3,801.4	4,532.3
Minority Interests	-	-	-	-
Total Equity	3,180.7	3,752.3	4,471.8	5,202.7
TOTAL LIABILITIES AND EQUITY	62,046.7	64,725.0	84,342.0	88,970.9
Net assets per share (RM)	5.21	6.15	6.67	7.76
Gearing ratio (times) ¹	0.5	0.9	0.9	0.9

Notes:

The summary consolidated financial statements of the AmBank Group for the FYE 31 March 2007 had not incorporated prior year adjustments/ restatements as follows:

- i) the adoption of BNM's revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) in respect of the treatment of derivative financial instruments
- ii) the adoption of new and revised FRSs that are applicable to the AmBank Group with effect from April 2007
- iii) inclusion of financial results of AmInvestment Bank's fund based activities including its 100% owned subsidiary, AmInternational (L) Ltd, vested to the AmBank Group in FYE 2009 under the pooling of interest method under Malaysian Generally Accepted Accounting Practices ("Merger Method"). Under the Merger Method, the results of business transferred from AmInvestment Bank together with the assets and liabilities are included in the financial statements of the AmBank Group as if the merger had been effected prior to and throughout the current financial year.
- iv) reclassification arising from changes in presentation with effect from April 2007, April 2008 and April 2009.

The summary consolidated financial statements of the AmBank Group for the FYE 31 March 2008 had not incorporated the restatement as follows:

- i) inclusion of financial results of AmInvestment Bank's fund based activities including its 100% owned subsidiary, AmInternational (L) Ltd, vested to the AmBank Group in FYE 2009 under the pooling of interest method under Malaysian Generally Accepted Accounting Practices ("Merger Method"). Under the Merger Method, the results of business transferred from AmInvestment Bank together with the assets and liabilities are included in the financial statements of the AmBank Group as if the merger had been effected prior to and throughout the current financial year
- ii) reclassification arising from changes in presentation with effect from April 2008 and April 2009.

The summary consolidated financial statements of the AmBank Group for the FYE 31 March 2009 had not incorporated the restatement for reclassification arising from changes in presentation with effect from April 2009.

- 1 Comprising subordinated term loans, subordinated bonds, exchangeable bonds, hybrid securities, irredeemable convertible unsecured loan stocks (liability portion), irredeemable non-cumulative convertible preference shares, MTN, Capital Securities, term loan and revolving credit.

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The following financial ratios of the AmBank Group are unaudited:

	FYE 31 March 2007	FYE 31 March 2008	FYE 31 March 2009	Third Quarter Ended 31 December 2009
<u>Financial Ratios</u>				
Return on assets ⁽²⁾	(0.61%)	0.74%	0.94%	0.92%
Return on equity ⁽²⁾	(10.98%)	13.45%	17.05%	16.55%
Net interest margin ⁽²⁾	2.91%	3.11%	3.08%	2.81%
Net NPL ratio	6.16%	3.57%	2.57%	1.77%
Loan loss coverage ratio	54.94%	65.55%	74.83%	92.56%
Loans to deposits ratio	117.04%	115.44%	88.73%	94.42%
Cost to income	37.35%	38.42%	40.70%	39.35%
Core capital ratio	5.91%	7.08%	9.25%	9.37%
Risk-weighted capital ratio	10.30%	13.09%	14.62%	14.88%

Notes:

- (1) The Financial Ratios used are defined as:

Return on assets means net profit for the year as a percentage of the average of beginning and year/ period-end total assets.

Return on equity means net profit for the year/ period as a percentage of the average of beginning and year/ period-end shareholders' funds.

Net interest margin means net interest income, including net financing income and hibah from Islamic Banking business, as a percentage of the average of beginning and year/ period-end interest-earning assets (comprising cash and short-term funds, deposits and placements in banks and other financial institutions, securities purchased under resale agreements, securities held-for-trading, securities available-for-sale, securities held-to-maturity and loans, advances and financing) including Islamic Banking assets.

Net NPL ratio means non-performing loans less specific allowance as a percentage of gross loans, advances and financing (before deduction of Islamic financing sold to Cagamas Berhad) less specific allowance.

Loan loss coverage ratio means total specific allowance and general allowance for bad and doubtful debts as a percentage of gross non-performing loans.

Loans to deposits ratio means net loans, advances and financing as a percentage of deposits from customers.

Cost to income means operating expenses as a percentage of the net income.

Core capital ratio means the ratio of Tier 1 capital to risk-weighted assets calculated in accordance with BNM guidelines. However, if the total of investment in subsidiaries and holdings of other banking institutions' capital is greater than the Tier 2 capital of the banking institution, then the core capital is equivalent to the capital base.

Risk-weighted capital ratio means the ratio of total capital base to risk-weighted assets calculated in accordance with BNM guidelines.

- (2) The ratios for the nine (9) months ended 31 December 2009 are annualized.

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5.2 Commentaries on Past Performance

FYE 31 March 2007

On 1 May 2006, the Islamic Banking business of AmBank was transferred to and vested into Amlslamic Bank, a wholly owned subsidiary of AmBank, to formalise the corporate separation of the conventional banking business from the Islamic banking business. With the new Islamic operational structure in place and ongoing effective communication with its customers, the AmBank Group is aiming for maximum optimisation of its services to further propel its Islamic banking services.

During the year, the AmBank Group adopted a more stringent basis for charging specific allowances on NPLs. Accordingly, only 50% of the realisable value is assigned to the properties held as collateral for NPLs which are in arrears for more than five (5) years but less than seven (7) years, no value is assigned to the realisable value of the properties held as collateral for NPLs which are in arrears for more than seven (7) years. Further, a specific allowance of 20% is provided on NPLs which are more than three (3) months but less than six (6) months in arrears. This change in the method of provisioning has resulted in an additional specific allowance charge for the year of RM515.5 million. The AmBank Group also set aside impairment loss of RM213.8 million on debt converted securities.

The AmBank Group reported a loss before zakat and taxation of RM415.7 million (excluding the impact of prior year adjustments and contribution from fund-based activities vested over from AmInvestment Bank) for the year due to higher loss allowances as a result of adopting a more prudent provisioning policy on loans, advances and financing and debt converted instruments.

On December 2006, AmBank prepaid the RM680 million subordinated term loan facility to Astute Assets Berhad. In the same month, its wholly owned subsidiary, Amlslamic Bank issued RM400 million Subordinated Sukuk Musyarakah ("**Sukuk Musyarakah**") for purposes of increasing Amlslamic Bank's capital funds. The Sukuk Musyarakah is for a period of ten (10) years and carries a profit rate of 4.8% per annum for the first five (5) years and shall be stepped up by 0.5% per annum every subsequent year to maturity date.

FYE 31 March 2008

The year 2008 represented a year of performance turnaround for the AmBank Group. From a loss position in the previous financial year, the Group registered a pre-tax profit of RM737.8 million (excluding the contribution from fund-based activities vested over from AmInvestment Bank). Net interest income increased mainly due to increase in interest on loans, advances and financing attributable to loan growth and lower NPLs, which fell to 3.57% from 6.16%. Debt provisioning charge registered a significant decline as a result of the more stringent provisioning policy adopted with effect from previous year coupled with lower net NPLs. Other operating income decreased mainly due to loss in revaluation of securities held-for-trading impacted by rising interest rates and domestic economic conditions. Operating expenses increased due to the impact of back-dated salary cost (accruing since financial year ended 31 March 2006) for union employees.

During the year, the AmBank had issued five tranches of MTN totaling RM860 million under the MTN Programme. The proceeds raised from the MTN programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements. The MTN issued had been included as Tier 2 capital under the capital adequacy framework for financial institutions.

On 11 March 2008, AHB, the ultimate holding company announced a Proposed Group Internal Restructuring whereby the fund-based activity of AmInvestment Bank shall be transferred to and vested in AmBank for conventional business and Amlslamic Bank for Islamic banking business pursuant to the vesting order issued by the High Court of Malaya at Kuala Lumpur.

FYE 31 March 2009

Effective 12 April 2008, the fund-based activity of AmInvestment Bank was transferred to the Bank and AmIslamic Bank. AmInvestment Bank's wholly-owned offshore bank subsidiary, AMIL was also transferred to AmBank via a share transfer.

The AmBank Group registered a profit before zakat and tax ("**PBT**") of RM 1,011.7 million for the year due to increase in net interest income arising from loan growth and reduction in allowances for losses on loans and financing. Lower provisions were underpinned by improved credit control, collections and recoveries management. Net NPLs of the AmBank Group continued to improve to 2.57%. The increase in net interest income was partially offset by lower other operating income and increase in operating expenses.

During the year, AmBank issued the sixth tranche of MTN amounting to RM600 million. The proceeds raised were utilised for the refinancing of existing subordinated debts and general working capital requirements. On 20 May 2008, the holding company, AMFB exercised its conversion right to convert the entire RM300 million irredeemable convertible unsecured loan stock ("**ICULS**") into 60,000,000 fully paid ordinary shares of RM1.00 each. AmBank also undertook the issuance of Non-Innovative Tier 1 ("**NIT1**") Capital programme of up to RM500 million in nominal value comprising Non-Cumulative Perpetual Capital Securities which are issued by the Bank and stapled to Subordinated Notes issued by AmPremier Capital Berhad, a wholly-owned subsidiary of the Bank, collectively known as Stapled Capital Securities. The proceeds from the NIT1 program were used for working capital purposes. The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. As at 31 March 2009, the Group's risk-weighted capital ratio remains strong at 14.62%.

Unaudited financial statements for the nine (9) months financial period ended 31 December 2009

The AmBank Group registered a PBT of RM820.7 million representing a 5.0% increase compared to the PBT from the corresponding period last year. The increase in PBT was attributable to higher investment income and write back of provision for commitments and contingencies arising from recovery of the capital markets and higher net income from the Islamic Banking business. Net income from Islamic Banking business increased by RM100.1 million or 24.5% mainly driven by strong growth in financing and advances and lower income to the depositors despite the strong growth in deposits. The increase was offset by higher loan losses due to loan growth, higher operating expenses due to higher personnel costs with the increase in head count and impairment loss on securities. Net NPLs of the AmBank Group continued to improve to 1.77%.

During the period, AmBank issued up to RM485.0 million Innovative Tier I Capital Securities under its RM500.0 million Innovative Tier I Capital Securities ("**ITICS**") Programme. The proceeds raised were utilized for general working capital requirements. The ITICS has been assigned a long term rating of A3 by RAM Ratings and rank pari passu with other Tier I securities and the most junior class of preference shares but above ordinary shares.

On 10 December 2009, AmBank issued the seventh tranche of MTN amounting to RM97.8 million under the MTN Programme. The proceeds raised were utilized for general working capital requirements. The said tranche is for a tenor of 10 years non-callable 5 years and bears interest at 5.75% per annum. The interest rate will step up by 0.5% per annum at the beginning of year 6 and every anniversary thereafter, preceding the maturity date.

As at 31 December 2009, the Group's risk-weighted capital ratio remains strong at 14.88%.

5.3 Capitalisation and Indebtedness

The following table sets out the capitalization and indebtedness of the AmBank Group based on the audited financial statements for the past three (3) FYEs 31 March 2007 to 2009 as well as the unaudited financial statements for the nine (9) months financial period ended 31 December 2009.

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Short-term and long-term liabilities				
Deposits from customers	37,135.9	41,535.5	63,947.1	67,327.1
Deposits and placements of banks and other financial institutions	16,153.7	12,316.4	7,641.4	7,468.9
Derivative financial liabilities	-	85.7	565.5	410.1
Obligation on securities sold under repurchase agreements	444.3	-	-	-
Bills and acceptances payable	1,461.6	1,909.2	2,120.2	1,860.2
Recourse obligation on loans sold to Cagamas Berhad	702.6	208.8	155.0	140.4
Other liabilities	1,223.7	1,451.0	1,384.3	1,877.7
	<u>57,121.8</u>	<u>57,506.6</u>	<u>75,813.5</u>	<u>79,084.4</u>
Loan Capital				
Subordinated term loans	460.0	460.0	-	-
Hybrid securities	684.2	689.5	825.9	776.4
Medium term notes	-	860.0	1,460.0	1,557.8
Subordinated bonds	600.0	600.0	400.0	400.0
Exchangeable bonds	-	575.0	575.0	575.0
Term loans and Revolving Credit	-	-	145.8	239.6
Capital securities	-	-	500.0	985.0
Irredeemable Convertible Unsecured Loan Stocks	-	131.6	-	-
Irredeemable Non-Cumulative Convertible Preference Shares	-	150.0	150.0	150.0
	<u>1,744.2</u>	<u>3,466.1</u>	<u>4,056.7</u>	<u>4,683.8</u>
Total Liabilities	58,866.0	60,972.7	79,870.2	83,768.2
Equity				
Share capital	610.4	610.4	670.4	670.4
Reserves				
Share premium	710.7	710.7	942.8	942.8
ICULS (equity component)	-	200.8	-	-
Statutory reserve	633.2	770.9	849.2	927.6
Merger reserve	349.0	349.0	397.6	397.6
Capital reserve	377.5	377.5	377.5	377.5
Available for-sale reserve	6.0	(2.1)	(44.0)	45.5
Other reserves	-	-	(79.6)	(38.7)
Unappropriated profits	493.9	735.1	1,357.9	1,880.0
	<u>3,180.7</u>	<u>3,752.3</u>	<u>4,471.8</u>	<u>5,202.7</u>
Total Shareholders' Funds	3,180.7	3,752.3	4,471.8	5,202.7
Minority Interests	-	-	-	-
Total Equity	3,180.7	3,752.3	4,471.8	5,202.7

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Total Liabilities and Equity	62,046.7	64,725.0	84,342.0	88,970.9
Commitments and Contingencies	26,299.9	31,516.6	49,211.9	59,657.9
Total Capitalisation	4,924.9	7,218.4	8,528.5	9,886.5

5.4 Funding

The Bank funds most of its operations from customer deposits and interbank borrowings. Customer deposits in the CASA space has increased by over 20% over the last 9 months. The overall strategy is to enlarge the distribution footprint and branch network (currently the fourth largest domestic network) plays a pivotal role in deposit gathering. The Group's distribution footprint includes 189 commercial bank branches (with 2 dedicated Islamic bank branches), 745 ATMs and 129 electronic banking centres nationwide. Of these, a targeted 400 (342 installations completed) ATMs are placed at 7-Eleven stores to accord customers with 24-hour and more secure banking convenience.

The Bank's liquidity risk management is in compliance with the New Liquidity Framework as prescribed by BNM.

5.4.1 Customer Deposits

The following table illustrates the profile of the AmBank Group's customer deposits by type for the past three (3) FYEs 31 March 2007 to 2009 as well as the nine (9) months financial period ended 31 December 2009:

Profile of Customer Deposits by Type

	FYE 31 March 2007 * (Audited)	FYE 31 March 2008 * (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Deposit Type				
Demand deposits	2,160.1	2,908.5	3,168.5	4,410.6
Savings deposits	3,160.4	3,340.7	3,581.2	3,811.3
Fixed / Investment deposits	31,164.5	32,268.1	43,870.9	44,530.6
Negotiable certificates of deposits	16.7	16.6	825.7	908.1
Other deposits	634.2	3,001.6	12,500.8	13,666.5
Total	37,135.9	41,535.5	63,947.1	67,327.1

Note:

* Figures not restated with reclassification made in FYE 2009. In FYE 2009, certain depositors which were previously 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 comparison as the reclassification is in line with industry practice.

The following table illustrates the maturity structure of the AmBank Group's customer deposits for the past three (3) FYEs 31 March 2007 to 2009:

Maturity Structure

	FYE 31 March 2007 (Audited) RM million	FYE 31 March 2008 (Audited) RM million	FYE 31 March 2009 (Audited) RM million
Maturity Structure			
Due within six months	26,268.8	31,271.8	50,802.1
Six months to one year	7,069.3	7,631.4	10,294.6
One year to three years	2,939.0	1,824.9	2,208.0
Three years to five years	858.7	807.4	642.4
Total	37,135.9	41,535.5	63,947.1

5.4.2 Interbank Deposits

The Bank is an active interbank participant. It also acts as a Principal Dealer on BNM money market tender operations. Interbank borrowings are normally used to fund short term mismatches in the Bank's maturity profiles or for on-lending and arbitrage opportunities, where there are opportunities to do so. The Bank seeks to maintain borrowings from the interbank market within manageable levels so as to avoid dependence on the interbank market for borrowings. The Bank is currently a net interbank lender.

The Bank also issues negotiable certificates of deposits and sells securities to raise short term funds.

5.4.3 Other Funding Sources

Sale of credit facilities to Cagamas Berhad

The Bank is able to secure longer-term sources of funds of three to seven years tenure by selling consumer loans to Cagamas Berhad (the Malaysian national mortgage corporation) with recourse to the Bank. The Bank continues to service such loans, retaining the fixed or floating interest collected on the loans, and pays a fixed or floating rate of interest to Cagamas Berhad as selected by the Bank at the time of sale.

Asset securitization

The Bank obtains alternative funding by undertaking asset securitization whereby it sells credit facilities or a portfolio of loans to a special purpose vehicle, which, in turn issues securities to fund the acquisition from the Bank. By doing so, the Bank is able to realize the value of the assets sold to the special purpose vehicle as well as diversify external sources of asset funding and to transfer specific risk exposures. Apart from the abovementioned, the establishment of the Senior Notes Issuance Programme will provide the Bank with a long term funding platform to tap liquidity in the Malaysian debt capital markets, to meet its long-term funding requirements and to facilitate the Bank in enhancing its liquidity risk management activities.

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5.4.4 Contingency Funding Plan

The contingency funding plan of AmBank comprises the following:-

- liquidity and crisis management policy
- liquidity and management resources
- crisis management action plan

The above are adopted in accordance with the Sound Practices for Managing Liquidity in Banking Organisation issued by the Basel Committee on Banking Supervision in 2000.

5.5 Capital Adequacy

The capital adequacy ratios of the AmBank Group are computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (RWCAF – Basel II). The AmBank Group has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

The following table sets out the capital adequacy ratios of the AmBank Group for the past three (3) FYEs 31 March 2007 to 2009 as well as the nine (9) months financial period ended 31 December 2009.

	FYE 31 March 2007 ¹ (Audited)	FYE 31 March 2008 ² (Audited)	FYE 31 March 2009 ³ (Audited)	Third Quarter Ended 31 December 2009 ³ (Unaudited)
	RM million	RM million	RM million	RM million
Tier I Capital				
Paid-up share capital	610.4	610.4	670.4	670.4
Irredeemable Non-Cumulative Convertible Preference Shares	-	150.0	150.0	150.0
Innovative Tier I capital	414.4	548.4	750.1	959.3
Non-innovative Tier I capital	-	-	500.0	500.0
Share premium	710.7	710.7	942.8	942.8
Statutory reserves	633.2	770.9	849.2	927.6
Retained profits and other reserves	1,220.4	1,461.6	2,109.4	2,470.3
	3,589.1	4,252.0	5,971.9	6,620.4
Less:				
Deferred tax assets	(827.0)	(596.1)	(306.3)	(225.8)
Total Tier I Capital	2,762.1	3,655.9	5,665.6	6,394.6
Tier II Capital				
Irredeemable Convertible Unsecured Loan Stocks	-	291.6	-	-
Innovative Tier 1 capital	276.8	201.6	-	275.8
Subordinated term loans	460.0	460.0	-	-
Medium term notes	-	860.0	1,460.0	1,557.8
Subordinated bonds	600.0	600.0	400.0	400.0
Exchangeable bonds	-	575.0	575.0	575.0
General allowance for bad and doubtful debts and financing	713.1	775.2	895.6	983.9
Total Tier II Capital	2,049.9	3,763.4	3,330.6	3,792.5
Less: Excess Tier II capital	-	(667.0)	-	-

	FYE 31 March 2007 ¹ (Audited)	FYE 31 March 2008 ² (Audited)	FYE 31 March 2009 ³ (Audited)	Third Quarter Ended 31 December 2009 ³ (Unaudited)
	RM million	RM million	RM million	RM million
Maximum allowable Tier II capital	2,049.8	3,096.4	3,330.6	3,792.5
Total Capital Funds	4,812.0	6,752.3	8,996.2	10,187.1
Less:				
Investment in subsidiaries	-	-	(32.8)	(32.8)
Other deductions	-	-	(10.2)	-
Total Capital Base	4,812.0	6,752.3	8,953.2	10,154.3
Core Capital Ratio	5.91%	7.08%	9.25%	9.37%
Risk-weighted Capital Ratio	10.29%	13.09%	14.62%	14.88%

Notes:

1. Computed in accordance with Basel I capital accord.
2. Computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (Basel II) and included all subsidiaries within the Group.
3. Computed in accordance with BNM's revised Risk-weighted Capital Adequacy Framework (Basel II) and included only banking subsidiaries within the Group.

The following is a breakdown of the notional assets of the AmBank Group in the various categories of risk weights for the past three (3) FYEs 31 March 2007 to 2009:

	FYE 31 March 2007 (Audited) RM million	FYE 31 March 2008 (Audited) RM million	FYE 31 March 2009 (Audited) RM million
0%	-	-	-
10%	0.2	-	-
20%	1,135.7	311.0	1,228.0
35%	-	1,034.1	1,107.2
50%	4,672.1	1,827.0	2,878.4
75%	-	25,395.7	25,433.4
100%	40,258.9	14,973.5	20,415.9
150%	-	3,089.9	3,770.3
Total risk weighted assets for credit risk	46,066.9	46,631.2	54,833.2
Total risk weighted assets for market risk	673.1	1,384.3	1,892.5
Total risk weighted assets for operational risk	-	3,572.9	4,487.8
Large exposure risk requirement for equity holdings	-	14.5	13.0
Total risk weighted assets	46,740.0	51,602.9	61,226.5

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5.6 Asset Quality

5.6.1 Loan Portfolio

Loans, advances and financing by type

The following table sets out a breakdown of the AmBank Group's loan portfolio by product type for the past three (3) FYEs 31 March 2007 to 2009 as well as the nine (9) months financial period ended 31 December 2009:

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Overdrafts	1,343.4	1,632.5	1,735.3	1,821.0
Term loan facilities:				
Housing loans / financing	11,074.9	11,314.4	11,485.2	11,574.5
Hire purchase receivables	28,552.3	29,984.3	30,409.1	30,698.5
Other loans / financing	8,235.8	9,065.0	14,347.4	19,139.5
Card receivables	2,218.7	1,806.5	1,867.5	1,831.1
Bills receivables	17.8	33.5	47.4	104.2
Trust receipts	215.9	326.0	373.9	389.2
Claims on customers under acceptance credits	1,656.9	2,301.4	2,368.9	2,587.7
Revolving credits	1,385.4	1,739.8	3,623.3	4,854.1
Staff loans	159.9	155.9	159.6	154.7
Factoring receivables *	-	-	-	53.9
Total	54,861.0	58,359.3	66,417.6	73,208.4
Less: Unearned interest and unearned income	(6,022.1)	(6,482.8)	(6,961.4)	(7,211.2)
	48,838.9	51,876.5	59,456.2	65,997.2
Less: Islamic financing sold to Cagamas Berhad	(2,718.8)	(1,956.0)	(905.8)	(365.5)
Gross loans, advances and financing	46,120.1	49,920.5	58,550.4	65,631.7
Allowance for bad and doubtful debts and financing:				
- General	(713.8)	(775.3)	(895.6)	(983.9)
- Specific	(1,940.8)	(1,195.7)	(915.0)	(1,077.8)
Net loans, advances and financing	43,465.5	47,949.5	56,739.8	63,570.0

Note:

* Included under Other term loans for FYEs 2007 to 2009

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Loans, advances and financing by economic purpose

The following table sets out a breakdown of the AmBank Group's gross loan portfolio by economic purpose for the past three (3) FYEs 31 March 2007 to 2009 as well as the nine (9) months financial period ended 31 December 2009:

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Purchase of securities	495.1	640.4	1,662.1	2,137.3
Purchase of transport vehicles	22,736.0	24,125.0	24,347.7	25,248.8
Purchase of landed property				
- Residential	10,726.0	10,949.9	11,306.6	11,424.1
- Non-residential	2,291.0	2,147.1	2,878.0	3,619.6
Purchase of fixed assets other than land and building	1,261.2	1,310.7	1,815.1	1,356.9
Personal use	1,646.3	2,031.7	2,369.4	3,206.4
Credit card	2,207.4	1,777.7	1,844.4	1,786.1
Purchase of consumer durables	4.6	3.9	0.9	3.0
Construction	328.3	296.1	1,127.8	1,550.7
Merger and acquisition	-	-	346.2	1,301.3
Working capital	6,112.5	7,467.8	9,406.3	10,680.3
Other purpose	1,030.5	1,126.2	2,351.7	3,682.7
	48,838.9	51,876.5	59,456.2	65,997.2
Less: Islamic financing sold to Cagamas Berhad	(2,718.8)	(1,956.0)	(905.8)	(365.5)
Gross loans, advances and financing	46,120.1	49,920.5	58,550.4	65,631.7

5.6.2 Loan Maturity Profile

The following table sets out the breakdown of the AmBank Group's gross loan portfolio by remaining maturity for the past three (3) FYEs 31 March 2007 to 2009.

	FYE 31 March 2007 * (Audited)	FYE 31 March 2008 * (Audited)	FYE 31 March 2009 (Audited)
	RM million	RM million	RM million
Loan Maturity			
Maturing within one year	13,763.6	16,016.6	9,757.6
One year to three years	9,651.4	10,620.4	5,435.2
Three years to five years	7,391.4	7,267.9	8,336.2
Over five years	15,313.7	16,015.6	35,021.4
Gross loans, advances and financing	46,120.1	49,920.5	58,550.4

Note:

* Not restated with change in presentation with effect from FYE 2009

5.6.3 Concentration Limits

Single customer limit

BNM's guidelines on single customer limits prohibit a bank from lending to any single customer or related group of customers an amount in excess of 25% of a bank's capital funds (the sum of Tier 1 Capital and Tier 2 Capital). Furthermore, the AmBank Group seeks to limit its exposure to any one particular industry sector by the application of appropriate sector limits and benchmarks for industry sectors.

Large loan exposure

BNM's guidelines set a large loan limit which prohibits a bank from granting a large loan (defined as an exposure that exceeds 15% of a bank's capital funds) if the total of all large loans exceeds 50% of the bank's total loans. The Bank is in compliance with BNM's guidelines on large loan limit.

5.6.4 Non-Performing Loans ("NPLs")

Classification of NPLs

BNM's "GP3" guidelines classify NPLs into three categories according to periods of default, i.e. sub-standard, doubtful and bad. Specific allowance is made against the uncollateralized portion of the outstanding balance of the loan, that is, the outstanding balance of the loan net of interest-in-suspense and the realizable security value of any collateral. According to the classification status of each account, the provisioning level will be 20% (in the case of sub-standard accounts), 50% (in the case of doubtful accounts) or 100% (in the case of bad accounts), as stipulated by BNM's GP3 guidelines.

BNM requires Malaysian banks to keep a general allowance equal to at least 1.5% of gross loans net of interest-in-suspense and specific provisions.

AmBank will consider a loan non-performing when it is more than three months in arrears. An NPL will be classified as "sub-standard" if it is between three (3) to nine (9) months in arrears and is considered by the Bank to represent a substantial and unreasonable degree of risk. An NPL will be classified as "doubtful" if it is more than nine (9) months in arrears and collection thereof is considered by the Bank to be highly improbable. An NPL that is more than twelve (12) months in arrears and is considered by the Bank to be impossible to collect or worthless will be classified as "bad". As at 31 December 2009, the AmBank Group has total loan loss reserves (specific and general combined) of RM2.1 billion.

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Profile of NPLs

The AmBank Group's gross NPLs were RM2.2 billion and net NPLs were RM1.1 billion as at 31 December 2009, representing a ratio of gross NPL to total gross loans, advances and financing (before deduction of Islamic financing sold to Cagamas Berhad) of 3.38% and a ratio of net NPL to total net loans, advances and financing (before deduction of Islamic financing sold to Cagamas Berhad) of 1.77% respectively.

Set out below are the AmBank Group's total NPLs and NPL ratios for the past three (3) FYEs 31 March 2007 to 2009 as well as the nine (9) months financial period ended 31 December 2009:

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	*Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Balance at beginning of year/ period	4,992.9	4,831.8	3,292.7	2,419.7
Non-performing during the year/ period	1,800.5	1,233.2	1,165.8	891.4
Reclassification to performing loans, advances and financing	(810.0)	(735.9)	(577.4)	(396.6)
Amount recovered	(383.9)	(447.5)	(383.4)	(181.9)
Debt equity conversion	(6.2)	(53.9)	(0.9)	-
Amount written off	(761.5)	(1,273.0)	(1,293.3)	(505.1)
Sale of NPLs	-	(547.9)	-	-
Factored loans from related company	-	-	196.7	-
Repurchase of loan	-	-	19.5	-
Balance at end of year/ period	4,831.8	3,006.8	2,419.7	2,227.5
Less: Specific allowance	(1,940.8)	(1,195.7)	(915.0)	(1,077.8)
Net NPLs, advances and financing	2,891.0	1,811.1	1,504.7	1,149.7
Gross loans, advances and financing	46,120.1	49,920.5	58,550.4	65,631.7
Add: Islamic financing sold to Cagamas Berhad	2,718.8	1,956.0	905.8	365.4
Balance at end of year/ period	48,838.9	51,876.5	59,456.2	65,997.1
Less: Specific allowance	(1,940.8)	(1,195.7)	(915.0)	(1,077.8)
Net loan, advances and financing (including Islamic financing sold to Cagamas Berhad)	46,898.1	50,680.8	58,541.2	64,919.3
NPLs ratio	6.16%	3.57%	2.57%	1.77%

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NPLs by economic purpose

The table below sets out the AmBank Group's NPLs by economic purpose for the past three (3) FYEs 31 March 2007 to 2009 as well as the nine (9) months financial period ended 31 December 2009:

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Purchase of securities	139.2	97.9	60.1	49.2
Purchase of transport vehicles	806.8	428.6	453.5	461.5
Purchase of landed property				
- Residential	1,372.8	962.8	924.5	906.7
- Non-residential	764.4	329.4	220.6	191.4
Purchase of fixed assets other than land and building	62.2	44.1	27.4	19.0
Personal use	50.0	30.8	19.2	16.6
Credit card	216.9	66.0	70.2	65.6
Purchase of consumer durables	0.3	0.5	0.5	0.4
Construction	166.8	93.5	149.0	133.8
Working capital	952.3	803.1	450.0	342.7
Other purpose	300.1	150.1	44.7	40.6
	4,831.8	3,006.8	2,419.7	2,227.5

Loan loss provisioning policy

AmBank's provisioning policy is in line with BNM's regulatory requirements. The Bank maintains both general provisions and specific provisions for NPLs. The Bank's policy in relation to the write-back of specific provisions is in line with BNM's "GP3" guidelines, where the write-back of specific provisions is permitted under certain circumstances.

Specific loan loss provision will be made against the uncollateralized portion of the outstanding balance of a loan (i.e. the outstanding balance of the loan net of interest-in-suspense and the realizable security value of any collateral). The loan loss provision assigned will vary depending on the status of the loan account. In the case of sub-standard accounts, the provisioning level is 20%, in the case of doubtful accounts, the provisioning level is 50% and for bad accounts, the provisioning level is 100%.

AmBank has internally adopted a practice of assigning zero value for property collaterals that relate to non-performing corporate and retail loans that are over seven years in arrears. In addition, a 50% provision is taken in respect of loan accounts that are more than five years but less than seven years in arrears. Thus, for any financial period, the amount of the Bank's loan loss provisions will be contingent upon the amount of NPLs that are five to seven years in arrears and the amount of NPLs that are more than seven years in arrears. Any amounts that the Bank realizes from property collateral relating to a loan for which the Bank has taken a loss provision following the provision will be added to the Bank's income statement at the relevant time.

BNM also requires all banks to keep a general loan loss allowance of at least 1.5% of total gross loans net of interest-in-suspense and specific provisions.

The realizable security value of the various forms of collateral pledged is ascertained in accordance with the Bank's policy on valuation of collateral pledged for NPLs while the review of the adequacy of the specific provisions in the policy is carried out monthly. The determination of the realizable security value of collateral pledged is based on BNM's "GP3" guidelines, for example, as a general rule:

- the realizable security value for property is based on the forced sale value of the property. Under certain circumstances, as stipulated in BNM's "GP3" guidelines, the reserve price or the auction price of the property may be used as its realizable security value;
- the realizable security value for quoted shares is based on the latest market price subject to BNM's approval. For quoted shares, net tangible value is used as the realizable security value; and
- the realizable security value for plant and machinery is based on the valuation report prepared by a professional valuer, if there is one. In the absence of professional valuation, a 20% depreciation rate will be applied annually on the amount financed and no value is assigned for bad accounts.

The Bank observes BNM's "GP3" guidelines for specific provisioning. The following tables show the AmBank Group's NPL classification standards and the specific provisioning required for different loan products:

Overdrafts and loans (repayment at intervals of less than three months)

Months in arrears (from first day of default)	Classification status	Specific provisioning required
4 – 8	Sub-standard	20%
9 – 11	Doubtful	50%
> 12	Bad	100%

Loans (repayment at intervals of three months or longer)

Months in arrears (from first day of default)	Classification status	Specific provisioning required
4 – 8	Sub-standard	20%
9 – 11	Doubtful	50%
> 12	Bad	100%

Trade bills

Months in arrears (from first day of default)	Classification status	Specific provisioning required
4 – 6	Doubtful	50%
> 6	Bad	100%

Credit cards

Months in arrears (from first day of default)	Classification status	Specific provisioning required
4 – 6	Doubtful	50%
> 6	Bad	100%

Write-off policy

AmBank's write-off policy is in compliance with BNM's "GP3" guidelines, which, in brief, provide that banks may write-off accounts or portions thereof which have been classified as bad and deemed uncollectible. The Bank writes off a particular loan after management has determined that the particular loan is not recoverable and (i) after either commencement of legal action to recover amounts unpaid or after the borrower has been declared bankrupt or (ii) if appropriate action has been taken to foreclose/ enforce on collateral securing the loan.

The Bank continues to monitor loans which are written off for possible repayment of any amounts outstanding until all arrears are collected. Write-offs of loans must be approved by the Board.

The Bank also adopts BNM's "GP3" guidelines for the partial write-off of accounts. Where there is adequate justification for the relevant Committee to approve a partial write-off of a loan, the amount of the loan is written down to the realizable value of the security and the shortfall in realizable security value over the outstanding balance of the loan will be written off. The Bank continues to evaluate effective procedures for improving recovery. As a general rule, a partial write-off is permitted when:

- the realizable value of the security is less than the outstanding balance of the loan and further collateral to improve the security deficiency is not forthcoming; or
- the shortfall in realizable security value over the outstanding balance of the loan is deemed uncollectible and worthless.

5.6.5 Portfolio of Securities

The securities held-for-trading, securities available-for-sale and securities held-to-maturity of the AmBank Group for the past three (3) FYEs 31 March 2007 to 2009 as well as the nine (9) months financial period ended 31 December 2009 are as set out below:

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Securities held-for-trading				
At fair value				
<u>Money market securities:</u>				
Treasury bills	-	-	-	104.1
Islamic treasury bills	214.8	34.5	-	93.5
Malaysian Government securities	104.9	20.2	999.6	232.9
Malaysian Government investment certificates	39.8	43.6	4.1	41.7
Cagamas bonds	-	25.1	-	-
Cagamas Mudharabah bearer bonds	-	35.1	-	15.0
Islamic Khazanah bonds	-	-	1.0	0.7
Negotiable instruments of deposit	-	1.0	-	-
BNM monetary notes	167.3	-	-	681.3
<u>Quoted Securities:</u>				
<i>In Malaysia</i>				
Shares	-	-	-	92.3
Unit trust	123.3	14.8	20.3	11.5
Warrants	-	-	-	0.7
<u>Unquoted Securities:</u>				
<i>In Malaysia</i>				
Private debt securities	462.2	1,419.2	347.0	754.1
Guaranteed private debt securities	5.0	177.7	-	-
<i>Outside Malaysia</i>				
Private debt securities	-	-	15.4	6.3
Total securities held-for-trading	1,117.3	1,771.2	1,387.4	2,034.1

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
Securities available-for-sale				
At fair value				
<u>Money market securities:</u>				
Islamic Khazanah bonds	-	-	36.9	37.3
Negotiable instruments of deposit	400.0	-	71.0	-
Negotiable Islamic debt securities	-	-	29.2	568.6
Malaysian Government securities	-	-	-	350.9
Malaysian Government investment certificates	-	-	36.0	76.4
<u>Quoted securities:</u>				
<i>In Malaysia</i>				
Shares	33.9	17.7	91.0	70.3
Unit trusts	-	-	-	1,300.0
Shares / bonds with options and/or collateral	67.6	6.0	0.3	0.3
Loan stocks	-	-	3.1	2.2
<i>Outside Malaysia</i>				
Shares	0.2	-	12.1	13.5
<u>Unquoted securities:</u>				
<i>In Malaysia</i>				
Private debt securities	97.0	-	4,877.5	3,788.0
Guaranteed private debt securities	-	95.7	309.5	287.7
<i>Outside Malaysia</i>				
Shares	-	-	1.0	1.0
Private debt securities	-	-	130.9	82.0
Total	598.7	119.4	5,598.5	6,578.2
Less: Accumulated impairment losses	-	-	-	(50.5)
Total securities available-for-sale	598.7	119.4	5,598.5	6,527.7
Securities held-to-maturity				
At amortised cost				
<u>Quoted securities:</u>				
<i>In Malaysia</i>				
Shares	8.1	0.2	-	-
Debt securities with options and/or collateral	418.6	137.6	160.9	76.1
Debt securities	-	-	31.0	-
<i>Outside Malaysia</i>				
Debt securities	-	-	7.3	-
<u>Unquoted securities:</u>				
<i>In Malaysia</i>				
Shares	84.6	84.6	92.4	92.3
Debt securities	132.3	148.0	350.7	283.7
Debt securities with options and/or collateral	818.9	631.4	493.1	463.4

	FYE 31 March 2007 (Audited)	FYE 31 March 2008 (Audited)	FYE 31 March 2009 (Audited)	Third Quarter Ended 31 December 2009 (Unaudited)
	RM million	RM million	RM million	RM million
<i>Outside Malaysia</i>				
Private debt securities	-	-	-	6.8
Total	1,462.5	1,001.8	1,135.4	922.3
Less: Accumulated impairment losses	(344.9)	(345.1)	(382.0)	(373.9)
Total securities held-to- maturity	1,117.6	656.7	753.4	548.4

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 recognized in the income statements.

As at 31 December 2009, the securities held-for-trading constituted 2.29% of the AmBank Group's total assets. The AmBank Group's securities held-for-trading comprised mainly BNM monetary notes, Treasury bills and securities issued by the Malaysian Government and Cagamas and unquoted debt securities.

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 recognized 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 recognized in equity will be transferred to the income statements.

As at 31 December 2009, the securities available-for-sale constituted 7.34% of the AmBank Group's total assets. The AmBank Group's securities available-for-sale comprised mainly unquoted private debt securities, quoted unit trusts and money market securities including negotiable instruments of deposits.

Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the AmBank Group has the positive intent and ability to hold to maturity. Unquoted shares in organizations 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 recognized 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 AmBank Group from classifying the similar class of securities as securities held-to-maturity for the current and following two (2) financial years.

As at 31 December 2009, the securities held-to-maturity constituted 0.62% of the AmBank Group's total assets. The AmBank Group's securities held-to-maturity comprised mainly unquoted and quoted debt securities.

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6. RISK MANAGEMENT

AmBank's risk management is performed on a group basis among its banking entities. The AHB Group recognizes that every risk assumed by the AHB Group carries potential gains as well as possible erosion of shareholders' value. The main objectives of the AHB Group's risk management policies are to identify, capture, and analyze these risks at an early stage, as well as continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

To this end, seven (7) types of risks, namely strategic, capital, credit, market, funding, operational and legal have been identified:

- Strategic Risk
Strategic risk is the risk of not achieving the Group's corporate strategic goals. The Group's goals correspond with the Group's overall strategic planning to reflect the Group's vision and mission, taking into consideration the Group's internal capabilities and external factors.
- Capital Risk
Capital risk is the failure to comply with the requirements of BNM in attaining sufficient capital to support the business risks of the Bank.
- Market Risk
Market risk is defined as the potential loss arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and commodity prices. These changes can affect the value of financial instruments and may also affect customer-flow-related revenues and proprietary trading revenues.
- Funding Risk
Funding risk is the risk that the Group will not be able to fund its day-to-day operations at a reasonable cost. Liquidity could be affected by inability to access long term or short term deposits, repurchase or security-lending markets or credit facilities, whether due to factors specific to the Bank or to general market conditions.
- Credit Risk
Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures.
- Operational Risk
Operational risk is the risk arising from inadequate or failed internal processes, people and systems or from external events on the Group's day-to-day operations that are executed to attain its business objectives, which restrict or prevent such objectives from being achieved.
- Legal and Regulatory Risk
Legal risks arise from potential breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits or adverse judgement which may lead to the incurrence of losses, disruption or otherwise resulting in financial and reputation risks.

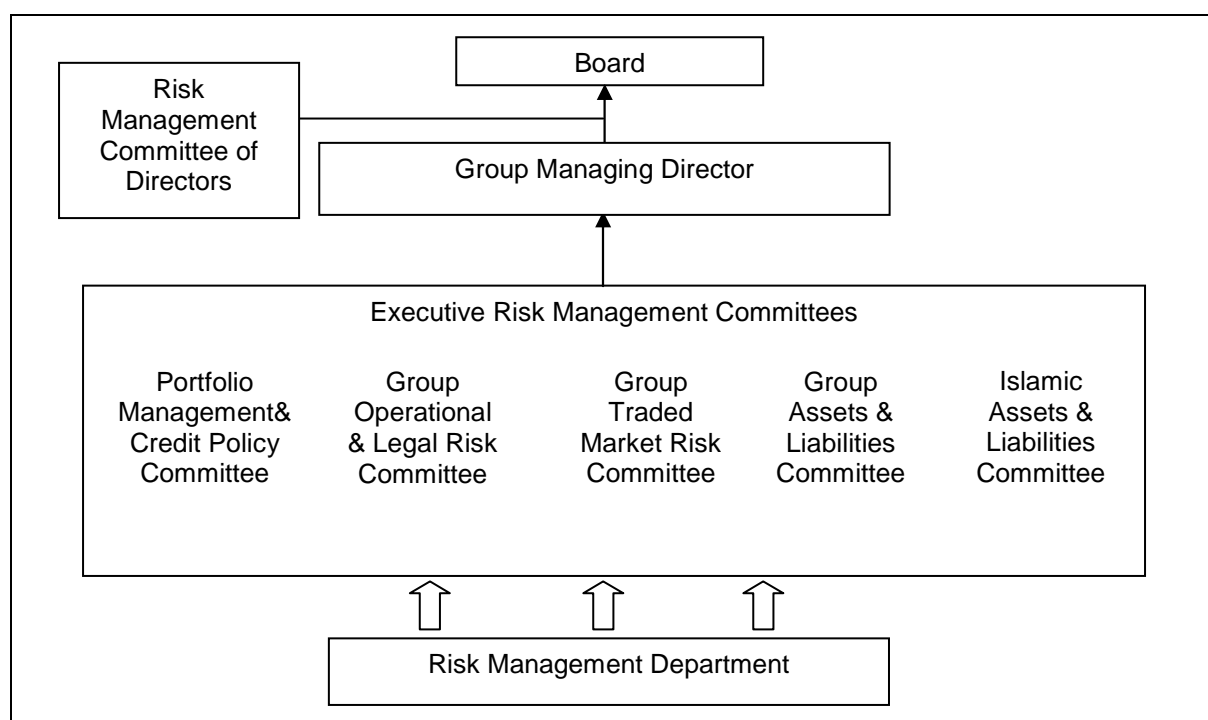
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Risk Management Structure

The Group's main risk management organizational structure (as illustrated below) is made up of the following components:

- Board
- Risk Management Committee of Directors
- Executive Risk Management Committees
- Risk Management Department

Figure 1: Risk management structure



Board

The Board regularly discusses risk management policies and approves the Bank's risk management strategy. The Board also plays the important role of establishing and approving the broad risk tolerance levels for the Bank. In addition, the engagement of new products or activities would require the Board's approval after taking into account our risk-bearing capacity and readiness.

Risk Management Committee of Directors

The Risk Management Committee of Directors comprises non-executive directors and assists the Board in discharging its functions, and oversees the executive body by having a more focused forum on risk issues. The Risk Management Committee of Directors ensures that risk management at all levels are carried out effectively and that the Board's risk tolerance levels are effectively enforced by the Bank. It will review high-level risk exposures and decisions made by the Executive Risk Management Committees, to ensure that these decisions are within the Bank's overall risk parameters.

Executive Risk Management Committees

The Bank's Executive Risk Management Committees are responsible for the day-to-day management of risks and for implementing the Board's approved risk management policies at the operational level.

Chaired by senior executives and comprising the relevant senior executives of both the business and non-business units, these Committees are vested with the power to steer the Bank's business direction in conformance to the risk tolerance levels set by the Board. These Committees review the external business and economic environments and have discretionary powers in the micro-management of risk and the risk positioning of the Bank's business, within the parameters set by the Board. These Committees report their activities to the Risk Management Committee of Directors on a quarterly basis.

Risk Management Department

The Risk Management Department is independent of business units and reports directly to the Group Managing Director. It assists the Executive Risk Management Committees in discharging their duties and implementing the directives of the committees. The major role of the Risk Management Department is to:

- Be a central platform where risks throughout the Bank can be aggregated for overview on a portfolio basis;
- Standardise risk measurement methodology to enable comparisons;
- Acts as a central resource for evaluating risks to assist management, business and operating units; and
- Recommends means to control or minimise risks on a portfolio basis.

The Risk Management Department is made up of several units, to provide a comprehensive coverage of all risks within the Bank. Their functions encompass research and analysis, reporting on risk exposures, monitoring of compliance with limits, formulation of risk assessment methodology and formulation of the Bank's risk strategy.

The Internal Audit Department and Audit Committee complement the risk management structure. They assist the Board by providing independent assessments of the effectiveness of the risk management structure, control systems and methodologies used to manage risks.

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7. INDUSTRY OVERVIEW

7.1 Financial Sector Developments

Banking system remains strong...

The banking system remains resilient and sound with strong capitalisation and sustained asset quality. The risk-weighted capital ratio (RWCR) and core capital ratio (CCR) improved to 14.3% and 12.7%, respectively as at end-July 2009 (end-2008: 12.6%; 10.6%). Pre-tax profits of the banking system declined 25.4% to RM8.4 billion in the first seven months of 2009 (January – July 2008: 17.3%; RM11.3 billion), attributed to a one-off provisioning adjustment by a large banking institution in accordance with its financial year end. Overall core income sources from financing activities, cross-selling of bancassurance and wealth management services as well as treasury activities remained stable.

The asset quality of the banking system was sustained with net non-performing loans (NPLs) declining 5.1% to RM15.1 billion as at end-July 2009 (end-2008: RM15.9 billion) due to higher recoveries and reclassification to performing loans. The 3-month net NPLs ratio further improved to 2.1% as at end-July 2009 after holding steady at 2.2% since December 2008. As for NPLs of commercial banks, households accounted for RM15.8 billion or 48.6% of total gross NPLs as at end-June 2009, followed by manufacturing (RM5.7 billion; 17.6%) and construction (RM3.1 billion; 9.7%).

FSMP draws to a close...

The financial sector has undergone significant transformation since the Asian financial crisis and has emerged stronger, resilient and more diversified. The Financial Sector Masterplan (FSMP), which was released in 2001, charted the transformation process that has been undertaken in terms of capacity building and reforms in the regulatory and institutional frameworks. The strengthened financial sector is well-positioned to contribute meaningfully to the economy. Over the years, the contribution of the financial sector to Gross Domestic Product (GDP) has grown from 9.2% in 2000 to 11.0% in 2008, a level comparable to developed countries.

Given the global and domestic forces of change that present significant opportunities for the Malaysian financial sector and with the FSMP reaching a close in 2010, BNM is now in the midst of formulating a new blueprint to position the financial sector to support and contribute meaningfully to Malaysia's economic transformation process. The blueprint aims to enhance the role of the financial sector as an enabler, catalyst and driver of economic growth. This will be underpinned by the objective of promoting Malaysia's socio-economic development as well as the need to preserve financial soundness and stability.

(Source: Economic Report 2009/2010, Ministry of Finance, Malaysia)

7.2 Prospects for 2010

Monetary policy remains supportive

The Malaysian economy is expected to improve in 2010 with growth of 2.0% – 3.0%, supported by stronger domestic demand and fiscal measures as well as the recovery in the global economy. Inflation is anticipated to rise modestly in line with the increase in global commodity prices. Monetary policy will remain supportive of growth and will continue to be determined based on the assessment of domestic and international developments, and their implications on economic growth and price stability.

Private sector financing through the banking system and capital market is expected to increase as economic growth gathers momentum. Liberalisation measures for the financial sector will enhance the attractiveness and competitiveness of the Malaysian financial and capital markets. Meanwhile, a proposed private pension scheme will enable more savings to be intermediated through the capital market and provide an additional retirement savings scheme.

(Source: Economic Report 2009/2010, Ministry of Finance, Malaysia)

8. OTHER INFORMATION

8.1 Material Contracts

Save as disclosed below, there are no other material contracts (including contracts not reduced into writing), not being contracts entered into in the ordinary course of business which have been entered into by the AmBank Group during the past two (2) years preceding the date of this IM:

- (a) Business Transfer Agreement dated 11 March 2008 (as supplemented by the supplemental agreement dated 27 March 2008) between AmBank and AmInvestment Bank in respect of the scheme for the transfer of assets and liabilities (and all rights and interests relating or attaching thereto) relating to the conventional treasury, investment and credit/ lending activities or business carried out by AmInvestment Bank to AmBank (excluding such assets and liabilities as listed in the Business Transfer Agreement), for a consideration equivalent to the total book value of the assets acquired less the total book value of the liabilities to be assumed, as determined in the manner as set out therein; and
- (b) Business Transfer Agreement dated 11 March 2008 (as supplemented by the supplemental agreement dated 27 March 2008) between AmIslamic Bank and AmInvestment Bank in respect of the scheme for the transfer of the assets and liabilities (and all rights and interests relating or attaching thereto) relating to the Islamic treasury, investment and credit/ lending activities or business carried out by AmInvestment Bank to AmIslamic Bank (excluding such assets and liabilities as listed in the Business Transfer Agreement), for a consideration equivalent to the total book value of the assets acquired less the total book value of the liabilities to be assumed, as determined in the manner as set out therein.

8.2 Material Litigation

As at 11 December 2009:

- (a) in respect of material litigation, claims and arbitration arising from the ordinary course of business apart from those which:
 - (i) the financial impact thereof has already been accounted for in the last audited financial statements of AmBank and/or our principal subsidiary company; and/or
 - (ii) if not accounted for as alluded to in the preceding sub-paragraph (i), our Board is of the view that there is no material and adverse impact on the financial position of AmBank or our principal subsidiary company arising from such litigation, claims and arbitration.
- Further, our Board does not know of any threatened proceedings against us and/or any of our principal subsidiary company in respect of litigation, claims and arbitration arising from the ordinary course of business that is likely to have a material adverse effect on our or our principal subsidiary's financial position or business; and
- (b) in respect of litigation, claims and arbitration arising not in the ordinary course of business:
 - (i) neither AmBank nor our principal subsidiary company is engaged in any material litigation, claims and arbitration either as plaintiff or defendant; and
 - (ii) our Board is not aware of any threatened proceedings against AmBank or our principal subsidiary company that are likely to have a material adverse effect on the AmBank Group's financial position or business.

8.3 Commitments and Contingent Liabilities

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

The commitments and contingencies outstanding of the AmBank Group as at 31 December 2009 are as follows:

	Principal Amount (RM'000)	Credit Equivalent Amount (RM'000)	Risk Weighted Amount (RM'000)
Derivative Financial Instruments			
Interest rate swap contracts:			
- maturing within one year	4,360,000	21,787	10,373
- maturing more than one year to less than five years	22,992,082	680,318	261,893
- maturing more than five years	3,154,700	358,594	178,298
Foreign exchange related contracts:			
- less than one year	2,007,497	31,018	21,655
Interest rate futures:			
- maturing within one year	60,000	-	-
- maturing more than one year to less than five years	100,000	-	-
Cross currency swap:			
- less than one year	321,610	11,791	8,144
- maturing more than one year to less than five years	630,391	23,698	13,767
Options equity	288,490	24,841	15,630
Options commodity	79,508	10,683	2,137
	<u>33,994,278</u>	<u>1,162,730</u>	<u>511,897</u>
Commitments			
Irrevocable commitments to extend credit maturing :			
- within one year	13,330,800	-	-
- more than one year	2,031,560	455,259	385,322
Unutilised credit card lines	4,515,406	903,081	675,541
Forward purchase commitments			
- less than one year	25,280	1,250	550
Sell and buy back agreements	196,162	3,310	3,310
	<u>20,099,208</u>	<u>1,362,900</u>	<u>1,064,723</u>
Contingent Liabilities			
Direct credit substitutes	2,207,183	2,152,492	1,940,660
Short-term self liquidating trade-related contingencies	551,005	110,201	110,444
Obligations under underwriting agreements	706,000	-	-
Islamic financing sold to Cagamas Berhad with recourse	348,605	348,605	263,188
Unpaid portion of partly paid shares	150	150	150
Certain transaction-related contingent items	1,709,446	882,068	865,162
Others	42,039	-	-
	<u>5,564,428</u>	<u>3,493,516</u>	<u>3,179,604</u>
	<u>59,657,914</u>	<u>6,019,146</u>	<u>4,756,224</u>

As at 31 March 2009, the AmBank Group has the following capital commitments:

	Amount (RM'000)
Authorised and contracted for :	
Purchase of computer equipment and software	30,158
Leasehold improvements	2,140
	32,298
Authorised but not contracted for:	
Purchase of computer equipment and software	54,885
	87,183

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APPENDIX I

**AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD
1 APRIL 2008 TO 31 MARCH 2009**

A M B A N K (M) B E R H A D
(Company No. 8515-D)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2009

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

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

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

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

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

SIGNIFICANT EVENTS

- (1) The Group and AmInvestment Bank Berhad ("AmInvestment") had on 11 March 2008 entered into a Business Transfer agreement for the transfer of assets and liabilities relating to the investment, treasury and credit/lending activities or businesses ("the Fund-Based Activities") of AmInvestment to the Group. The assets transferred included AmInvestment's 100% shareholding in AmInternational (L) Ltd, a licensed off-shore bank, to the Bank.

The transfer of the 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 Group's ultimate holding company, on 11 March 2008 to Bursa Malaysia Securities Berhad. The transfer of the 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 transfer of the Fund-Based Activities was effected on 12 April 2008, 26 September 2008 and 1 March 2009. The total purchase consideration for all the net assets transferred amounted to RM1.117 billion and RM1.432 billion for the Bank and the Group respectively.

- (2) On 9 April 2008, the Bank issued the Sixth Tranche of Medium Term Notes ("MTN") amounting to RM600 million. The proceeds raised was utilised for the refinancing of existing subordinated debts and general working capital requirements. To date, the Bank has issued a total of RM1.46 billion MTN under the RM2.0 billion nominal value MTN Programme.

SIGNIFICANT EVENTS (CONTD.)

- (3) The Bank has successfully completed the RM500 million RM NIT1 Programme, as part of its capital management initiatives to support and strengthen its capital position whereby the first tranche of RM200 million was issued on 27 February 2009 whilst the remaining RM300 million was issued on 6 March 2009.

The RM NIT1 issuance is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by Bank Negara Malaysia ("BNM"). The RM NIT1 comprises the Non Cumulative Perpetual Capital Securities ("NCPCS") issued by the Bank, and Subordinated Notes ("SubNotes") issued by AmPremier Capital Berhad ("AmPremier"), a newly incorporated wholly-owned subsidiary company of the Bank which are stapled together with the NCPCS. The stapled NCPCS and the SubNotes together constitute the "Stapled Capital Securities". The NCPCS and SubNotes cannot be traded separately until the occurrence of certain Assignment Events. The Stapled Capital Securities are rated A3 by RAM Rating Services Berhad.

BNM and Securities Commission had, via their letters dated 23 December 2008 and 6 January 2009 respectively, approved the RM NIT1 Programme.

The gross proceeds raised from the RM NIT1 Programme will be applied towards funding the growth of the Bank's business operations.

- (4) Upon BNM's approval dated 19 February 2009, AmBank had established a wholly-owned subsidiary under the name of AmMortgage One Berhad ("AmMortgage"), to undertake the business of securitization of mortgage loans. AmMortgage has an authorised share capital of RM100,000 and an issued and paid-up share capital of RM1,000.

FINANCIAL RESULTS

	The Group RM'000	The Bank RM'000
Profit before zakat and taxation	1,011,659	759,194
Zakat	(1,032)	-
Taxation	<u>(309,457)</u>	<u>(253,409)</u>
Profit for the year	<u>701,170</u>	<u>505,785</u>
Attributable to:		
Equity holders of the Bank	701,183	505,785
Minority interests	<u>(13)</u>	<u>-</u>
Profit for the year	<u>701,170</u>	<u>505,785</u>

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 loans 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 the 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
- (ii) 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.

Since its inception, AmIslamic Bank, the Bank's wholly owned Islamic banking subsidiary has shown remarkable growth by capitalising on the robust demand for Islamic financial services. AmIslamic Bank had forged tie-ups and alliances with companies whereby its Al-Tasliif 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 contraction 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, the financial system's NPL's is at its lowest since the Asian financial crisis period in 1998-1999. The Second Stimulus Package (of RM60 billion announced by the Federal Government on 10 March 2009) will 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 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 the operations of the Group and of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

DIVIDENDS

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

RESERVES AND ALLOWANCES

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

ISSUANCE OF SHARES AND DEBENTURES

On 20 May 2008, the holding company, AMFB Holdings Berhad exercised its conversion right to convert the entire RM300 million Irredeemable Convertible Unsecured Loan Stocks ("ICULS") into 60,000,000 fully paid ordinary shares of RM1.00 each. The ICULS was converted to new shares in the Bank and credited as fully paid on the basis of one new share for every Ringgit Malaysia Five (RM5.00) nominal amount of ICULS tendered.

With the conversion of ICULS, the issued and fully paid-up ordinary share capital of the Bank increased to 670,363,762 ordinary shares of RM1.00 each. The resultant share premium arising from conversion amounting to RM232,183,993 was credited to the Share Premium account. The new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Bank.

There were no issuance of debentures during the financial year.

SHARE OPTIONS

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

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

CURRENT ASSETS

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

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

DIRECTORS

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

Tan Sri Dato' Azman Hashim
Tun Mohammed Hanif Omar
Tan Sri Datuk Clifford Francis Herbert
Dato' Gan Nyap Liou @ Gan Nyap Liow
Tan Kheng Soon
Cheah Tek Kuang
Ashok Ramamurthy (appointed on 18.11.2008)
Anthony John Healy (resigned on 31.10.2008)

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

Pursuant to Section 129 of the Companies Act, 1965, Tan Sri Dato' Azman Hashim, Tun Mohammed Hanif Omar and Mr Tan Kheng Soon, 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

Shares	Balance at	No. of ordinary shares of RM1.00 each		Balance at
	1.4.2008/Date of Appointment	Bought	Sold	31.3.2009
Tan Kheng Soon	25,000	-	-	25,000
Cheah Tek Kuang	78,800	-	-	78,800
Ashok Ramamurthy	100,000	-	-	100,000

DEEMED INTEREST

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

Shares	Name of Company	No. of ordinary shares of RM1.00 each			Balance at 31.3.2009
		Balance at 1.4.2008	Bought	Sold	
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.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 43 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, other than for the related party transactions as shown in Note 42 to the financial statements.

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

CORPORATE GOVERNANCE

(a) Board Responsibility and Oversight

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

The Board supervises the management of the Bank's businesses, policies and affairs with the goal of enhancing shareholder's value. The Board meets monthly to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

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

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

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

CORPORATE GOVERNANCE (CONTD.)**(b) Committees of the Board**

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

*Dissolved on 23 July 2008 with the establishment of Group Nomination Committee and Group Remuneration Committee at Group level (AMMB Holdings Berhad).

The roles and responsibilities of each Committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

The attendance of Board members at the meetings of the Board and the various Board Committees is set out below:-

Number of meetings attended in Financial Year 2009 ("FY2009")					
	Board of Directors	Nomination Committee	Remuneration Committee	Audit and Examination Committee	Risk Management Committee
Tan Sri Dato' Azman Hashim	12 (Chairman)	1	3	N/A	N/A
Tun Mohammed Hanif Omar	12	1 (Chairman)	3 (Chairman)	10	N/A
Tan Sri Datuk Clifford Francis Herbert	12	1	3	10 (Chairman)	7 (Chairman)
Dato' Gan Nyap Liou @ Gan Nyap Liow	10	N/A	N/A	8	6
Tan Kheng Soon	12	1	N/A	N/A	7
Cheah Tek Kuang	12	1	N/A	N/A	N/A
Ashok Ramamurthy*	5	N/A	N/A	N/A	N/A
Anthony John Healy**	6	1	2	5	N/A
Number of meetings held in FY2009	12	1	3	10	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
** Resigned on 31.10.2008

CORPORATE GOVERNANCE (CONTD.)

Nomination Committee

The Committee comprised six (6) members, three (3) of whom are Independent Non-Executive Directors. It was 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 recommended 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.

The Committee was dissolved on 23 July 2008 following the establishment of Group Nomination Committee ("GNC") on even date at AMMB Holdings Berhad, the Bank's ultimate holding company, and the functions of the Committee were taken over by the GNC.

Remuneration Committee

The Committee comprised four (4) members, all of whom are Non-Executive Directors. The Committee was 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.

The Committee was dissolved on 23 July 2008 following the establishment of Group Remuneration Committee ("GRC") on even date at AMMB Holdings Berhad, the Bank's ultimate holding company, and the functions of the Committee were taken over by the GRC.

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

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

Internal Audit and Internal Control Activities

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

The AEC approves Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meetings. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The 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.

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.

CORPORATE GOVERNANCE (CONTD.)

MANAGEMENT INFORMATION

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

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

HOLDING AND ULTIMATE HOLDING COMPANY

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

RATING BY EXTERNAL AGENCIES

The Bank's long term financial institution rating of A1 and short-term rating of P1 with Stable outlook was reaffirmed by Rating Agency Malaysia Berhad ("RAM"). Additionally, the Bank's rating was complemented by international ratings of Baa2/P3 (Stable) by Moody's Investors Services, BBB- (Stable) /A3 by Standard and Poor's Ratings Services, BBB- (Stable)/ F3 by Fitch Ratings Ltd and BBB-/A3/Stable from Capital Intelligence Ltd.

The Bank's RM575.0 million Exchangeable Bonds and RM2.0 billion Medium Term Note Programme were reaffirmed at A2(Stable) by RAM. The Non-Cumulative Perpetual Capital Securities ("NCPCS") issued by the Bank during the current financial year was rated A3 by RAM. The long-term rating of the Bank's RM1.0 billion Negotiable Instruments of Deposits vested over from AmInvestment Bank Berhad was rationalised at A1.

The Bank's issuance of NCPCS was stapled to Subordinated Notes ("SubNotes") issued by its wholly-owned subsidiary company, AmPremier Capital Berhad ("AmPremier"). As at 31 March 2009, AmPremier had issued RM500.0 million SubNotes which have been assigned a long-term rating of A3 (Stable).

The Hybrid Securities of USD200 million rating was reaffirmed Ba2 by Moody's Investor Services, BB by Standard and Poor's Rating Services and BB by Fitch Ratings Ltd.

RAM reaffirmed the long-term and short-term financial institution ratings for AmIslamic Bank, the Bank's wholly owned Islamic subsidiary at A1 (Stable) and P1 respectively. Concurrently, a long term rating of AmIslamic Bank's Subordinated Sukuk Musyarakah was also reaffirmed at A2 (Stable).

SHARIAH COMMITTEE

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

Company No. 8515--D

AUDITORS

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

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



TAN SRI DATO' AZMAN HASHIM
Chairman



CHEAH TEK KUANG
Chief Executive Officer

Kuala Lumpur, Malaysia
Date : 15 May 2009

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

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

We, **TAN SRI DATO' AZMAN HASHIM** and **CHEAH TEK KUANG**, being two of the directors of **AmBank (M) Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements as set on pages 17 to 133 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
Chief Executive Officer

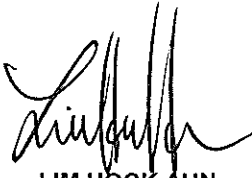
Kuala Lumpur, Malaysia
Date : 15 May 2009

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

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

I, **LIM HOCK AUN**, being the Officer primarily responsible for the financial management of **AmBank (M) Berhad**, do solemnly and sincerely declare that the accompanying financial statements as set out on pages 17 to 133 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

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



18th Floor, Bangunan AmBank Group
Letter Box No: 18D,
55, Jalan Raja Chulan,
50200 Kuala Lumpur.

8515-D

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

Report on the financial statements

We have audited the financial statements of AmBank (M) Berhad, which comprise the balance sheets as at 31 March 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 133.

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.

8515-D

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

Opinion

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

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

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

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

BALANCE SHEET AS AT 31 MARCH 2009

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000 (Restated)	2009 RM'000	2008 RM'000 (Restated)
ASSETS					
Cash and short-term funds	5	17,106,447	10,771,670	13,634,119	8,365,613
Deposits and placements with banks and other financial institutions	6	421,050	1,329,700	427,143	1,338,293
Securities held-for-trading	7	1,387,411	6,683,739	1,183,549	6,124,258
Securities available-for-sale	8	5,598,484	1,331,168	5,053,563	1,330,271
Securities held-to-maturity	9	753,359	1,156,536	710,798	1,115,364
Derivative financial assets	10	477,132	307,651	475,247	307,651
Loans, advances and financing	11	56,739,792	52,325,250	46,899,886	44,238,143
Other assets	12	754,038	807,537	649,967	726,713
Statutory deposit with Bank Negara Malaysia	13	517,578	1,660,197	431,499	1,388,497
Deferred tax asset	45	344,230	645,067	241,639	483,873
Investment in subsidiary companies	14	-	-	849,870	846,869
Investment in associated companies	15	805	740	137	137
Prepaid land lease payments	16	4,051	4,404	2,860	3,193
Property and equipment	17	171,196	169,274	146,088	143,292
Intangible assets	18	66,407	61,486	65,846	60,876
TOTAL ASSETS		84,341,980	77,254,419	70,772,211	66,473,043

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

BALANCE SHEET AS AT 31 MARCH 2009 (CONTD.)

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000 (Restated)	2009 RM'000	2008 RM'000 (Restated)
LIABILITIES AND EQUITY					
Deposits from customers	19	63,947,135	55,619,741	53,199,845	48,217,867
Deposits and placements of banks and other financial institutions	20	7,641,406	8,177,866	6,645,325	6,601,376
Derivative financial liabilities	10	565,483	352,007	563,600	352,007
Bills and acceptances payable	21	2,120,249	1,909,243	1,507,680	1,361,896
Recourse obligation on loans sold to Cagamas Berhad	22	155,037	243,979	155,037	243,979
Other liabilities	23	1,384,242	1,497,402	1,186,739	1,357,729
Subordinated term loans	24(a)	-	460,000	825,853	1,149,469
Hybrid securities	24(b)	825,853	689,469	-	-
Medium term notes	25	1,460,000	860,000	1,460,000	860,000
Subordinated bonds	26	400,000	600,000	-	200,000
Exchangeable bonds	27	575,000	575,000	575,000	575,000
Term loans	28	145,820	271,490	145,820	271,490
Stapled Capital Securities Irredeemable Convertible Unsecured Loan Stocks	29	500,000	-	500,000	-
Irredeemable Non-Cumulative Convertible Preference shares	30	-	131,604	-	131,604
	31	150,000	150,000	150,000	150,000
Total Liabilities		79,870,225	71,537,801	66,914,899	61,472,417
Share capital	32	670,364	610,364	670,364	610,364
Reserves	33	3,801,363	5,106,213	3,186,948	4,390,262
Equity attributable to equity holder of the Bank		4,471,727	5,716,577	3,857,312	5,000,626
Minority Interests	34	28	41	-	-
Total Equity		4,471,755	5,716,618	3,857,312	5,000,626
TOTAL LIABILITIES AND EQUITY		84,341,980	77,254,419	70,772,211	66,473,043
COMMITMENTS AND CONTINGENCIES	52	49,211,943	57,119,846	45,031,062	51,202,434
NET ASSETS PER SHARE (RM)	47	6.67	9.37	5.75	8.19

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

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000 (Restated)	2009 RM'000	2008 RM'000 (Restated)
Revenue		4,866,487	5,075,248	3,892,374	4,158,587
Interest income	35	3,724,165	3,804,908	3,718,264	3,787,016
Interest expense	36	(2,025,663)	(2,192,865)	(2,024,176)	(2,180,272)
Net interest income		1,698,502	1,612,043	1,694,088	1,606,744
Net income from Islamic Banking business	37	538,314	533,220	-	-
Other operating income	38	177,252	376,141	174,110	371,571
Net income		2,414,068	2,521,404	1,868,198	1,978,315
Other operating expenses	39	(982,428)	(902,442)	(760,448)	(694,904)
Operating profit		1,431,640	1,618,962	1,107,750	1,283,411
Allowance for losses on loans and financing	40	(349,210)	(517,014)	(170,652)	(379,692)
Provision for commitment and contingencies		(11,974)	(1,641)	4	296
Impairment loss	41	(58,862)	(119,628)	(177,908)	(119,725)
Profit before share in results of associated company and taxation		1,011,594	980,679	759,194	784,290
Share in results of associated company		65	88	-	-
Profit before zakat and taxation		1,011,659	980,767	759,194	784,290
Zakat		(1,032)	(601)	-	-
Taxation	44	(309,457)	(329,830)	(253,409)	(254,394)
Profit after zakat and taxation		701,170	650,336	505,785	529,896
Attributable to:					
Equity holder of the Bank		701,183	650,352	505,785	529,896
Minority interests		(13)	(16)	-	-
Profit after zakat and taxation		701,170	650,336	505,785	529,896
Earnings per share (sen)	46				
Basic		104.71	98.89	75.56	80.71
Fully diluted		86.66	83.44	62.84	68.26

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

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

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

	-----<----- Attributable to Equity Holder of the Bank ----->-----									
	Share Capital RM'000	Non-distributable					Distributable		Minority Interests RM'000	Total Equity RM'000
ICULS (equity component) RM'000		Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Available For-Sale Reserve RM'000	Unappro- priated Profits RM'000			
The Group										
At 1 April 2007										
As previously stated	610,364	-	710,660	633,222	349,050	377,492	6,007	406,591	57	3,093,443
Effect arising from the pooling of interests	-	-	-	-	1,780,144	-	-	-	-	1,780,144
At 1 April 2007 (restated)	610,364	-	710,660	633,222	2,129,194	377,492	6,007	406,591	57	4,873,587
Issue of Irredeemable Convertible Unsecured Loan Stocks	-	200,792	-	-	-	-	-	-	-	200,792
Unrealised net loss on revaluation of securities available- for-sale	-	-	-	-	-	-	(8,097)	-	-	(8,097)
Effect arising from the pooling of interests	-	-	-	-	184,207	-	-	(184,207)	-	-
Transfer to statutory reserve	-	-	-	137,676	-	-	-	(137,676)	-	-
Profit/(loss) for the year	-	-	-	-	-	-	-	650,352	(16)	650,336
At 31 March 2008	610,364	200,792	710,660	770,898	2,313,401	377,492	(2,090)	735,060	41	5,716,618

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

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

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

The Group	Attributable to Equity Holder of the Bank										Total Equity RM'000
	Non-distributable							Distributable		Minority Interests RM'000	
	Share Capital RM'000	ICULS (equity component) RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Available For-Sale Reserve RM'000	Other reserves RM'000	Unappro- priated Profits RM'000		
At 1 April 2008	610,364	200,792	710,660	770,898	2,313,401	377,492	(2,090)	-	735,060	41	5,716,618
Conversion of Irredeemable Convertible Unsecured Loan Stocks	60,000	(200,792)	232,184	-	-	-	-	-	-	-	91,392
Unrealised net loss on revaluation of securities available- for-sale	-	-	-	-	-	-	(42,009)	-	-	-	(42,009)
Exchange fluctuation adjustments	-	-	-	-	-	-	-	11,904	-	-	11,904
Unrealised net loss on cash flow hedge	-	-	-	-	-	-	-	(91,485)	-	-	(91,485)
Effect arising from the pooling of interests	-	-	-	-	(1,915,835)	-	-	-	-	-	(1,915,835)
Profit/(loss) for the year	-	-	-	-	-	-	-	-	701,183	(13)	701,170
Transfer to statutory reserve	-	-	-	78,334	-	-	-	-	(78,334)	-	-
At 31 March 2009	670,364	-	942,844	849,232	397,566	377,492	(44,099)	(79,581)	1,357,909	28	4,471,755

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

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

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

	←----- Attributable to Equity Holder of the Bank ----->							Total Equity RM'000
	Share Capital RM'000	Non-distributable			Available For-Sale Reserve RM'000	Distributable Unappro- priated Profits RM'000		
ICULS (equity component) RM'000		Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000				
The Bank								
At 1 April 2007								
As previously stated	610,364	-	710,660	585,832	-	6,007	918,628	2,831,491
Effect arising from the pooling of interests	-	-	-	-	1,446,544	-	-	1,446,544
At 1 April 2007 (restated)	610,364	-	710,660	585,832	1,446,544	6,007	918,628	4,278,035
Issue of Irredeemable Convertible Unsecured Loan Stocks	-	200,792	-	-	-	-	-	200,792
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	-	(8,097)	-	(8,097)
Effect arising from the pooling of interests	-	-	-	-	151,389	-	(151,389)	-
Transfer to statutory reserve	-	-	-	94,627	-	-	(94,627)	-
Profit for the year	-	-	-	-	-	-	529,896	529,896
At 31 March 2008	610,364	200,792	710,660	680,459	1,597,933	(2,090)	1,202,508	5,000,626

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

AmBank (M) Berhad
(Incorporated in Malaysia)
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2009**

	Attributable to Equity Holder of the Bank							Distributable Unappropriated Profits RM'000	Total Equity RM'000
	Non-distributable			Available For-Sale Reserve					
The Bank	Share Capital RM'000	ICULS (equity component) RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Available For-Sale Reserve RM'000	Other reserves RM'000		
At 1 April 2008	610,364	200,792	710,660	680,459	1,597,933	(2,090)	-	1,202,508	5,000,626
Conversion of Irredeemable Convertible Unsecured Loan Stocks	60,000	(200,792)	232,184	-	-	-	-	-	91,392
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	-	-	(50,885)	-	-	(50,885)
Exchange fluctuation adjustments	-	-	-	-	-	-	(188)	-	(188)
Unrealised net loss on cash flow hedge	-	-	-	-	-	-	(91,485)	-	(91,485)
Effects arising from pooling of interests	-	-	-	-	(1,597,933)	-	-	-	(1,597,933)
Profit for the year	-	-	-	-	-	-	-	505,785	505,785
At 31 March 2009	670,364	-	942,844	680,459	-	(52,975)	(91,673)	1,708,293	3,857,312

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

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	The Group		The Bank	
	2009 RM'000	2008 RM'000 (Restated)	2009 RM'000	2008 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before zakat and taxation	1,011,659	980,767	759,194	784,290
Adjustments for:				
Loan and financing loss and allowances, net of writeback	715,736	833,953	595,886	680,487
Interest in suspense - net	108,698	107,339	94,670	98,355
Depreciation of property and equipment	38,706	37,806	38,073	37,180
Amortisation of intangible assets	24,161	20,682	24,012	20,589
Amortisation of prepaid land lease payments	99	105	79	85
Transfer (from)/to profit equalisation reserve	24,518	(18,211)	-	-
Amortisation of premium less accretion of discount	(17,317)	(7,764)	(13,450)	(7,068)
Property and equipment written off	828	1,328	821	1,325
Share of profits of associated company	(65)	(88)	-	-
Gross dividend income from securities held-for-trading	(1,214)	(11,907)	(1,214)	(11,907)
Gross dividend income from securities available-for-sale	(7,572)	(774)	(7,572)	(774)
Gross dividend income from securities held-to-maturity	(5,296)	(5,031)	(5,268)	(5,003)
Net (gain)/loss on sale of securities held-for-trading	48,315	(70,149)	54,976	(69,256)
Net gain on sale of securities available-for-sale	(17,900)	(26,629)	(15,593)	(26,629)
Net gain on sale/redemption of securities held-to-maturity	(46,085)	(101,300)	(46,085)	(101,300)
Net loss on revaluation of securities held-for-trading	24,584	123,680	20,626	122,404
Net (gain)/loss on revaluation of derivatives	37,598	(64,783)	37,598	(66,134)
Impairment loss on securities	75,176	106,586	75,176	106,586
Impairment loss on foreclosed property	1,942	-	1,942	-
Gain on disposal of property and equipment	(532)	(429)	(477)	(429)
Gain on disposal of foreclosed properties	(343)	(975)	(343)	(975)

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009 (CONTD.)

	The Group		The Bank	
	2009 RM'000	2008 RM'000 (Restated)	2009 RM'000	2008 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
(Write-back)/Impairment loss on amount recoverable under asset-backed securitisation transaction	(17,000)	10,000	(17,000)	10,000
(Write-back)/Impairment loss on sundry receivables	(3,746)	3,042	144	3,139
Provision for/(write-back of) commitments and contingencies	11,974	1,641	(4)	(296)
Amortisation of cost capitalised for issuance of Hybrid securities	816	816	816	816
Interest paid on ICULS (equity portion)	(5,274)	(5,216)	(5,274)	(5,216)
Unrealised loss on foreign exchange contracts	92,524	107,550	92,524	107,550
Impairment loss on prepaid land lease payments	254	-	254	-
Impairment loss on property and equipment	2,236	-	2,236	-
Impairment of subsidiary companies	-	-	115,156	-
Operating Profit Before Working Capital Changes	2,097,480	2,022,039	1,801,903	1,677,819
(Increase)/Decrease In Operating Assets:				
Deposits and placements with banks and financial institutions	908,650	448,350	911,150	(74,333)
Securities held-for-trading	4,746,648	(13,263)	4,384,931	7,338
Loans, advances and financing	(5,238,976)	(5,729,068)	(3,352,299)	(3,985,851)
Other assets	(32,976)	(90,216)	(11,737)	24,730
Securities purchased under resale agreement	-	161,167	-	161,167
Statutory deposit with Bank Negara Malaysia	1,142,619	146,861	956,998	155,061

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009 (CONTD.)

	The Group		The Bank	
	2009 RM'000	2008 RM'000 (Restated)	2009 RM'000	2008 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
Increase/(Decrease) In Operating Liabilities:				
Deposits from customers	8,327,394	4,953,419	4,981,978	3,842,162
Deposits and placements of banks and other financial institutions	(536,460)	(1,384,130)	43,949	(1,410,012)
Obligation on securities sold under repurchase agreements	-	(3,233,698)	-	(3,233,698)
Bills and acceptance payable	211,006	447,666	145,784	346,933
Recourse obligation of loans sold to Cagamas Berhad	(88,942)	(458,661)	(88,942)	(458,661)
Term loans	(160,113)	167,810	(160,113)	167,810
Other liabilities	(560,678)	134,020	(592,367)	114,499
Cash Generated From/(Used In) Operations	10,815,652	(2,427,704)	9,021,235	(2,665,036)
Zakat paid	(503)	(786)	-	-
Net taxation refunded/(paid)	8,568	(47,681)	9,011	(38,180)
Net Cash Generated From/ (used in) Operating Activities	10,823,717	(2,476,171)	9,030,246	(2,703,216)

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009 (CONTD.)

	The Group		The Bank	
	2009 RM'000	2008 RM'000 (Restated)	2009 RM'000	2008 RM'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net purchase of securities available-for-sale	(3,803,726)	(35,437)	(3,274,326)	(52,840)
Net sale of securities held-to maturity	376,485	1,067,549	377,874	1,063,876
Net dividend received from securities held-for-trading	1,201	11,065	1,201	11,065
Net dividend received from securities available-for-sale	6,699	774	6,699	774
Net dividend received from securities held-to-maturity	4,579	4,127	4,559	4,106
Proceeds from disposal of property and equipment	1,033	432	583	432
Purchase of intangible assets	(4,639)	(10,721)	(4,539)	(10,564)
Purchase of property and equipment	(68,559)	(47,439)	(68,475)	(47,245)
Proceeds from disposal of foreclosed properties	10,185	8,945	10,185	8,945
Capital injection to subsidiaries	-	-	(118,156)	-
Subscription to ordinary shares of new subsidiary company	-	-	(1)	-
Cash paid for net assets vested	(1,452,198)	-	(1,137,344)	-
Net Cash (Used In)/Generated from Investing Activities	(4,928,940)	999,295	(4,201,740)	978,549

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009 (CONTD.)

	The Group		The Bank	
	2009 RM'000	2008 RM'000 (Restated)	2009 RM'000	2008 RM'000 (Restated)
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of subordinated term loan	(460,000)	-	(460,000)	-
Proceeds from Medium term notes	600,000	860,000	600,000	860,000
Proceeds from Exchangeable bonds	-	575,000	-	575,000
Proceeds from ICULS	-	300,000	-	300,000
Proceeds from INCPS	-	150,000	-	150,000
Proceeds from issuance of Stapled Capital securities	500,000	-	500,000	-
Repayment of subordinated bonds	(200,000)	-	(200,000)	-
Net Cash Generated From Financing Activities	440,000	1,885,000	440,000	1,885,000
Net Increase In Cash And Cash Equivalents	6,334,777	408,124	5,268,506	160,333
Cash And Cash Equivalents At Beginning Of Year	10,771,670	10,363,546	8,365,613	8,205,280
Cash And Cash Equivalents At End Of Year (Note 5)	17,106,447	10,771,670	13,634,119	8,365,613

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

AmBank (M) Berhad
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2009

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

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

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

The financial statements of the Group and of the Bank have been approved and authorised for issue by the Board of Directors on 28th April 2009.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Standards and IC Interpretations to existing standards that are not relevant or material for the Group and the Bank 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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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 Group'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 Group and 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. This standard is not applicable to the annual financial statements of the Group and 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 Group and the Bank as this standard deals only with disclosures in the financial statements.
- (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 application of this standard would not have any impact to the financial statements of the Group.
- (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 Group and the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

- (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 Group.

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.

- (iii) Guidelines issued on 20 October 2008 by Bank Negara Malaysia (BNM) “Reclassification of Securities under Specific Circumstances”

During the financial year, the Bank adopted the above guidelines issued by BNM. The above Guideline sets out the limited circumstances in which banking institutions are allowed to reclassify financial instruments held as securities held-for-trading portfolio into the securities available-for-sale and securities held-to-maturity portfolios. This concession is only effective from 1 July 2008 to 31 December 2009. The effects of this reclassification are as disclosed in note 56.

(a) Basis Of Accounting

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

(b) Basis of Consolidation

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

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

Subsidiaries are consolidated from the date of acquisition being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intergroup balances and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Basis of Consolidation (contd)

Where the merger accounting method is used, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Pursuant to the Business Transfer Agreement dated 11 March 2008 and the Vesting Order granted by the High Court of Malaya on 9 April 2008, the Group acquired the assets and assumed the liabilities relating to AmInvestment Bank Berhad's (AmInvestment Bank) conventional/Islamic Fund-Based Activities (including AmInvestment Bank's 100% shareholding interest in AmInternational (L) Ltd, a licensed offshore bank). 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 ('Merger'). Under the pooling of interest method, the results of the business transferred from AmInvestment Bank, together with the assets and liabilities are included into the financial statements of the Bank and the Group as if the merger had been effected prior to and throughout the current financial year. Pursuant to the Business Transfer, certain Held-for-Trading securities were reclassified to Securities Available for Sale and arising from the Merger, comparative figures of the Bank and the Group have been restated.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary company being disposed. All gains or losses on disposal of subsidiaries are recognised in the consolidated income statement.

Minority interest represents that part of the net results of operations and net assets of a subsidiary company attributable to equity interests and debentures that are not owned, directly or indirectly through subsidiary companies, by the Bank or subsidiary companies. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary companies' equity since that date, except when the losses applicable to the minority interest exceed the minority interest in the equity of that subsidiary company. In such cases, the excess and further losses applicable to the minority interest are attributable to the equity holder of the Bank or subsidiary companies, unless the minority interest has a binding obligation to, and is able to, make good the losses. When that subsidiary company subsequently reports profits, the profits applicable to the minority interest are attributed to the equity holder of the Bank or subsidiary companies until the minority interest's share of losses previously absorbed by the equity holder of the Bank or subsidiary companies has been recovered.

(c) Operating Revenue

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

(d) Interest and Financing Income and Expense Recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Interest and Financing Income and Expense Recognition

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

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 58.

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

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

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

(e) Recognition of Fees and Other Income

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

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

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

Property rental are recognised on an accrual basis.

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

(f) Employee Benefits

(i) Short-Term Benefits

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

(ii) Defined Contribution Plan

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Employee Benefits (contd)

(iii) Termination Benefits

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

(g) Allowance for Doubtful Debts and Financing

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing. Allowances for doubtful debts and financing are made based on management's evaluation of the portfolio of loans, advances and financing, when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

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

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

The specific and general allowances for loans, advances and financing of the Group are computed 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 Group has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

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

- (i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:
 - (a) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
 - (b) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.
- (ii) Specific allowance of 20% is provided on non-performing loans which are four (4) to less than six (6) months-in-arrears.

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

(h) Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Profit Equalisation Reserve ("PER")

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

(j) 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.

(iii) Other assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) 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 Group 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 enacted or substantively enacted at the balance sheet date.

(l) Securities

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

(i) Securities held-for-trading

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

(ii) Securities available-for-sale

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

(iii) Securities held-to-maturity

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

The securities held-to-maturity are measured at accreted/amortised cost based on effective yield method 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 Group from classifying the similar class of securities as securities held-to-maturity for the current and following two financial years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Trade and Other Receivables

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

(n) Other Assets

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

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

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

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

(ii) Foreclosed Properties

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

(o) Investment in Subsidiary Companies

A subsidiary company is a company in which the Group has power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from their activities. Potential voting rights that are exercisable or convertible are considered when assessing control.

(p) Investment in Associated Companies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Investment in Associated Companies (Contd.)

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

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

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

(q) Property and Equipment and Depreciation

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

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

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

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

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

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

An asset 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 statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Intangible Assets

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

Costs associated with maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with 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.

(s) Assets Purchased under lease

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

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

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

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

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

(t) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Repurchase Agreements

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

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

(v) Bills and Acceptances Payable

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

(w) Trade and Other Payables

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

(x) 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.

(y) Interest-Bearing Instruments

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

(z) Hybrid Capital

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(aa) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as an appropriation of unappropriated profits in the year in which they are approved.

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.

(ab) Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Foreign Currency Transactions

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

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

(iii) Foreign Operations

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

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

	31.03.2009	31.03.2008
United States Dollar (USD)	3.64	3.19
Hong Kong Dollar (HKD)	0.47	0.41

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(ac) Derivative Financial Instruments and Hedge Accounting

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

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

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

(ad) Sell and Buy Back Agreements

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(ae) Contingent Assets and Contingent Liabilities

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

(af) Cash Flow Statements

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

(ag) Cash and Cash Equivalents

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

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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:

a) Fair value estimation

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

b) Classification between investment properties and property and equipment

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

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

c) Deferred tax assets

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

d) Allowance for Bad and Doubtful Debts

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	482,786	928,022	471,372	390,826
Money at call and deposits placements maturing within one month	16,623,661	9,843,648	13,162,747	7,974,787
	<u>17,106,447</u>	<u>10,771,670</u>	<u>13,634,119</u>	<u>8,365,613</u>

Included in the above are interbank lending by the Group and the Bank of RM16,385,301,000 (2008: RM9,349,440,000) and RM12,924,387,000 (2008: RM7,880,580,000) respectively. Included in money at call and deposit placement maturing within one month is an amount of RM238,359,500 (2008:RM 94,206,800) representing collateral pledged with counterparties pursuant to interest rate swap agreements.

As at 31 March 2009, the net interbank lending of the Group and of the Bank are as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interbank lending				
Cash and short term funds	16,385,301	9,349,440	12,924,387	7,880,580
Deposits with banks and other financial institutions (Note 6)	421,050	1,329,700	421,050	1,329,700
	<u>16,806,351</u>	<u>10,679,140</u>	<u>13,345,437</u>	<u>9,210,280</u>
Interbank borrowing (Note 20)	(793,759)	(1,430,325)	(1,191,302)	(1,422,173)
Net interbank lending/(borrowing)	<u>16,012,592</u>	<u>9,248,815</u>	<u>12,154,135</u>	<u>7,788,107</u>

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	-	279,700	6,093	288,293
Licensed merchant bank	421,050	50,000	421,050	50,000
Bank Negara Malaysia	-	1,000,000	-	1,000,000
	<u>421,050</u>	<u>1,329,700</u>	<u>427,143</u>	<u>1,338,293</u>

Included in the above are interbank lending by the Group and the Bank of RM421,050,000 (2008: RM1,329,700,000).

7. SECURITIES HELD-FOR-TRADING

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value				
Money Market Securities:				
Treasury bills	-	26,566	-	26,566
Islamic Treasury bills	-	78,224	-	-
Malaysian Government Securities	999,652	160,705	999,652	160,705
Malaysian Government Investment Certificates	4,065	323,014	4,065	287,793
Cagamas bonds	-	25,057	-	25,057
Cagamas Mudharabah Bearer Bonds	-	37,167	-	35,076
Khazanah bonds	991	59,359	-	45,857
Negotiable Islamic debt certificate	-	313,742	-	-
Negotiable instruments of deposit	-	15,368	-	15,368
Islamic Bank Negara Monetary Notes	-	134,107	-	134,107
Bank Negara Monetary Notes	-	274,645	-	274,645
	<u>1,004,708</u>	<u>1,447,954</u>	<u>1,003,717</u>	<u>1,005,174</u>
Quoted Securities:				
Shares and unit trust in Malaysia	20,294	82,534	20,294	82,464
	<u>20,294</u>	<u>82,534</u>	<u>20,294</u>	<u>82,464</u>
Quoted Securities:				
Shares outside Malaysia	-	69,236	-	69,236
	<u>-</u>	<u>69,236</u>	<u>-</u>	<u>69,236</u>
Unquoted Securities:				
<i>In Malaysia</i>				
Private debt securities	347,004	4,635,070	144,133	4,518,439
Guaranteed private debt securities	-	325,058	-	325,058
<i>Outside Malaysia</i>				
Private debt securities	15,405	123,887	15,405	123,887
	<u>362,409</u>	<u>5,084,015</u>	<u>159,538</u>	<u>4,967,384</u>
Total securities held-for-trading	<u>1,387,411</u>	<u>6,683,739</u>	<u>1,183,549</u>	<u>6,124,258</u>

8. SECURITIES AVAILABLE-FOR-SALE

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At fair value:				
Money Market Securities:				
Islamic Khazanah Bonds	36,945	-	36,945	-
Negotiable instruments of deposit	70,990	69,762	96,427	69,762
Negotiable Islamic debt certificate	29,190	-	-	-
Malaysian Government Investment Certificates	36,025	-	-	-
	<u>173,150</u>	<u>69,762</u>	<u>133,372</u>	<u>69,762</u>
Quoted Securities In Malaysia:				
Shares	91,039	22,817	91,001	22,817
Shares/Bonds with options and/or collateral	332	6,014	332	6,014
Corporate bonds	-	4,411	-	4,411
Loan stocks	3,096	9,145	3,096	9,145
	<u>94,467</u>	<u>42,387</u>	<u>94,429</u>	<u>42,387</u>
Quoted Securities Outside Malaysia:				
Shares	12,090	78	12,090	78
	<u>12,090</u>	<u>78</u>	<u>12,090</u>	<u>78</u>
Unquoted Securities In Malaysia:				
Private debt securities	4,877,451	1,056,534	4,373,371	1,056,534
Guaranteed private debt securities	309,446	96,529	309,446	95,632
	<u>5,186,897</u>	<u>1,153,063</u>	<u>4,682,817</u>	<u>1,152,166</u>
Unquoted Outside Malaysia:				
Shares	1,025	-	-	-
Private Debts Securities	130,855	65,878	130,855	65,878
	<u>131,880</u>	<u>65,878</u>	<u>130,855</u>	<u>65,878</u>
Total securities available-for-sale	<u>5,598,484</u>	<u>1,331,168</u>	<u>5,053,563</u>	<u>1,330,271</u>

9. SECURITIES HELD-TO-MATURITY

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
At amortised cost				
Quoted Securities In Malaysia:				
Shares	40	218	40	121
Debt securities with options and/or collateral	160,847	251,113	159,876	218,202
Warrants	-	15	-	15
Debt securities	30,989	-	1,825	-
	<u>191,876</u>	<u>251,346</u>	<u>161,741</u>	<u>218,338</u>
Quoted Securities outside Malaysia:				
Debt securities	7,291	-	-	-
Unquoted Securities In Malaysia:				
Shares	92,445	126,920	90,470	126,503
Debt securities	350,685	427,592	324,337	406,061
Debt securities with options and/or collateral	493,119	631,444	493,119	631,444
	<u>936,249</u>	<u>1,185,956</u>	<u>907,926</u>	<u>1,164,008</u>
Unquoted Securities Outside Malaysia:				
Private debt securities	-	190,331	-	190,331
Shares	17	6,441	17	6,441
	<u>17</u>	<u>196,772</u>	<u>17</u>	<u>196,772</u>
Total	<u>1,135,433</u>	<u>1,634,074</u>	<u>1,069,684</u>	<u>1,579,118</u>
Less: Accumulated impairment losses	<u>(382,074)</u>	<u>(477,538)</u>	<u>(358,886)</u>	<u>(463,754)</u>
Total securities held-to-maturity	<u>753,359</u>	<u>1,156,536</u>	<u>710,798</u>	<u>1,115,364</u>

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Market value				
Quoted Securities:				
Shares	16	813	16	813
Debt securities with options and/or collateral	87,151	203,407	86,180	203,407
Debt securities	56,804	-	21,346	-
	<u>143,971</u>	<u>204,220</u>	<u>107,542</u>	<u>204,220</u>

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

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

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

The Group	Contract/ Notional Amount RM'000	2009		2008		
		Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
Trading Derivatives						
Foreign exchange contracts						
- Currency forward	824,899	29,552	11,861	5,762,191	44,231	76,894
Equity related contracts						
- Purchased options	194,154	3,695	-	-	-	-
- Written options	194,154	-	3,756	13,867	-	100
Interest rate related contracts						
- Interest rate swaps	19,988,341	341,673	329,538	26,131,307	104,772	141,448
- Interest rate futures	60,000	1,507	-	270,000	6,574	6,907
Cross currency swaps	610,213	607	49,650	624,647	106,940	126,658
Hedging Derivatives						
Interest rate related contracts						
- Interest rate swaps	4,624,100	100,098	170,678	639,000	45,134	-
Total	26,495,861	477,132	565,483	33,441,012	307,651	352,007

10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTD.)

The Bank	Contract/ Notional Amount RM'000	2009		2008		
		Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
Trading Derivatives						
Foreign exchange contracts						
- Currency forward	824,899	29,552	11,861	5,762,191	44,231	76,894
Equity related contracts						
- Purchased options	149,660	1,810	-	-	-	-
- Written options	149,660	-	1,873	13,867	-	100
Interest rate related contracts						
- Interest rate swaps	19,988,341	341,673	329,538	26,131,307	104,772	141,448
- Interest rate futures	60,000	1,507	-	270,000	6,574	6,907
Cross currency swaps	610,213	607	49,650	624,647	106,940	126,658
Hedging Derivatives						
Interest rate related contracts						
- Interest rate swaps	4,624,100	100,098	170,678	639,000	45,134	-
Total	26,406,873	475,247	563,600	33,441,012	307,651	352,007

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

11. LOANS, ADVANCES AND FINANCING

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Overdrafts	1,735,296	1,632,538	1,609,448	1,491,602
Term loans facilities:				
Housing loans/financing	11,485,193	11,314,355	10,754,364	10,502,152
Hire-purchase receivables	30,409,126	29,984,270	22,800,520	22,283,759
Other loans/financing	14,347,371	12,261,997	9,973,395	8,939,077
Card receivables	1,867,505	1,927,253	1,556,912	1,623,885
Bills receivables	47,442	33,524	45,338	29,762
Trust receipts	373,871	325,968	341,486	279,895
Claims on customers under acceptance credits	2,368,892	2,301,379	1,605,237	1,615,003
Revolving credits	3,623,254	3,015,231	3,351,767	2,855,518
Staff loans	159,631	156,451	159,058	155,954
Total	66,417,581	62,952,966	52,197,525	49,776,607
Unearned interest and unearned income	(6,961,346)	(6,482,805)	(3,753,006)	(3,658,470)
	59,456,235	56,470,161	48,444,519	46,118,137
Less: Islamic financing sold to Cagamas Berhad	(905,803)	(1,956,022)	-	-
Gross loans, advances and financing	58,550,432	54,514,139	48,444,519	46,118,137
Allowance for bad and doubtful debts and financing:				
- General (Note 11(vii))	(895,655)	(840,030)	(728,700)	(684,587)
- Specific (Note 11(vii))	(914,985)	(1,348,859)	(815,933)	(1,195,407)
Net loans, advances and financing	56,739,792	52,325,250	46,899,886	44,238,143
(i) The maturity structure of loans, advances and financing is as follows:				
Maturing within one year	9,757,626	12,322,435	8,529,810	10,994,350
One year to three years	5,435,231	5,606,929	4,985,791	4,499,694
Three years to five years	8,336,169	6,093,302	6,785,756	5,199,138
Over five years	35,021,406	30,491,473	28,143,162	25,424,955
Gross loans, advances and financing	58,550,432	54,514,139	48,444,519	46,118,137

11. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Domestic banking institutions	-	131	-	131
Domestic non-bank financial institutions	757,550	832,795	753,444	832,134
Domestic business enterprises				
- Small medium enterprises	6,228,973	5,447,766	5,281,992	4,698,418
- Others	12,430,959	11,344,881	11,096,555	10,337,693
Government and statutory bodies	69,506	111,581	69,506	90,270
Individuals	38,543,047	36,528,046	30,741,113	29,931,031
Other domestic entities	20,037	32,566	20,037	29,384
Foreign entities	500,360	216,373	481,872	199,076
Gross loans, advances and financing	<u>58,550,432</u>	<u>54,514,139</u>	<u>48,444,519</u>	<u>46,118,137</u>

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Fixed rate				
- Housing loans/financing	2,243,363	2,343,023	1,861,510	1,923,634
- Hire purchase receivables	24,486,192	23,104,427	19,055,198	18,648,791
- Other fixed rate loan/financing	8,217,674	8,162,985	4,116,630	4,739,449
Variable rate				
- Base lending rate plus	15,183,038	14,688,695	15,181,025	14,687,528
- Cost plus	7,372,821	5,746,273	7,197,668	5,667,852
- Other variable rates	1,047,344	468,736	1,032,488	450,883
Gross loans, advances and financing	<u>58,550,432</u>	<u>54,514,139</u>	<u>48,444,519</u>	<u>46,118,137</u>

11. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Purchase of securities	1,662,075	1,206,291	1,655,756	1,196,875
Purchase of transport vehicles	24,347,678	24,124,961	18,092,123	17,756,772
Purchase of landed property				
- Residential	11,306,561	10,980,593	10,923,013	10,560,017
- Non-Residential	2,878,021	2,312,866	2,664,837	2,167,498
Purchase of fixed assets other than land and building	1,815,104	1,798,568	1,653,719	1,672,291
Personal use	2,369,408	2,079,883	333,975	377,780
Credit card	1,844,448	1,898,413	1,535,069	1,595,361
Purchase of consumer durables	933	3,892	809	2,708
Construction	1,127,832	838,616	1,018,159	811,149
Merger and acquisition	346,203	304,661	346,203	304,661
Working capital	9,406,313	9,339,756	8,160,342	8,215,345
Other purpose	2,351,659	1,581,661	2,060,514	1,457,680
	<u>59,456,235</u>	<u>56,470,161</u>	<u>48,444,519</u>	<u>46,118,137</u>
Less:				
Islamic financing sold to Cagamas Berhad	(905,803)	(1,956,022)	-	-
Gross loans, advances and financing	<u>58,550,432</u>	<u>54,514,139</u>	<u>48,444,519</u>	<u>46,118,137</u>

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Purchase of securities	60,085	97,862	59,459	96,949
Purchase of transport vehicles	453,501	428,615	332,680	303,707
Purchase of landed property				
- Residential	924,484	962,785	866,476	881,418
- Non-Residential	220,630	334,169	206,353	305,131
Purchase of fixed assets other than land and building	27,393	44,119	25,081	36,916
Personal use	19,163	35,246	18,667	34,794
Credit card	70,209	66,011	59,114	55,432
Purchase of consumer durables	550	485	550	485
Construction	148,962	201,276	148,956	179,398
Working capital	450,016	941,624	419,269	916,777
Other purpose	44,733	180,492	43,484	176,356
	<u>2,419,726</u>	<u>3,292,684</u>	<u>2,180,089</u>	<u>2,987,363</u>

11. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Gross				
Balance at beginning of year	3,292,684	5,152,411	2,987,363	4,649,327
Non-performing during the year	1,165,774	1,319,462	979,558	1,113,394
Reclassification to performing loans, advances and financing	(577,415)	(757,158)	(514,983)	(653,641)
Amount recovered	(383,387)	(513,158)	(355,769)	(442,281)
Debt equity conversion	(933)	(86,725)	(933)	(86,725)
Amount written off	(1,293,281)	(1,274,107)	(1,131,431)	(1,044,670)
Sale of non-performing loans	-	(547,859)	-	(547,859)
Factored loan from related company	196,730	-	196,730	-
Repurchase of loan	19,554	-	19,554	-
Reclassification from trade receivables	-	33	-	33
Exchange fluctuation adjustment	-	(215)	-	(215)
Balance at end of year	2,419,726	3,292,684	2,180,089	2,987,363
Less:				
Specific allowance	(914,985)	(1,348,859)	(815,933)	(1,195,407)
Non-performing loans, advances and financing - net	1,504,741	1,943,825	1,364,156	1,791,956
Gross loans, advances and financing	58,550,432	54,514,139	48,444,519	46,118,137
Add:				
Islamic financing sold to Cagamas Berhad	905,803	1,956,022	-	-
Balance at end of year	59,456,235	56,470,161	48,444,519	46,118,137
Less:				
Specific allowance	(914,985)	(1,348,859)	(815,933)	(1,195,407)
Net loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	58,541,250	55,121,302	47,628,586	44,922,730
Ratio of non-performing loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) - net	2.57%	3.53%	2.86%	3.99%

11. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
General Allowance				
Balance at beginning of year	840,030	774,202	684,587	633,446
Allowance made during the year (Note 40)	51,102	66,062	39,651	51,375
Allowance vested from related company not charged to Income Statement	4,462	-	4,462	-
Exchange fluctuation adjustments	61	(234)	-	(234)
Balance at end of year	<u>895,655</u>	<u>840,030</u>	<u>728,700</u>	<u>684,587</u>
% of net loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	<u>1.53%</u>	<u>1.52%</u>	<u>1.53%</u>	<u>1.52%</u>
Specific Allowance				
Balance at beginning of year	<u>1,348,859</u>	<u>2,083,016</u>	<u>1,195,407</u>	<u>1,829,318</u>
Allowance made during the year (Note 40)	1,042,014	1,181,796	885,471	964,117
Amount written back in respect of recoveries (Note 40)	<u>(377,380)</u>	<u>(413,905)</u>	<u>(329,236)</u>	<u>(335,005)</u>
Net charge to income statements	664,634	767,891	556,235	629,112
Debt equity conversion	(933)	(17,190)	(933)	(17,190)
Amount written off/ Adjustment to Asset Deficiency Account	(1,233,739)	(1,265,864)	(1,071,077)	(1,026,839)
Factored loan from related company	118,730	-	118,730	-
Repurchase of loan	17,508	-	17,508	-
Reclassification from / (to) trade receivables	(74)	838	63	838
Sale of non-performing loans	-	(219,832)	-	(219,832)
Balance at end of year	<u>914,985</u>	<u>1,348,859</u>	<u>815,933</u>	<u>1,195,407</u>

12. OTHER ASSETS

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deferred assets	34,744	39,891	34,744	39,891
Other receivables, deposits and prepayments (net)	514,757	565,668	410,686	484,844
Amount due from originators	25,789	35,140	25,789	35,140
Amount recoverable under asset-backed securitisation transaction net of impairment loss of RM Nil (2008: RM30,500,000)	-	67,066	-	67,066
Foreclosed properties net of impairment loss of RM97,950,000 (2008: RM91,724,000)	178,748	99,772	178,748	99,772
	<u>754,038</u>	<u>807,537</u>	<u>649,967</u>	<u>726,713</u>

The Group and The Bank
2009 **2008**
RM'000 **RM'000**

(i) Deferred Assets

Arising from takeover of Kewangan Usahasama
Makmur Berhad

34,744 39,891

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

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

- (ii) Included under the gross amount of other receivables, deposits and prepayments of the Group and Bank are outstanding balances totalling RM10,869,000 (2008: RM552,000) and RM15,382,000 (2008: RM18,835,000) respectively owing by other related companies. These amounts are interest-free and represent amounts paid on behalf.
- (iii) Other receivables, deposits and prepayments are net of allowance for doubtful debts of the Group and Bank which amounted to RM22,607,000 (2008: RM18,969,000) and RM8,284,000 (2008: RM16,658,000) respectively.
- (iv) Amount due from originators represent loans, hire purchase and leasing receivables acquired from Originators for onward sale to Cagamas Berhad as mentioned in Note 22.

13. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

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

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Bank	
	2009 RM'000	2008 RM'000
Unquoted shares at cost	975,026	856,869
Accumulated Impairment losses	(125,156)	(10,000)
Net	849,870	846,869

(a) Incorporation of new subsidiaries

During the financial year, the Bank had incorporated two new wholly-owned subsidiaries, as follows:

- (i) AmPremier Capital Berhad - incorporated on 26 December 2008 as a special purpose vehicle to facilitate the issuance of the Non-Innovative Tier 1 capital. As at 31 March 2009, 2 ordinary shares of RM1.00 each were issued for cash at par, amounting to RM2.
- (ii) AmMortgage One Berhad - incorporated on 12 February 2009 as a special purpose vehicle to undertake the proposed acquisition of a third party's employee mortgage loans. As at 31 March 2009, 1,000 ordinary shares of RM1.00 each were issued for cash at par, amounting to RM1,000.

(b) Subscription of additional shares in subsidiary companies

During the financial year, the Bank had subscribed to the following ordinary shares issued by its subsidiary companies for cash at par:

	Number of shares '000	Par Value RM	Cost of Investment RM'000
Bougainvillaea Development Sdn. Bhd.	10,000	1.00	10,000
MBf Equity Partners Sdn. Bhd.	1,284	1.00	1,284
Natprop Sdn. Bhd.	71,509	1.00	71,509
Teras Oak Pembangunan Sdn. Bhd.	3,500	1.00	3,500
Komuda Credit & Leasing Sdn. Bhd.	13,759	1.00	13,759
AmCredit & Leasing Sdn Bhd	3,392	1.00	3,392
Li & Ho Sdn. Bhd.	4,058	1.00	4,058
Annling Sdn. Bhd.	3,096	1.00	3,096
MBf Nominees (Asing) Sdn. Bhd.	138	1.00	138
Malco Properties Sdn. Bhd.	259	1.00	259
Lekir Development Sdn. Bhd.	3,799	1.00	3,799
Crystal Land Sdn. Bhd.	3,362	1.00	3,362
	118,156		118,156

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONTD.)

Details of the subsidiary companies are as follows:

Name of Company	Country of Incorporation	Principal Activities	Effective Equity Interest	
			2009 %	2008 %
AmIslamic Bank Berhad	Malaysia	Islamic Banking	100.0	100.0
AmTrade Services Ltd *	Hong Kong	Trade finance services	100.0	100.0
AmInternational (L) Ltd	Labuan, Malaysia	Offshore banking	100.0	100.0
AMBB Capital (L) Ltd	Labuan, Malaysia	Special purpose vehicle	100.0	100.0
AmCapital (L) Inc	Labuan, Malaysia	Special purpose vehicle	100.0	100.0
AmPremier Capital Berhad	Malaysia	Special purpose vehicle	100.0	-
AmMortgage One Berhad	Malaysia	Special purpose vehicle	100.0	-
AmProperty Holdings Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
Bougainvillea Development Sdn. Bhd.	Malaysia	Property investment	100.0	100.0
MBf Information Services Sdn. Bhd.	Malaysia	Renting of computer equipment and provision of related support services	100.0	100.0
MBf Trustees Berhad	Malaysia	Trustee services	60.0	60.0
MBf Nominees (Tempatan) Sdn. Bhd.	Malaysia	Nominee services	100.0	100.0
MBf Equity Partners Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Natprop Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Teras Oak Pembangunan Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Komuda Credit & Leasing Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Everflow Credit & Leasing Corporation Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
AmCredit & Leasing Sdn Bhd	Malaysia	Dormant	100.0	100.0
Li & Ho Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Annling Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
MBf Nominees (Asing) Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Malco Properties Sdn. Bhd.	Malaysia	Dormant	81.5	51.0
Lekir Development Sdn. Bhd.	Malaysia	Dormant	100.0	100.0
Crystal Land Sdn. Bhd.	Malaysia	Dormant	97.9	80.0
Economical Enterprises Sdn. Bhd.	Malaysia	Dormant	100.0	100.0

* Audited by an affiliate of Ernst & Young

15. INVESTMENT IN ASSOCIATED COMPANIES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted shares, at cost	100	100	150	150
Less: Impairment loss	-	-	(13)	(13)
	<u>100</u>	<u>100</u>	<u>137</u>	<u>137</u>
Share of post-acquisition results, net of tax	705	640	-	-
	<u>805</u>	<u>740</u>	<u>137</u>	<u>137</u>

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

	Principal Activity
AmTrustee Berhad	Trustee Services
MBf Trustees Berhad	Trustee Services

The effective equity interests are as follows:

	The Group		The Bank	
	Effective Equity Interest 2009	Effective Equity Interest 2008	Effective Equity Interest 2009	Effective Equity Interest 2008
AmTrustee Berhad	20%	20%	20%	20%
MBf Trustees Berhad	60%	60%	20%	20%

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

The summarised financial information of the associate are as follows:

	The Group	
	2009 RM'000	2008 RM'000
Assets and liabilities		
Current assets	7,891	6,560
Non-current assets	610	823
Total assets	<u>8,501</u>	<u>7,383</u>
Total liabilities	<u>2,648</u>	<u>1,837</u>
Results		
Revenue	4,190	4,189
Profit for the year	<u>327</u>	<u>348</u>

16. PREPAID LAND LEASE PAYMENTS

	←-----The Group-----→			←-----The Bank-----→		
	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
COST						
As at 1 April 2008	5,068	534	5,602	3,806	303	4,109
ACCUMULATED AMORTISATION/ IMPAIRMENT LOSS						
As at 1 April 2008	970	228	1,198	758	158	916
Impairment loss	254	-	254	254	-	254
Amortisation charge for the year	88	11	99	73	6	79
As at 31 March 2009	1,312	239	1,551	1,085	164	1,249
Analysed as:						
Accumulated amortisation	1,058	239	1,297	831	164	995
Accumulated Impairment loss	254	-	254	254	-	254
	1,312	239	1,551	1,085	164	1,249
NET BOOK VALUE						
As at 31 March 2009	3,756	295	4,051	2,721	139	2,860

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

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

16. PREPAID LAND LEASE PAYMENTS (CONTD.)

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

17. PROPERTY AND EQUIPMENT

The Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST								
As at 1 April 2008	12,892	23,127	17,016	179,879	131,868	408,904	8,441	782,127
Additions	-	-	-	7,147	4,517	55,659	1,236	68,559
Reclassified to intangible assets (Note 18)	-	-	-	-	-	(24,443)	-	(24,443)
Disposals	(166)	(332)	-	-	(611)	(1,364)	(1,491)	(3,964)
Reclassification	-	-	-	(106)	466	(360)	-	-
Exchange differences	-	58	-	-	190	45	38	331
Written-off	-	-	-	(64)	(8)	(756)	-	(828)
As at 31 March 2009	12,726	22,853	17,016	186,856	136,422	437,685	8,224	821,782
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
As at 1 April 2008	-	7,059	3,628	143,704	110,620	340,897	6,945	612,853
Depreciation for the year	-	455	314	12,514	9,179	15,756	488	38,706
Disposals	-	(103)	-	-	(608)	(1,364)	(1,388)	(3,463)
Impairment loss	1,350	-	886	-	-	-	-	2,236
Exchange differences	-	13	-	-	173	44	24	254
Reclassification	-	38	-	-	(5)	(33)	-	-
As at 31 March 2009	1,350	7,462	4,828	156,218	119,359	355,300	6,069	650,586
Analysed as:								
Accumulated depreciation	-	7,462	3,942	156,218	119,359	355,300	6,069	648,350
Accumulated impairment loss	1,350	-	886	-	-	-	-	2,236
	1,350	7,462	4,828	156,218	119,359	355,300	6,069	650,586
NET BOOK VALUE								
As at 31 March 2009	11,376	15,391	12,188	30,638	17,063	82,385	2,155	171,196

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

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST								
As at 1 April 2007	12,892	23,127	17,016	169,674	128,883	393,433	8,274	753,299
Additions	-	-	-	9,842	3,186	34,244	167	47,439
Reclassified to Intangible assets (Note 18)	-	-	-	-	-	(16,969)	-	(16,969)
Disposals	-	-	-	-	(181)	-	-	(181)
Exchange differences	-	-	-	-	(105)	(26)	-	(131)
Written-off	-	-	-	363	85	(1,778)	-	(1,330)
As at 31 March 2008	12,892	23,127	17,016	179,879	131,868	408,904	8,441	782,127
ACCUMULATED DEPRECIATION								
As at 1 April 2007	-	6,597	3,310	130,595	99,671	328,792	6,403	575,368
Depreciation for the year	-	462	318	13,109	11,229	12,132	556	37,806
Disposals	-	-	-	-	(178)	-	-	(178)
Exchange differences	-	-	-	-	(102)	(25)	(14)	(141)
Written off	-	-	-	-	-	(2)	-	(2)
As at 31 March 2008	-	7,059	3,628	143,704	110,620	340,897	6,945	612,853
NET BOOK VALUE								
As at 31 March 2008	12,892	16,068	13,388	36,175	21,248	68,007	1,496	169,274

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

	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Leasehold improve- ments RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
COST								
As at 1 April 2008	3,582	3,055	13,778	179,638	130,302	408,414	8,173	746,942
Additions	-	-	-	7,139	4,513	55,587	1,236	68,475
Reclassified to Intangible Assets (Note 18)	-	-	-	-	-	(24,443)	-	(24,443)
Disposals	-	-	-	-	(611)	(1,364)	(1,491)	(3,466)
Reclassification	-	-	-	(106)	593	(487)	-	-
Written-off	-	-	-	(64)	(1)	(756)	-	(821)
As at 31 March 2009	3,582	3,055	13,778	186,607	134,796	436,951	7,918	786,687
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES								
As at 1 April 2008	-	561	2,888	143,611	109,261	340,564	6,765	603,650
Depreciation for the year	-	46	274	12,471	9,142	15,686	454	38,073
Disposals	-	-	-	-	(608)	(1,364)	(1,388)	(3,360)
Impairment loss	1,350	-	886	-	-	-	-	2,236
As at 31 March 2009	1,350	607	4,048	156,082	117,795	354,886	5,831	640,599
Analysed as:								
Accumulated depreciation	-	607	3,162	156,082	117,795	354,886	5,831	638,363
Accumulated impairment loss	1,350	-	886	-	-	-	-	2,236
	1,350	607	4,048	156,082	117,795	354,886	5,831	640,599
NET BOOK VALUE								
As at 31 March 2009	2,232	2,448	9,730	30,525	17,001	82,065	2,087	146,088

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

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

17. PROPERTY AND EQUIPMENT (CONTD.)

- (a) Included in the net book value of computer equipment and leasehold improvements are capital work-in-progress for the Group and the Bank of RM 30,345,800 (2008: RM30,960,000).
- (b) Details of fully depreciated property and equipment of the Group and the Bank, which are still in use are as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Freehold building	-	75	-	75
Leasehold building	-	102	-	102
Leasehold improvements	120,335	108,821	119,597	108,176
Office equipment, furniture and fittings	93,956	75,777	92,960	74,906
Computer equipment	315,470	310,776	315,470	310,776
Motor vehicles	5,017	5,627	4,871	5,499
	<u>534,778</u>	<u>501,178</u>	<u>532,898</u>	<u>499,534</u>

18. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Computer Software				
Cost				
At the beginning of the year	167,792	140,104	167,057	140,004
Additions	4,639	10,721	4,539	10,564
Reclassified from computer equipment (Note 17)	24,443	16,969	24,443	16,489
Exchange differences	-	(2)	-	-
At the end of the year	<u>196,874</u>	<u>167,792</u>	<u>196,039</u>	<u>167,057</u>
Accumulated Amortisation				
At the beginning of the year	106,306	85,626	106,181	85,592
Amortisation for the year	24,161	20,682	24,012	20,589
Exchange differences	-	(2)	-	-
At the end of the year	<u>130,467</u>	<u>106,306</u>	<u>130,193</u>	<u>106,181</u>
Net Book Value	<u>66,407</u>	<u>61,486</u>	<u>65,846</u>	<u>60,876</u>

19. DEPOSITS FROM CUSTOMERS

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Demand deposits	3,168,521	2,908,460	2,522,656	2,387,896
Savings deposits	3,581,219	3,341,067	2,635,269	2,539,686
Other deposits	12,500,747	5,341,363	12,455,897	5,341,363
Fixed/Investment deposits	43,870,934	42,998,810	35,027,294	36,810,726
Negotiable certificates of deposits	825,714	1,030,041	558,729	1,138,196
	<u>63,947,135</u>	<u>55,619,741</u>	<u>53,199,845</u>	<u>48,217,867</u>

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

Due within six months	50,802,092	43,749,396	41,029,704	37,230,570
Six months to one year	10,294,562	8,310,592	9,769,307	7,719,436
One year to three years	2,208,072	2,575,272	1,828,809	2,370,773
Three years to five years	642,409	984,481	572,025	897,088
	<u>63,947,135</u>	<u>55,619,741</u>	<u>53,199,845</u>	<u>48,217,867</u>

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

Individuals	25,510,224	23,634,806	23,551,245	22,010,689
Business enterprises	26,226,827	20,162,516	20,870,811	16,878,675
Government and other statutory bodies	10,815,814	8,839,532	7,900,901	6,905,339
Others	1,394,270	2,982,887	876,888	2,423,164
	<u>63,947,135</u>	<u>55,619,741</u>	<u>53,199,845</u>	<u>48,217,867</u>

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Licensed banks	1,677,935	1,721,758	1,537,832	1,157,135
Licensed investment/merchant banks	1,433,340	1,253,248	1,231,309	716,019
Licensed financed companies	-	803,632	-	803,632
Other Financial Institutions	3,621,465	3,012,830	2,970,947	2,540,615
Bank Negara Malaysia ("BNM")	908,666	1,386,398	905,237	1,383,975
	<u>7,641,406</u>	<u>8,177,866</u>	<u>6,645,325</u>	<u>6,601,376</u>

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Negotiable instruments of deposits	2,744,051	2,769,867	1,948,755	1,709,033
Interbank borrowing (Note 5)	793,759	1,430,325	1,191,302	1,422,173
	<u>3,537,810</u>	<u>4,200,192</u>	<u>3,140,057</u>	<u>3,131,206</u>

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Soft deposit	135,000	135,000	135,000	135,000
Soft loans	493,000	493,000	493,000	493,000
	<u>628,000</u>	<u>628,000</u>	<u>628,000</u>	<u>628,000</u>

The soft deposit of RM135,000,000 bears an interest of 1% (2008: 1%) per annum and the soft loans are interest free.

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

21. BILLS AND ACCEPTANCES PAYABLE

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

22. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from the Bank's loans sold directly and indirectly or those acquired from the Originators (as disclosed in Note 12) (excluding Islamic financing) to Cagamas Berhad with recourse. Under this arrangement for loans sold by the Bank, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria with recourse to the Bank. Under the back to back arrangement with the Originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the Originators.

23. OTHER LIABILITIES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest payable	442,153	388,972	382,436	340,958
Other creditors and accruals	816,498	1,012,811	748,891	965,960
Profit equalisation reserve	62,162	37,367	-	-
Lease deposits and advance rentals	62,259	55,676	55,392	50,807
Provision for commitment and contingencies	-	1,941	-	4
Provision for zakat	1,130	601	-	-
Provision for taxation	40	34	20	-
	<u>1,384,242</u>	<u>1,497,402</u>	<u>1,186,739</u>	<u>1,357,729</u>

Included under other creditors and accruals of the Group and of the Bank are outstanding balances totalling RM10,163,000 (2008: RM4,757,000) and RM9,961,000 (2008: RM2,218,000) respectively owing to other related companies. The amounts are interest-free and represent amounts paid on behalf.

24(a) SUBORDINATED TERM LOANS

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Subordinated term loans					
- RM460 million	(i)	-	460,000	-	460,000
- USD 200 million {net of capitalised issuance expense of RM5,401,000 (2008: RM6,217,000)}	(ii)	-	-	825,853	689,469
		<u>-</u>	<u>460,000</u>	<u>825,853</u>	<u>1,149,469</u>

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

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

- (ii) The subordinated term loan which was on-lent from the proceeds of the issue of the Hybrid Securities as explained in Note 24(b) is for a period of 50 years to mature on 27 January 2056 with an option to make a first call on 27 January 2016.

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

24(b) HYBRID SECURITIES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-cumulative Non-Voting Guaranteed Preference Shares - USD200 million (net of capitalised issuance expense of RM5,401,000 (2008: RM6,217,000))	825,853	689,469	-	-

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

The salient features of the Hybrid Securities are as follows:

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

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

25. MEDIUM TERM NOTES

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

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

The MTN issued under the MTN Programme was included as Tier 2 capital under the capital adequacy framework for financial institutions in compliance with the Risk Weighted Capital Adequacy Framework issued by BNM.

The salient features of the MTNs issued are as follows:

- (a) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23% per annum.
- (b) Tranche 2 and 3 totalling RM240 million was issued on 14 March 2008 as follows:
 - i. Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
 - ii. Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.
- (c) Tranche 4 and 5 totalling RM120 million was issued on 28 March 2008 as follows:
 - i. Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
 - ii. Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.
- (d) Tranche 6 amounting to RM600 million issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25% per annum.

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

- (a) Tranche 1 - at the beginning of the 5th year
- (b) Tranche 2 - at the beginning of the 6th year
- (c) Tranche 3 - at the beginning of the 8th year
- (d) Tranche 4 - at the beginning of the 6th year
- (e) Tranche 5 - at the beginning of the 8th year
- (f) Tranche 6 - at the beginning of the 11th year

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

26. SUBORDINATED BONDS

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Subordinated bonds					
- RM200 million	(i)	-	200,000	-	200,000
Subordinated Sukuk Musyarakah					
- RM400 million	(ii)	400,000	400,000	-	-
		<u>400,000</u>	<u>600,000</u>	<u>-</u>	<u>200,000</u>

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

The salient features of the Subordinated Bonds are as follows:

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

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

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

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

The Subordinated Sukuk Musyarakah which has been awarded a long term rating of 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 qualify as Tier 2 capital of Amlslamic Bank.

27. EXCHANGEABLE BONDS

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

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

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

28. TERM LOANS

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short term loans					
USD85 million	(i)	-	271,490	-	271,490
USD40 million	(ii)	145,820	-	145,820	-
		<u>145,820</u>	<u>271,490</u>	<u>145,820</u>	<u>271,490</u>

(i) Pursuant to the Business Transfer Agreement, a USD85 million unsecured term loan was vested from AmInvestment Bank Berhad to the Bank. The term loan which was drawdown on 15 January 2008 bears interest at 0.125% per annum above USD LIBOR is for a tenor of 364 days from the drawdown date. The loan was fully paid on 13 January 2009.

(ii) On 13 January 2009, a new unsecured term loan of USD20 million was drawdown for working capital purposes. This term loan bears interest at 0.7% per annum above the lender's LIBOR. This term loan is for a tenor of one year from drawdown date and repayable in full on maturity date.

On 26 March 2009, the Bank drawdown another new USD20 million unsecured term loan for working capital purposes. This term loan bears interest at 0.75% per annum above the lender's cost of funds. This term loan is for a tenor of one year from drawdown date and repayable in full on maturity date.

29. STAPLED CAPITAL SECURITIES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Stapled Capital securities	500,000	-	500,000	-
	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>

29. STAPLED CAPITAL SECURITIES (CONTD.)

During the financial year, upon approval from BNM and Securities Commission, the Bank undertook the issuance of Non-Innovative Tier 1 Capital (NIT1) programme of up to RM500 million in nominal value comprising :

- (a) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and
- (b) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities")

The proceeds from the NIT1 program shall be used as working capital. The Stapled Capital Securities cannot be traded separately until the occurrence of certain Assignment Events. Upon occurrence of an Assignment Event, the Stapled Capital Securities will "unstaple", leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be assigned to the Bank pursuant to the forward purchase contract entered into by the Bank unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities. If none of the Assignment Events as stipulated under the terms of the Stapled Capital Securities occur, the Stapled Capital Securities will unstaple on the 20th interest payment date of 10 years from the issuance date of the SubNotes.

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

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

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of the Bank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. The SubNotes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of AmPremier.

As at 31 March 2009, the Bank had issued up to RM 500 million Stapled Capital Securities in two tranches.

30. IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

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

During the financial year, AMFB Holdings Berhad exercised its conversion right to convert the entire RM300 million ICULS into 60,000,000 fully paid ordinary shares of RM1.00 each. The ICULS was converted to new shares in the Bank and credited as fully paid on the basis of one new share for every Ringgit Malaysia Five (RM5.00) nominal amount of ICULS tendered.

31. IRREDEEMABLE NON-CUMULATIVE CONVERTIBLE PREFERENCE SHARES

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

32. SHARE CAPITAL

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Authorised				
Balance at beginning and end of year				
Ordinary shares of RM1.00 each	1,386,250	1,386,250	1,386,250	1,386,250
6% Irredeemable Non-Cumulative Convertible Preference Shares of RM1.00 each	2,500,000	2,500,000	2,500,000	2,500,000
	<u>3,886,250</u>	<u>3,886,250</u>	<u>3,886,250</u>	<u>3,886,250</u>
Issued and fully paid				
Ordinary shares of RM1.00 each				
Balance at beginning of year	610,364	610,364	610,364	610,364
Issued arising from conversion of ICULS (Note 30)	60,000	-	60,000	-
Balance at end of year	<u>670,364</u>	<u>610,364</u>	<u>670,364</u>	<u>610,364</u>
Preference shares of RM1.00 each				
Balance at beginning/end of year	150,000	150,000	150,000	150,000
	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>

33. RESERVES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-distributable Reserves:				
Share premium	942,844	710,660	942,844	710,660
Statutory reserve	849,232	770,898	680,459	680,459
Capital reserve	377,492	377,492	-	-
Securities available-for-sale reserve	(44,099)	(2,090)	(52,975)	(2,090)
Merger reserve	397,566	2,313,401	-	1,597,933
ICULS (Equity component) (Note 30)	-	200,792	-	200,792
Exchange fluctuation	11,904	-	(188)	-
Cash Flow hedge reserve	(91,485)	-	(91,485)	-
Total non-distributable reserves	2,443,454	4,371,153	1,478,655	3,187,754
Distributable Reserves:				
Retained profits	1,357,909	735,060	1,708,293	1,202,508
	<u>3,801,363</u>	<u>5,106,213</u>	<u>3,186,948</u>	<u>4,390,262</u>

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

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

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

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

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

The Cash Flow hedge reserve is in respect of unrealised fair value gains and losses on Cash Flow hedging instruments.

The exchange fluctuation reserve arises on translation of the Bank's Labuan offshore branch and subsidiary company incorporated in the Federal Territory of Labuan.

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

34. MINORITY INTERESTS

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

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

	The Group	
	2009 RM'000	2008 RM'000
Balance at beginning of year	41	57
Share in net results of subsidiary companies	(13)	(16)
Balance at end of year	28	41

35. INTEREST INCOME

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Loans and advances				
- Interest income other than recoveries from NPLs	2,956,466	2,810,083	2,954,882	2,804,768
- recoveries from NPLs	213,606	273,186	213,606	272,709
Money at call, deposits and placements with financial institutions	307,627	330,640	303,418	317,043
Securities held-for-trading	47,520	273,529	49,026	272,831
Securities available-for-sale	246,853	99,882	246,853	99,882
Securities held-to-maturity	33,034	110,182	31,539	110,122
Others	279	1,254	160	948
	3,805,385	3,898,756	3,799,484	3,878,303
Net interest suspended	(94,670)	(100,916)	(94,670)	(98,355)
Amortisation of premiums less accretion of discounts	13,450	7,068	13,450	7,068
	3,724,165	3,804,908	3,718,264	3,787,016

36. INTEREST EXPENSE

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposit from customers	1,537,564	1,652,814	1,534,164	1,644,655
Deposits and placements of banks and other financial institutions	253,715	214,008	255,414	209,705
Recourse obligation on loans sold to Cagamas Berhad	5,333	15,057	5,333	15,057
Subordinated term loans	15,770	31,837	61,901	77,439
Subordinated bonds	1,263	15,944	1,263	15,944
Hybrid securities	46,495	45,602	-	-
Medium term notes	81,848	4,777	81,848	4,777
Exchangeable bonds	30,015	26,232	30,015	26,232
Irredeemable Convertible Unsecured Loan Stocks	995	6,662	995	6,662
Dividends on INCPS	9,000	6,750	9,000	6,750
Stapled Capital securities	3,551	-	3,551	-
Others	40,114	173,182	40,692	173,051
	<u>2,025,663</u>	<u>2,192,865</u>	<u>2,024,176</u>	<u>2,180,272</u>

37. NET INCOME FROM ISLAMIC BANKING BUSINESS

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income derived from investment of depositors' funds and others	809,215	701,459	-	-
Income derived from investment of shareholders' funds	155,855	192,740	-	-
Transfer from/(to) profit equalisation reserve	(24,518)	18,211	-	-
Income attributable to the depositors	(383,038)	(359,937)	-	-
Finance cost	(19,200)	(19,253)	-	-
	<u>538,314</u>	<u>533,220</u>	<u>-</u>	<u>-</u>

38. OTHER OPERATING INCOME

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
(a) Fee Income:				
Commissions	54,028	54,054	54,028	53,948
Guarantee fees	27,873	19,624	26,057	18,109
Other fee income	142,028	118,414	141,707	116,392
	<u>223,929</u>	<u>192,092</u>	<u>221,792</u>	<u>188,449</u>
(b) Investment income:				
Net (loss)/gain on sale/redemption of:				
Securities				
held-for-trading	(54,976)	69,827	(54,976)	69,256
Securities				
available-for-sale	15,593	26,629	15,593	26,629
Securities				
held-to-maturity	46,085	101,300	46,085	101,300
Net loss on revaluation of securities held-for-trading	(20,626)	(122,735)	(20,626)	(122,404)
Net (loss)/gain on revaluation of derivatives	(37,598)	64,783	(37,598)	66,134
Gross dividend income from:				
Securities				
held-for-trading	1,214	11,907	1,214	11,907
Securities				
available-for-sale	7,572	774	7,572	774
Securities				
held-to-maturity	5,296	5,031	5,268	5,003
Others	4	-	4	-
	<u>(37,436)</u>	<u>157,516</u>	<u>(37,464)</u>	<u>158,599</u>
(c) Other Income:				
Gain on disposal of foreclosed properties	343	975	343	975
Rental income	3,549	3,631	2,691	2,842
Gain on disposal of property and equipment	532	429	477	429
Foreign exchange (loss)/gain	(13,237)	20,691	(12,822)	20,277
Other operating income	(428)	807	(907)	-
	<u>(9,241)</u>	<u>26,533</u>	<u>(10,218)</u>	<u>24,523</u>
	<u>177,252</u>	<u>376,141</u>	<u>174,110</u>	<u>371,571</u>

39. OTHER OPERATING EXPENSES

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Personnel costs				
Salaries, allowances and bonuses	411,247	377,166	404,096	370,494
Others	114,065	85,266	112,432	83,795
Establishment costs				
Depreciation (Note 17)	38,706	37,806	38,073	37,180
Rental	51,320	47,803	52,166	48,803
Cleaning, maintenance and security	16,956	20,611	16,294	19,869
Computerisation cost	50,687	46,042	50,060	45,600
Amortisation of prepaid land lease payments (Note 16)	99	105	79	85
Amortisation of intangible assets (Note 18)	24,161	20,682	24,012	20,589
Others	20,249	18,522	19,263	17,669
Marketing and communication expenses				
Commission	11,939	6,367	11,493	6,361
Advertising and marketing expenses	36,173	42,637	31,695	37,330
Communication	40,191	46,085	38,736	44,823
Others	6,828	7,550	6,678	7,439
Administration and general expenses				
Professional services	83,756	65,254	82,047	61,924
Others	24,690	23,718	23,562	22,622
Shared service cost charged	51,361	56,828	49,055	52,960
Shared service cost recoveries (Subsidiary)	-	-	(199,293)	(182,639)
	<u>982,428</u>	<u>902,442</u>	<u>760,448</u>	<u>694,904</u>

The above expenditure includes the following statutory disclosure:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors' remuneration (Note 43)	1,386	1,063	846	679
Rental of premises				
- subsidiary companies	-	-	1,261	1,950
- others	51,320	47,803	50,905	46,853
Hire of equipment	8,333	8,026	8,248	7,965
Auditors' remuneration:				
Statutory audit	931	547	750	450
Review engagements	585	390	565	370
Reporting accountants	440	430	440	430
Others	124	-	124	-
Property and equipment written off	828	1,330	821	1,325
	<u>828</u>	<u>1,330</u>	<u>821</u>	<u>1,325</u>

39. OTHER OPERATING EXPENSES (CONTD.)

Personnel costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund of the Group and the Bank amounted to RM65,801,000 (2008: RM58,925,000) and RM64,633,000 (2008: RM58,129,000), respectively.

40. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
- made in the financial year {Note 11(vii)}	1,042,014	1,181,796	885,471	964,117
- written back {Note 11(vii)}	(377,380)	(413,905)	(329,236)	(335,005)
General allowance {Note 11(vii)}	51,102	66,062	39,651	51,375
Bad debts and financing recovered-net	(366,526)	(316,330)	(425,234)	(300,186)
Amount recovered from Danaharta	-	(609)	-	(609)
	<u>349,210</u>	<u>517,014</u>	<u>170,652</u>	<u>379,692</u>

41. IMPAIRMENT LOSS

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Impairment (loss)/written back:				
Securities	(75,176)	(106,586)	(75,176)	(106,586)
Subsidiary companies	-	-	(115,156)	-
Foreclosed properties	(1,942)	-	(1,942)	-
Property and equipment	(2,236)	-	(2,236)	-
Prepaid land lease payments	(254)	-	(254)	-
Amount recoverable under asset-backed securitisation transaction	17,000	(10,000)	17,000	(10,000)
Sundry receivables	3,746	(3,042)	(144)	(3,139)
	<u>(58,862)</u>	<u>(119,628)</u>	<u>(177,908)</u>	<u>(119,725)</u>

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

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

	The Group		The Bank	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Income				
<u>Related companies</u>				
Interest on deposits and placement	40,906	115,232	40,845	114,433
Interest on investment securities	-	1,747	-	1,747
Interest on loans advances and financing	2,265	4,527	2,265	4,527
Other income	23	-	23	-
<u>Subsidiary companies</u>				
Interest on deposits and placement	-	-	49	49
Interest on investment securities	-	-	10	-
Shared service cost recoveries	-	-	199,293	182,639
<u>Key management personnel</u>				
Interest on loans	42	44	31	39

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Expenditure				
<u>Ultimate holding company</u>				
Interest on deposits and placements	9,939	-	9,939	-
<u>Immediate holding company</u>				
Interest/Dividend expense	9,995	13,412	9,995	6,662
<u>Related companies</u>				
Interest on deposits and placements	48,763	114,187	47,844	110,606
Shared service costs	51,361	56,828	49,055	52,960
<u>Subsidiary companies</u>				
Interest on subordinated loans	-	-	49,682	45,727
Interest on deposits and placements	-	-	521	576
Other expenses	-	-	1,261	1,895
<u>Associated company</u>				
Interest on deposits and placements	89	7	74	7
<u>Key management personnel</u>				
Interest on deposits and placements	311	544	293	538
Information service provider	542	576	511	555
Training	442	306	431	306
Interbank GIRO expenses	1,218	339	1,218	339
Short term employee benefits:				
Salary and other remuneration including meeting allowances	4,174	4,216	3,547	3,538
Estimated money value of benefits	167	119	138	103
Gratuity	682	-	682	-
Amount due from				
<u>Related companies</u>				
Loans, advances and financing	18,285	82,064	18,285	82,064
Cash and short- term funds	-	405,818	-	405,818
Deposits and placements	637,787	688,800	637,537	638,800
Interest receivable	2,662	5,842	2,662	5,818
<u>Subsidiary companies</u>				
Deposits and placements	-	-	6,093	8,593
Securities available-for-sale	-	-	25,437	-
Interest receivable	-	-	99	50
<u>Key management personnel</u>				
Loans, advances and financing	940	1,114	709	1,066

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Amount due to				
<u>Ultimate holding company</u>				
Deposits and placements	299,773	-	299,773	-
Interest payable	129	-	129	-
<u>Related companies</u>				
Deposits and placements	900,143	2,252,532	874,704	1,619,286
Interest payable	911	13,075	906	12,859
Commitments and contingencies	-	8,632,241	-	8,632,241
<u>Subsidiary companies</u>				
Deposits and placements	-	-	492,630	1,348
Subordinated term loan	-	-	825,853	689,469
Interest payable	-	-	12,791	7,809
<u>Associated company</u>				
Deposits and placements	4,568	100	4,054	100
Interest payable	12	10	15	10
<u>Key Management Personnel</u>				
Deposits and placements	16,928	7,216	15,421	7,053

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.

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

(a) Directors related transactions

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

Supplier	Types of transactions	2009 RM'000	2008 RM'000
MCM Systems Sdn Bhd	Computer maintenance and consultancy services	6,052	6,245
MCM Horizon Sdn Bhd	Computer maintenance and consultancy services	342	911
MCM Consulting Sdn Bhd	Computer maintenance and consultancy services	849	399
Dion Realities Sdn Bhd	Rental of premises and car park	4,940	3,904
Troost Sdn Bhd	Rental of premises	310	279
Modular Corp. (M) Sdn Bhd	EMV card personalization and fulfillment services	1,964	1,691
AmProperty Trust Management Bhd	Management fees, miscellaneous charges and rental of premises	-	6,334
Melawangi Sdn Bhd	Rental-Amcorp Mall ATM, Roadshow Booth Rental and monthly license fee	427	355
Unigaya Protection Systems Sdn Bhd	Provision of security services	149	219
Gubahan Impian	Flower arrangement and hampers	24	26
Bursa Malaysia Bhd	Training attendance fee	22	-
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	178	6,696
MCM Consulting Sdn Bhd	Purchase of computer hardware and related consultancy services	892	4,275
MCM Horizon Sdn Bhd	Purchase of computer hardware, software and related consultancy services	303	51
Cuscapi Malaysia Sdn Bhd	Purchase of computer hardware, software and related consultancy services	11	-

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

Supplier (Types of transactions)	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
AON Insurance Brokers (M) Sdn Bhd (Brokerage for insurance brokers' services)	305	643	302	643
Harpers Travel (M) Sdn Bhd (Provision of airline ticketing services)	954	514	916	514

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Supplier (Types of transactions)				
Islamic Banking and Finance Institute Malaysia Sdn Bhd (Seminar attendance fee)	16	7	1	4
AmFirst Real Estate Investment Trust (Rental of premises, management fee and charges)	19,365	-	18,741	-

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.

43. DIRECTORS' REMUNERATION

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-executive directors				
Fees	534	251	297	135
Other remuneration	852	812	549	544
	<u>1,386</u>	<u>1,063</u>	<u>846</u>	<u>679</u>
Total (including benefits-in-kind)	<u>1,386</u>	<u>1,063</u>	<u>846</u>	<u>679</u>

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

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

	Number of Directors	
	2009	2008
Executive director		
RM1,150,001- RM1,200,000	-	1
RM2,000,001- RM2,300,000	1	-
Non-executive director		
Below RM50,000	2	1
RM50,001 - RM100,000	2	4
RM100,001 - RM150,000	2	-
RM350,001 - RM400,000	1	1

44. TAXATION

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Estimated current tax payable	6,307	59,125	5,892	49,607
Net transfer from deferred tax assets (Note 45)	303,150	263,633	247,517	197,698
	<u>309,457</u>	<u>322,758</u>	<u>253,409</u>	<u>247,305</u>
Prior year tax expense in respect of business vested over from immediate holding company, AMFB Holdings Berhad	-	6,279	-	6,279
Under provision in respect of prior years	-	793	-	810
Taxation	<u>309,457</u>	<u>329,830</u>	<u>253,409</u>	<u>254,394</u>

The tax charge for the Bank for the current year is in respect of its Labuan offshore branch and tax on shortfall of tax credit under Section 108 of the Income Tax Act, 1967. The tax charge for the Bank in prior year was related to the net assets vested.

As at 31 March 2009, the Bank has unabsorbed tax losses amounting to approximately RM115.5 million (2008: RM1,223.4 million) which can be used to offset future taxable profits subject to agreement with the Inland Revenue Board.

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

44. TAXATION (CONTD.)

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Profit before taxation	1,011,659	980,767	759,194	784,290
Taxation at Malaysian statutory tax rate of 25% (2008: 26%)	252,915	254,999	189,799	203,915
Effect of different tax rates in Labuan	(3,259)	(4,511)	1,710	(2,826)
Deferred tax relating to changes in tax rates	-	62,962	-	46,712
Income not subject to tax	(2,643)	-	(1,629)	(1,005)
Expenses not deductible for tax purposes	11,767	8,881	37,514	3,138
Intercompany income subject to tax	25,033	-	-	-
Prior year tax expense in respect of business vested over from immediate holding company AMFB Holdings	-	6,279	-	6,279
Under provision of tax expense in prior years	-	793	-	810
Transfer from Equity	1,319	-	1,319	-
Deferred tax assets over/ (under) recognised in prior years	24,325	427	24,696	(2,629)
	<u>309,457</u>	<u>329,830</u>	<u>253,409</u>	<u>254,394</u>

45. DEFERRED TAX ASSETS

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Balance at beginning of year	645,067	873,863	483,873	646,741
Recognised in Equity	34,495	33,501	37,465	33,501
Recognised in Equity previously:				
- transfer to income statement	(1,319)	-	(1,319)	-
- reversed upon conversion of instrument as share capital	(32,182)	-	(32,182)	-
Transfer to income statement	(301,831)	(263,633)	(246,198)	(197,698)
Others	-	1,336	-	1,329
Balance at end of year	<u>344,230</u>	<u>645,067</u>	<u>241,639</u>	<u>483,873</u>

45. DEFERRED TAX ASSETS (CONTD.)

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unabsorbed tax losses	88,443	428,944	28,873	305,862
Temporary difference between depreciation and tax allowances on property and equipment	(31,289)	(24,052)	(31,102)	(23,924)
Temporary difference arising from impairment loss on foreclosed properties	24,487	22,905	24,487	22,905
General allowance for bad and doubtful debts and financing	223,802	209,153	182,175	170,486
Temporary difference arising from deferred charges	(47,404)	(44,412)	(38,568)	(36,699)
Temporary difference taken up in Equity	34,495	33,501	37,465	33,501
Others	51,696	19,028	38,309	11,742
	<u>344,230</u>	<u>645,067</u>	<u>241,639</u>	<u>483,873</u>

Deferred Tax Assets recognised directly in Equity:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Balance at beginning of year	33,501	-	33,501	-
Relating to Irredeemable Convertible Unsecured Loan Stocks	(33,501)	33,501	(33,501)	33,501
Relating to net unrealised loss on Securities available for sale	4,000	-	6,970	-
Relating to Mark to Market loss taken up under Cash Flow hedge reserve	30,495	-	30,495	-
Balance at end of year	<u>34,495</u>	<u>33,501</u>	<u>37,465</u>	<u>33,501</u>

46. EARNINGS PER SHARE**(a) Basic**

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Net profit attributable to shareholder of the Bank	701,183	650,352	505,785	529,896
Effect of savings on interest on ICULS (net of tax)	746	4,930	746	4,930
	<u>701,929</u>	<u>655,282</u>	<u>506,531</u>	<u>534,826</u>
	'000	'000	'000	'000
Number of ordinary shares at beginning of year	610,364	610,364	610,364	610,364
Effect of the conversion of ICULS	<u>60,000</u>	<u>52,295</u>	<u>60,000</u>	<u>52,295</u>
Weighted average number of ordinary shares in issue	<u>670,364</u>	<u>662,659</u>	<u>670,364</u>	<u>662,659</u>
Basic earnings per share (sen)	<u>104.71</u>	<u>98.89</u>	<u>75.56</u>	<u>80.71</u>

(b) Fully Diluted

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

The Bank has one category of dilutive potential ordinary shares:

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Net profit attributable to shareholder of the Bank (as in (a) above)	701,929	655,282	506,531	534,826
Effect of savings on dividend on INCPS	9,000	6,750	9,000	6,750
	<u>710,929</u>	<u>662,032</u>	<u>515,531</u>	<u>541,576</u>
	'000	'000	'000	'000
Weighted average number of ordinary shares in issue (as in (a) above)	670,364	662,659	670,364	662,659
Adjusted for the effect of the INCPS	150,000	130,738	150,000	130,738
Adjusted weighted average number of ordinary shares in issue	<u>820,364</u>	<u>793,397</u>	<u>820,364</u>	<u>793,397</u>
Fully diluted earnings per share (sen)	<u>86.66</u>	<u>83.44</u>	<u>62.84</u>	<u>68.26</u>

47. NET ASSETS PER SHARE (RM)

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

Net assets per share is calculated as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Total assets	84,341,980	77,254,419	70,772,211	66,473,043
Less:				
Total Liabilities	79,870,225	71,537,801	66,914,899	61,472,417
Minority interests	28	41	-	-
	<u>79,870,253</u>	<u>71,537,842</u>	<u>66,914,899</u>	<u>61,472,417</u>
 Net assets	 <u>4,471,727</u>	 <u>5,716,577</u>	 <u>3,857,312</u>	 <u>5,000,626</u>
 Issued and fully paid up ordinary shares of RM1.00 each ('000)	 <u>670,364</u>	 <u>610,364</u>	 <u>670,364</u>	 <u>610,364</u>
 Net assets per share (RM)	 <u>6.67</u>	 <u>9.37</u>	 <u>5.75</u>	 <u>8.19</u>

48. SEGMENT INFORMATION ON OPERATING REVENUE, PROFIT BEFORE TAX EXPENSE AND ASSETS
By Business Segments

The Group 31 March 2009	Conventional Banking RM'000	Islamic Banking RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
<u>External revenue</u>					
Interest income	3,724,165	-	-	-	3,724,165
Fee income	223,735	-	194	-	223,929
Investment and other operating income	(47,172)	-	113	(363)	(47,422)
Income from Islamic Banking:					
Financing income	-	913,879	-	-	913,879
Fee income	-	45,668	-	-	45,668
Investment and Fees on financing	-	5,523	-	-	5,523
Others (Subsidiaries)					
Rental	-	-	745	-	745
	3,900,728	965,070	1,052	(363)	4,866,487
<u>Internal revenue</u>					
Interest income	2,201	-	50,551	(52,752)	-
Others (Subsidiaries) - Rental	-	-	1,895	(1,895)	-
	2,201	-	52,446	(54,647)	-
Total revenue	3,902,929	965,070	53,498	(55,010)	4,866,487
Results					
Profit before share in results of associated company and taxation	777,337	214,055	14,268	5,934	1,011,594
Share of net profit in associated company	-	-	-	65	65
Profit before zakat and taxation	777,337	214,055	14,268	5,999	1,011,659
Zakat	-	(1,032)	-	-	(1,032)
Taxation	(253,429)	(55,633)	(395)	-	(309,457)
Profit after zakat and taxation	523,908	157,390	13,873	5,999	701,170
Total Assets	71,504,823	14,132,803	1,305,895	(2,601,541)	84,341,980
Other information					
Capital additions	73,022	176	-	-	73,198
Depreciation	38,142	125	403	36	38,706
Amortisation of prepaid land lease payments	79	-	20	-	99
Amortisation of intangible assets	24,012	149	-	-	24,161
Loan and financing loss and allowance	595,783	119,953	-	-	715,736
Impairment loss/(writeback)					
- on securities	75,176	-	-	-	75,176
- on subsidiary companies	115,156	-	-	(115,156)	-
Amortisation of premium less accretion of discount	(13,450)	(3,867)	-	-	(17,317)
Impairment writeback on amount recoverable under asset-backed securitisation transaction	(17,000)	-	-	-	(17,000)
Property and equipment written off	828	-	-	-	828

48. SEGMENT INFORMATION ON OPERATING REVENUE, PROFIT BEFORE TAX EXPENSE AND ASSETS (CONTD.)
By Business Segments

The Group 31 March 2008	Conventional Banking RM'000	Islamic Banking RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
<u>External revenue</u>					
Interest income	3,804,908	-	-	-	3,804,908
Fee income	191,822	-	270	-	192,092
Investment and other operating income	182,909	-	354	125	183,388
Income from Islamic Banking:					
Financing income	-	826,399	-	-	826,399
Fee income	-	45,775	-	-	45,775
Investment and Fees on financing	-	22,025	-	-	22,025
Others (Subsidiaries) - Rental	-	-	661	-	661
	<u>4,179,639</u>	<u>894,199</u>	<u>1,285</u>	<u>125</u>	<u>5,075,248</u>
<u>Internal revenue</u>					
Interest income	50	-	46,182	(46,232)	-
Others (Subsidiaries) - Rental	-	-	1,896	(1,896)	-
	<u>50</u>	<u>-</u>	<u>48,078</u>	<u>(48,128)</u>	<u>-</u>
Total revenue	<u>4,179,689</u>	<u>894,199</u>	<u>49,363</u>	<u>(48,003)</u>	<u>5,075,248</u>
Results					
Profit/(loss) before share in results of associated company and taxation	790,152	188,661	(7,119)	8,985	980,679
Share of net profit in associated company	-	-	-	88	88
Profit before zakat and taxation	<u>790,152</u>	<u>188,661</u>	<u>(7,119)</u>	<u>9,073</u>	<u>980,767</u>
Zakat	-	(601)	-	-	(601)
Taxation	(254,414)	(74,988)	(428)	-	(329,830)
Profit after zakat and taxation	<u>535,738</u>	<u>113,072</u>	<u>(7,547)</u>	<u>9,073</u>	<u>650,336</u>
Total Assets	<u>67,039,735</u>	<u>11,018,647</u>	<u>702,842</u>	<u>(1,506,805)</u>	<u>77,254,419</u>
Other information					
Capital additions	57,885	275	-	-	58,160
Depreciation	37,246	107	417	36	37,806
Amortisation of prepaid land lease payments	85	-	20	-	105
Amortisation of intangible assets	20,590	92	-	-	20,682
Loan and financing loss and allowance	679,173	154,780	-	-	833,953
Impairment loss on securities	106,586	-	-	-	106,586
Amortisation of premium less accretion of discount	(7,068)	(696)	-	-	(7,764)
Impairment on amount recoverable under asset-backed securitisation transaction	10,000	-	-	-	10,000
Property and equipment written off	1,330	-	-	-	1,330

48. SEGMENT INFORMATION ON OPERATING REVENUE, PROFIT BEFORE TAX EXPENSE AND ASSETS (CONTD.)

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

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

49 CAPITAL COMMITMENTS

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Authorised and contracted for:				
Purchase of computer equipment and software	30,158	9,721	30,153	9,685
Leasehold improvements	2,140	5,736	2,140	5,721
	<u>32,298</u>	<u>15,457</u>	<u>32,293</u>	<u>15,406</u>
Authorised but not contracted for:				
Purchase of computer equipment and software	54,885	14,705	54,788	14,560
	<u>87,183</u>	<u>30,162</u>	<u>87,081</u>	<u>29,966</u>

50. LEASE COMMITMENTS

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Year ending 31 March:				
2009	-	41,801	-	40,657
2010	28,247	35,523	27,154	34,572
2011	23,672	21,558	22,973	21,110
2012	20,514	20,240	19,797	19,713
2013 and thereafter	124,747	124,379	122,946	122,842
	<u>197,180</u>	<u>243,501</u>	<u>192,870</u>	<u>238,894</u>

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

51. CAPITAL ADEQUACY RATIO

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

	The Group		The Bank	
	2009	2008	2009	2008
Core capital ratio	9.25%	7.08%	10.39%	8.12%
Risk-weighted capital ratio	14.62%	13.09%	14.20%	12.96%

The capital adequacy ratios on a consolidated basis of the banking institutions within the Group and the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF - Basel II). The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The 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 capital adequacy ratios of the Bank refers to the combined capital base as a ratio of the combined risk-weighted assets of the Bank and its wholly-owned offshore banking subsidiary company, AmInternational (L) Ltd ("AMIL"). Pursuant to the Business Transfer Agreement entered in March 2008 and the vesting orders granted by the High Court of Malaya on 9 April 2008, the Bank acquired the assets and assumed the liabilities relating to AmInvestment Bank Berhad fund based activity including its 100% shareholding interest in AMIL, a licensed offshore bank.

The detailed disclosures on the risk-weighted assets, as set out in Notes 51 (d) to (f) are presented in accordance with paragraph 4.3 of Bank Negara Malaysia's Concept Paper Risk-weighted Capital Adequacy Framework (Basel II) and 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 capital adequacy ratios of the banking subsidiary companies of the Group are as follows:

	Note 1	Note 2
	Amlslamic	AMIL
Core capital ratio	11.22%	33.09%
Risk-weighted capital ratio	16.65%	33.22%

Note 1 The capital adequacy ratios of Amlslamic Bank Berhad (Amlslamic) 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. Amlslamic has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8% for the risk-weighted capital ratio.

Note 2 The capital adequacy ratios of AMIL for capital compliance on a standalone basis are computed in accordance with the guidelines on Risk-weighted Capital Adequacy issued by Labuan Offshore Financial Services Authority (LOFSA), which is based on the Basel I capital accord.

51. CAPITAL ADEQUACY RATIO (CONTD.)

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<u>Tier 1 capital</u>				
Paid-up share capital	670,364	610,364	670,364	610,364
Irredeemable Non-Cumulative Convertible				
Preference Shares	150,000	150,000	150,000	150,000
Innovative Tier 1 capital	750,100	548,463	750,100	515,197
Non-innovative Tier 1 capital	500,000	-	500,000	-
Share premium	942,844	710,660	942,844	710,660
Statutory reserve	849,232	770,898	680,459	680,459
Capital reserve	377,492	377,492	-	-
Merger reserve	397,566	349,050	-	-
Exchange fluctuation reserve	11,904	-	21,367	-
Retained profits	1,322,399	735,060	1,766,189	1,202,508
Minority interests	-	41	-	-
	<u>5,971,901</u>	<u>4,252,028</u>	<u>5,481,323</u>	<u>3,869,188</u>
Less: Deferred tax assets	(306,334)	(596,127)	(204,174)	(435,028)
Total Tier 1 capital	<u>5,665,567</u>	<u>3,655,901</u>	<u>5,277,149</u>	<u>3,434,160</u>
<u>Tier 2 capital</u>				
Irredeemable Convertible Unsecured				
Loan Stocks	-	291,586	-	291,586
Innovative Tier 1 capital	-	201,637	-	234,903
Subordinated term loans	-	460,000	-	460,000
Medium term notes	1,460,000	860,000	1,460,000	860,000
Subordinated bonds	400,000	600,000	-	200,000
Exchangeable bonds	575,000	575,000	575,000	575,000
General allowance for bad and doubtful debts and financing	895,655	775,232	729,148	620,566
Total Tier 2 capital	<u>3,330,655</u>	<u>3,763,455</u>	<u>2,764,148</u>	<u>3,242,055</u>
Less: Excess Tier 2 Capital	-	(667,050)	-	(377,920)
Maximum allowable Tier 2 Capital	<u>3,330,655</u>	<u>3,096,405</u>	<u>2,764,148</u>	<u>2,864,135</u>
	8,996,222	6,752,306	8,041,297	6,298,295
Less:				
Investment in subsidiary companies	(32,780)	-	(816,850)	(813,849)
Other deduction	(10,219)	(11)	(10,219)	(11)
Capital base	<u>8,953,223</u>	<u>6,752,295</u>	<u>7,214,228</u>	<u>5,484,435</u>

51. CAPITAL ADEQUACY RATIO (CONTD.)

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

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Credit risk	54,833,232	46,631,176	45,568,372	38,157,203
Market risk	1,892,502	1,384,350	1,654,717	1,346,789
Operational risk	4,487,810	3,572,922	3,560,356	2,783,680
Large exposure risk requirement for equity holdings	12,986	14,474	12,986	14,474
Total risk-weighted assets	61,226,530	51,602,922	50,796,431	42,302,146

51 CAPITAL ADEQUACY RATIOS (CONTD.)

(d) The breakdown of risk-weighted assets ("RWA") by exposure in each major risk category of the Group for the current financial year is as follow:

	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	16,196,762		16,196,762	-	-
Public Sector Entities	70,928		70,928	14,186	1,135
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")					
Insurance Companies, Securities Firms and Fund Managers	2,079,133		2,079,133	718,803	57,504
Corporates	21,025,393		19,842,717	16,470,451	1,317,636
Regulatory Retail	32,169,564		32,032,159	23,993,437	1,919,475
Residential Mortgages	6,393,220		6,386,080	2,718,618	217,490
Higher Risk Assets	165,052		165,052	247,578	19,806
Other Assets	1,809,424		1,809,424	1,212,349	96,988
Equity Exposures	288,475		288,475	288,475	23,078
Securitisation Exposures	215,864		215,864	73,955	5,916
Defaulted Exposures	3,135,609		3,063,098	4,183,544	334,684
Total for On- Balance Sheet Exposures	83,549,424		82,149,692	49,921,396	3,993,712
<i>Off-Balance Sheet Exposures</i>					
Over The Counter ("OTC") Derivatives	1,304,464		1,304,464	578,233	46,258
Credit Derivatives	10,422		10,422	4,228	338
Off balance sheet exposures other than OTC derivatives or credit derivatives	5,144,086		4,927,630	4,329,375	346,350
Total for Off- Balance Sheet Exposures	6,458,972		6,242,516	4,911,836	392,946
Total On and Off- Balance Sheet Exposures	90,008,396		88,392,208	54,833,232	4,386,658
Large Exposures Risk Requirement				12,986	1,039
<u>Market Risk</u>					
	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	30,636,665	28,307,712		1,379,902	110,392
- Specific interest rate risk	1,717,431	6,099		40,076	3,206
Foreign Currency Risk	193,284	351,644		352,938	28,235
Equity Risk					
- General rate risk	20,293	-		20,293	1,623
- Specific risk	20,293	-		20,293	1,623
Option Risk	592,000	-		79,000	6,320
	33,179,966	28,665,455		1,892,502	151,399
Operational Risk				4,487,810	359,025
Total RWA and Capital Requirements				61,226,530	4,898,121

51 CAPITAL ADEQUACY RATIOS (CONTD.)

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

	Gross Exposures		Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000		RM'000	RM'000	RM'000
<u>Credit Risk</u>					
<i>On-Balance Sheet Exposures</i>					
Sovereigns/Central Banks	13,109,588		13,109,588	-	-
Public Sector Entities	45,367		45,367	9,073	726
Banks, Development Financial Institutions ("DFI") and Multilateral Development Banks ("MDBs")					
Insurance Companies, Securities Firms and Fund Managers	1,805,314		1,805,314	654,731	52,378
Corporates	18,527,925		17,377,667	14,378,394	1,150,271
Regulatory Retail	24,489,900		24,357,444	18,244,298	1,459,544
Residential Mortgages	6,238,301		6,231,208	2,654,859	212,389
Higher Risk Assets	165,052		165,052	247,578	19,806
Other Assets	1,770,330		1,770,330	1,184,253	94,740
Equity Exposures	288,475		288,475	288,475	23,078
Securitisation Exposures	215,864		215,864	73,954	5,916
Defaulted Exposures	2,958,748		2,886,418	3,955,700	316,456
Total for On- Balance Sheet Exposures	69,614,864		68,252,727	41,691,315	3,335,304
<i>Off-Balance Sheet Exposures</i>					
OTC Derivatives	1,304,464		1,304,464	578,233	46,259
Credit Derivatives	10,224		10,224	4,028	322
Off balance sheet exposures other than OTC derivatives or credit derivatives	3,882,997		3,675,660	3,294,796	263,584
Defaulted Exposures	-		-	-	-
Total for Off- Balance Sheet Exposures	5,197,685		4,990,348	3,877,057	310,165
Total On and Off- Balance Sheet Exposures	74,812,549		73,243,075	45,568,372	3,645,469
Large Exposures Risk Requirement				12,986	1,039
<u>Market Risk</u>					
	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	29,866,594	28,254,149		1,219,706	97,576
- Specific interest rate risk	1,412,894	6,099		18,656	1,493
Foreign Currency Risk	191,990	351,644		351,644	28,132
Equity Risk					
- General rate risk	20,293	-		20,293	1,623
- Specific risk	20,293	-		20,293	1,623
Option Risk	193,000	-		24,125	1,930
	31,705,064	28,611,892		1,654,717	132,377
Operational Risk				3,560,356	284,828
Total RWA and Capital Requirements				50,796,431	4,063,713

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

51. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Group for the current financial year is as follows:

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	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	16,198,923	-	-	-	-	-	-	-	292,247	-	-	16,491,170	-
20%	-	70,959	1,751,913	-	3,771,700	10,378	-	-	367,054	168,088	-	6,140,092	1,228,019
35%	-	-	-	-	-	-	3,163,493	-	-	-	-	3,163,493	1,107,222
50%	-	-	1,350,835	-	990,114	157,586	3,243,458	-	-	14,876	-	5,756,869	2,878,435
75%	-	-	-	-	-	33,910,666	493	-	-	-	-	33,911,159	25,433,368
100%	-	-	258,039	4,486	18,322,225	118,975	218,302	-	1,172,495	32,900	288,475	20,415,897	20,415,897
150%	-	-	-	-	1,484,994	880,040	-	170,866	(22,372)	-	-	2,513,528	3,770,291
Average Risk Weight													
Total	16,198,923	70,959	3,360,787	4,486	24,569,033	35,077,645	6,625,746	170,866	1,809,424	215,864	288,475	88,392,208	54,833,232
Deduction from Capital Base										40		40	

51. CAPITAL ADEQUACY RATIOS (CONTD.)

(e) The breakdown of credit risk exposures by risk weights of the Bank for the current financial year is as follows:

Risk Weights	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, MDBs and DFIs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation Exposures	Equity Exposures		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	13,111,749	-	-	-	-	-	-	-	287,544	-	-	13,399,293	-
20%	-	45,367	1,509,122	-	3,362,014	10,378	-	-	363,948	168,088	-	5,458,917	1,091,784
35%	-	-	-	-	-	-	3,072,451	-	-	-	-	3,072,451	1,075,358
50%	-	-	1,319,808	-	936,831	141,685	3,177,942	-	-	14,876	-	5,591,142	2,795,571
75%	-	-	-	-	-	25,260,378	493	-	-	-	-	25,260,871	18,945,653
100%	-	-	258,039	4,357	16,036,738	102,485	204,607	-	1,133,589	32,900	288,475	18,061,190	18,061,190
150%	-	-	-	-	1,461,214	785,859	-	166,889	(14,751)	-	-	2,399,211	3,598,816
Average Risk Weight													
Total	13,111,749	45,367	3,086,969	4,357	21,796,797	26,300,785	6,455,493	166,889	1,770,330	215,864	288,475	73,243,075	45,568,372
Deduction from Capital Base											40		40

51. CAPITAL ADEQUACY RATIOS (CONTD.)

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

Group

	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Assets
2009	RM'000	RM'000	RM'000	RM'000
Credit-Related Exposures				
Guarantees given on behalf of customers	2,260,512		2,260,512	1,928,815
Certain transaction-related contingent items	1,496,866		748,433	740,965
Short term self liquidating trade-related contingencies	493,284		98,657	98,716
Islamic financing sold to Cagamas Berhad	879,088		879,088	663,997
Irrevocable commitments to extend credit maturing :				
- more than one year	561,105		280,552	241,386
Unutilised credit card lines	4,383,472		876,694	655,346
Sell and buy back agreements	153,300		212	206
Others	11,887,127		150	150
	<u>22,114,754</u>		<u>5,144,298</u>	<u>4,329,581</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts				
- One year or less	824,899	29,552	30,173	14,435
Cross currency swaps				
- One year or less	298,931	607	10,068	5,034
- Over one year to five years	311,282	-	26,721	13,360
Interest rate related contracts				
Interest rate futures				
- Over one year to five years	60,000	1,507	-	-
Interest rate swaps				
- One year or less	4,215,000	12,904	21,022	9,005
- Over one year to five years	17,641,853	291,170	765,528	351,903
- Over five years	2,755,588	137,697	450,952	184,496
Equity related contracts:				
Options				
- One year or less	30,000	390	-	-
- Over one year to five years	164,154	3,305	-	-
	<u>26,301,707</u>	<u>477,132</u>	<u>1,304,464</u>	<u>578,233</u>
Other Treasury-related Exposures				
Forward purchase commitments	265,000	-	10,210	4,022
Total	<u>48,681,461</u>	<u>477,132</u>	<u>6,458,972</u>	<u>4,911,836</u>

51. CAPITAL ADEQUACY RATIOS (CONTD.)

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

Bank

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				
Guarantees given on behalf of customers	2,092,419		2,092,419	1,760,725
Certain transaction-related contingent items	1,314,548		657,274	649,306
Short term self liquidating trade-related contingencies	437,551		87,510	87,569
Irrevocable commitments to extend credit maturing : - more than one year	540,239		270,119	217,303
Unutilised credit card lines	3,877,627		775,525	579,743
Others	10,107,321		150	150
	<u>18,369,705</u>		<u>3,882,997</u>	<u>3,294,796</u>
Derivative Financial Instruments				
Foreign exchange related contracts:				
Forward exchange contracts				
- One year or less	824,899	29,552	30,173	14,435
Cross currency swaps				
- One year or less	298,931	607	10,068	5,034
- Over one year to five years	311,282	-	26,721	13,360
Interest rate related contracts				
Interest rate futures				
- Over one year to five years	60,000	1,507	-	-
Interest rate swaps				
- One year or less	4,215,000	12,904	21,022	9,005
- Over one year to five years	17,641,853	291,170	765,528	351,903
- Over five years	2,755,588	137,697	450,952	184,496
Equity related contracts:				
Options				
- One year or less	30,000	390	-	-
- Over one year to five years	119,660	1,420	-	-
	<u>26,257,213</u>	<u>475,247</u>	<u>1,304,464</u>	<u>578,233</u>
Other Treasury-related Exposures				
Forward purchase commitments	270,000	-	10,224	4,028
Total	<u>44,896,918</u>	<u>475,247</u>	<u>5,197,685</u>	<u>3,877,057</u>

As at 31 March 2009, the Bank has given a continuing guarantee to Bank Negara Malaysia to meet all the liabilities and financial obligations of its subsidiary company, AmInternational (L) Ltd.

52. COMMITMENTS AND CONTINGENCIES

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

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

The Group	As at 31 March 2009			As at 31 March 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	2,260,512	2,260,512	1,928,815	1,826,396	1,602,082	1,483,023
Certain transaction-related contingent items	1,496,866	748,433	740,965	595,160	297,580	296,855
Short-term self-liquidating trade-related contingencies	493,284	98,657	98,716	584,432	116,886	113,419
Obligations under underwriting agreements	592,000	296,000	296,000	2,057,000	1,028,500	945,300
Unpaid portion of partly paid shares	250	250	250	250	250	250
Irrevocable commitments to extend credit:						
– maturing less than one year	10,390,145	-	-	8,639,981	1,558,976	1,422,930
– maturing more than one year	1,904,045	280,552	241,386	2,526,822	1,263,411	1,138,012
Unutilised credit card lines	4,383,472	876,694	655,346	4,006,449	801,290	598,889
Forward purchase commitments						
– less than one year	206,144	10,210	4,022	338,081	338,081	30,108
Foreign exchange related contracts:						
– less than one year	824,899	30,173	14,435	5,762,191	102,655	34,932
Cross currency swap						
– less than one year	298,931	10,068	5,034	145,123	13,628	2,725
– maturing more than one year to less than five years	311,282	26,721	13,360	479,524	62,515	12,503
Interest rate swap contracts:						
– maturing within one year	4,215,000	21,022	9,005	10,953,819	21,571	4,275
– maturing more than one year to less than five years	17,641,853	765,528	351,903	14,600,000	462,070	93,015
– maturing more than five years	2,755,588	450,952	184,496	1,216,488	118,299	29,659
Interest rate futures:						
– maturing within one year	-	-	-	120,000	163,256	81,628
– maturing more than one year to less than five years	60,000	25,104	12,552	150,000	31,554	15,776
Sell and buy back agreements	155,560	212	206	1,216,782	1,216,782	571,771
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	194,154	-	-	13,867	-	-
Any commitments that are unconditionally cancelled at any time by the Group	153,891	-	-	23,624	-	-
Total	49,211,943	6,775,155	5,220,488	57,119,846	11,063,243	8,279,473

52. COMMITMENTS AND CONTINGENCIES (CONTD.)

The Bank	As at 31 March 2009			As at 31 March 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	2,092,419	2,092,419	1,760,725	1,630,287	1,405,973	1,310,289
Certain transaction-related contingent items	1,314,548	657,274	649,306	519,315	259,658	258,933
Short-term self-liquidating trade-related contingencies	437,551	87,510	87,569	511,855	102,371	98,922
Obligations under underwriting agreements	193,000	96,500	96,500	1,720,000	860,000	776,800
Unpaid portion of partly paid shares	150	150	150	150	150	150
Irrevocable commitments to extend credit:						
– maturing less than one year	8,881,854	-	-	7,372,281	1,320,436	1,187,891
– maturing more than one year	1,644,241	270,119	217,303	2,195,808	1,097,904	1,001,434
Unutilised credit card lines	3,877,627	775,525	579,743	3,454,995	690,999	516,523
Forward purchase commitments :						
– less than one year	211,145	10,224	4,028	338,081	338,081	30,108
Foreign exchange related contracts:						
– less than one year	824,899	30,173	14,435	5,762,191	102,655	34,932
Cross currency swap						
– less than one year	298,931	10,068	5,034	145,123	13,628	2,725
– maturing more than one year to less than five years	311,282	26,721	13,360	479,524	62,515	12,503
Interest rate swap contracts:						
– maturing within one year	4,215,000	21,022	9,005	10,953,819	21,571	4,275
– maturing more than one year to less than five years	17,641,853	765,528	351,903	14,600,000	462,070	93,015
– maturing more than five years	2,755,588	450,952	184,496	1,216,488	118,299	29,659
Interest rate futures:						
– maturing within one year	-	-	-	120,000	163,256	81,628
– maturing more than one year to less than five years	60,000	25,104	12,552	150,000	31,554	15,776
Equity options	149,660	-	-	13,867	-	-
Any commitments that are unconditionally cancelled at any time by the Bank	121,314	-	-	18,650	-	-
Total	45,031,062	5,319,289	3,986,109	51,202,434	7,051,120	5,455,563

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

53. SIGNIFICANT EVENTS

- (1) The Group and AmInvestment Bank Berhad ("AmInvestment") had on 11 March 2008 entered into a Business Transfer agreement for the transfer of assets and liabilities relating to the investment, treasury and credit/lending activities or businesses ("the Fund-Based Activities") of AmInvestment to the Group. The assets transferred included AmInvestment's 100% shareholding in AmInternational (L) Ltd, a licensed off-shore bank, to the Bank.

The transfer of the 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 Group's ultimate holding company, on 11 March 2008 to Bursa Malaysia Securities Berhad. The transfer of the 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 transfer of the Fund-Based Activities was effected on 12 April 2008, 26 September 2008 and 1 March 2009. The total purchase consideration for all the net assets transferred amounted to RM1.117 billion and RM1.432 billion for the Bank and the Group respectively.

- (2) On 9 April 2008, the Bank issued the Sixth Tranche of Medium Term Notes ("MTN") amounting to RM600 million. The proceeds raised was utilised for the refinancing of existing subordinated debts and general working capital requirements. To date, the Bank has issued a total of RM1.46 billion MTN under the RM2.0 billion nominal value MTN Programme.
- (3) The Bank has successfully completed the RM500 million RM NIT1 Programme, as part of its capital management initiatives to support and strengthen its capital position whereby the first tranche of RM200 million was issued on 27 February 2009 whilst the remaining RM300 million was issued on 6 March 2009.

The RM NIT1 issuance is structured in accordance with the Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by Bank Negara Malaysia ("BNM"). The RM NIT1 comprises the Non Cumulative Perpetual Capital Securities ("NCPCS") issued by the Bank, and Subordinated Notes ("SubNotes") issued by AmPremier Capital Berhad ("AmPremier"), a newly incorporated wholly-owned subsidiary company of the Bank which are stapled together with the NCPCS. The stapled NCPCS and the SubNotes together constitute the "Stapled Capital Securities". The NCPCS and SubNotes cannot be traded separately until the occurrence of certain Assignment Events. The Stapled Capital Securities are rated A3 by RAM Rating Services Berhad.

BNM and Securities Commission had, via their letters dated 23 December 2008 and 6 January 2009 respectively, approved the RM NIT1 Programme.

The gross proceeds raised from the RM NIT1 Programme will be applied towards funding the growth of the Bank's business operations.

- (4) Upon BNM's approval dated 19 February 2009, AmBank had established a wholly-owned subsidiary under the name of AmMortgage One Berhad ("AmMortgage"), to undertake the business of securitization of mortgage loans. AmMortgage has an authorised share capital of RM100,000 and an issued and paid-up share capital of RM1,000.

54. RISK MANAGEMENT POLICY

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

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

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

MARKET RISK MANAGEMENT

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

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

The market risk of the Group's trading and non-trading portfolio is managed separately using value at risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur, brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market condition.

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

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

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

2009 The Group	----- Non Trading Book ----->							Trading Book	Total	Effective interest rate
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive			
ASSETS										
Cash and short-term funds	13,413,561	-	-	-	-	-	3,692,886	-	17,106,447	1.98
Deposits and placements with banks and other financial institutions	-	220,000	150,000	-	51,050	-	-	-	421,050	2.10
Securities held-for-trading	-	-	-	-	-	-	203,862	1,183,549	1,387,411	3.16
Securities available-for-sale	11,807	140,367	73,100	129,817	1,655,709	2,914,531	673,153	-	5,598,484	4.93
Securities held-to-maturity	7,704	60,838	1,748	35,475	372,821	122,638	152,135	-	753,359	2.93
Derivative financial assets	-	-	-	-	-	-	477,132	-	477,132	-
Loans, advances and financing										
- Performing	21,236,917	2,186,412	778,127	448,261	6,374,210	15,270,350	9,836,429	-	56,130,706	6.45
- Non-performing *	-	-	-	-	-	-	609,086	-	609,086	-
Amount due from originators	-	-	-	-	25,789	-	-	-	25,789	5.74
Other non-interest sensitive balances	-	-	-	-	-	-	1,832,516	-	1,832,516	-
TOTAL ASSETS	34,669,989	2,607,617	1,002,975	613,553	8,479,579	18,307,519	17,477,199	1,183,549	84,341,980	
LIABILITIES AND EQUITY										
Deposits from customers	22,946,485	9,807,794	6,192,948	9,787,533	2,400,834	-	12,811,541	-	63,947,135	2.74
Deposits and placements of banks and other financial institutions	2,646,076	549,473	775,583	652,203	787,719	781,369	1,448,983	-	7,641,406	2.62
Derivative financial liabilities	-	-	-	-	-	-	565,483	-	565,483	-
Bills and acceptances payable	483,002	771,732	245,757	7,189	-	-	612,569	-	2,120,249	2.07
Recourse obligation of loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	-	155,037	3.98
Hybrid securities	-	-	-	-	-	825,853	-	-	825,853	6.69
Medium term notes	-	-	-	-	-	1,460,000	-	-	1,460,000	5.66
Subordinated bonds	-	-	-	-	-	-	400,000	-	400,000	4.81
Exchangeable bonds	-	-	-	-	-	575,000	-	-	575,000	5.22
Term loans	145,820	-	-	-	-	-	-	-	145,820	1.80
Stapled Capital Securities	-	-	-	-	-	500,000	-	-	500,000	9.00
Irredeemable Non-Cumulative Convertible Preference Shares	-	-	-	-	-	-	150,000	-	150,000	-
Other non-interest sensitive balances	-	-	-	-	-	-	1,384,242	-	1,384,242	-
Total Liabilities	26,221,383	11,128,999	7,214,288	10,446,925	3,343,590	4,142,222	17,372,818	-	79,870,225	
Minority interests	-	-	-	-	-	-	28	-	28	
Shareholder's Equity	-	-	-	-	-	-	4,471,727	-	4,471,727	
TOTAL LIABILITIES AND EQUITY	26,221,383	11,128,999	7,214,288	10,446,925	3,343,590	4,142,222	21,844,573	-	84,341,980	
On-balance sheet interest sensitivity gap	8,448,606	(8,521,382)	(6,211,313)	(9,833,372)	5,135,989	14,165,297	(4,367,374)	1,183,549	-	
Off-balance sheet interest sensitivity gap **	(798,353)	(3,120,000)	1,662,088	70,000	2,881,853	(755,588)	-	-	(60,000)	
Total interest sensitivity gap	7,650,253	(11,641,382)	(4,549,225)	(9,763,372)	8,017,842	13,409,709	(4,367,374)	1,183,549	(60,000)	

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

** This comprises interest rate swap and interest rate futures.

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

2008 The Group	----- Non Trading Book ----->								Total RM'000	Effective interest rate %
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive RM'000	Trading Book RM'000		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
ASSETS										
Cash and short-term funds	8,508,190	-	-	-	-	-	2,263,480	-	10,771,670	3.38
Deposits and placements with banks and other financial institutions	-	1,265,820	63,880	-	-	-	-	-	1,329,700	3.50
Securities held-for-trading	-	-	-	-	-	-	559,481	6,124,258	6,683,739	3.61
Securities available-for-sale	9,344	12,579	-	85,726	531,197	648,961	43,361	-	1,331,168	5.82
Securities held-to-maturity	49,341	-	43,201	7,540	522,241	357,727	176,486	-	1,156,536	3.90
Derivative financial assets	-	-	-	-	-	-	307,651	-	307,651	-
Loans, advances and financing										
- Performing	18,462,771	2,349,745	567,344	521,452	6,983,094	14,311,130	8,025,919	-	51,221,455	7.07
- Non-performing *	-	-	-	-	-	-	1,103,795	-	1,103,795	-
Amount due from originators	-	6,430	26,042	-	2,668	-	-	-	35,140	4.33
Other non-interest sensitive balances	-	-	-	-	-	-	3,313,565	-	3,313,565	-
TOTAL ASSETS	27,029,646	3,634,574	700,467	614,718	8,039,200	15,317,818	15,793,738	6,124,258	77,254,419	
LIABILITIES AND EQUITY										
Deposits from customers	22,026,105	6,888,604	5,974,483	7,725,689	3,267,861	-	9,736,999	-	55,619,741	3.28
Deposits and placements of banks and other financial institutions	2,107,255	1,356,830	897,805	485,600	310,972	1,155,395	1,864,009	-	8,177,866	3.42
Derivative financial liabilities	-	-	-	-	-	-	352,007	-	352,007	-
Bills and acceptances payable	415,618	676,830	269,448	-	-	-	547,347	-	1,909,243	3.59
Recourse obligation of loans sold to Cagamas Berhad	-	70,070	26,042	-	147,867	-	-	-	243,979	3.65
Subordinated term loans	-	-	460,000	-	-	-	-	-	460,000	6.87
Hybrid securities	-	-	-	-	-	689,469	-	-	689,469	6.79
Medium term notes	-	-	-	-	-	860,000	-	-	860,000	5.27
Subordinated bonds	200,000	-	-	-	-	-	400,000	-	600,000	5.85
Exchangeable bonds	-	-	-	-	-	575,000	-	-	575,000	5.22
Term loans	-	-	-	271,490	-	-	-	-	271,490	5.45
Irredeemable Convertible Unsecured Loan Stocks	-	-	2,755	-	-	128,849	-	-	131,604	5.75
Irredeemable Non-Cumulative Convertible Preference Shares	-	-	-	-	-	-	150,000	-	150,000	-
Other non-interest sensitive balances	-	-	-	-	-	-	1,497,402	-	1,497,402	-
Total Liabilities	24,748,978	8,992,334	7,630,533	8,482,779	3,726,700	3,408,713	14,547,764	-	71,537,801	
Minority interests	-	-	-	-	-	-	41	-	41	-
Shareholder's Equity	-	-	-	-	-	200,792	5,515,785	-	5,716,577	-
TOTAL LIABILITIES AND EQUITY	24,748,978	8,992,334	7,630,533	8,482,779	3,726,700	3,609,505	20,063,590	-	77,254,419	
On-balance sheet interest sensitivity gap	2,280,668	(5,357,760)	(6,930,066)	(7,868,061)	4,312,500	11,708,313	(4,269,852)	6,124,258	-	
Off-balance sheet interest sensitivity gap **	1,025,431	5,435,660	(2,645,648)	(1,531,181)	(2,820,000)	498,800	-	-	(36,938)	
Total interest sensitivity gap	3,306,099	77,900	(9,575,714)	(9,399,242)	1,492,500	12,207,113	(4,269,852)	6,124,258	(36,938)	

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

** This comprises interest rate swap and interest rate futures.

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

2009 The Bank	----- Non Trading Book ----->							Trading Book	Total	Effective interest rate
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive			
ASSETS										
Cash and short-term funds	13,162,747	-	-	-	-	-	471,372	-	13,634,119	2.04
Deposits and placements with banks and other financial institutions	-	220,000	155,471	622	51,050	-	-	-	427,143	2.10
Securities held-for-trading	-	-	-	-	-	-	-	1,183,549	1,183,549	3.16
Securities available-for-sale	11,807	140,367	73,100	129,817	1,681,146	2,914,531	102,795	-	5,053,563	4.93
Securities held-to-maturity	7,704	60,838	1,748	35,475	366,970	122,638	115,425	-	710,798	2.88
Derivative financial assets	-	-	-	-	-	-	475,247	-	475,247	-
Loans, advances and financing										
- Performing	21,218,114	2,186,412	767,650	448,261	6,374,143	15,269,850	-	-	46,264,430	6.45
- Non-performing *	-	-	-	-	-	-	635,456	-	635,456	-
Amount due from originators	-	-	-	-	25,789	-	-	-	25,789	5.74
Other non-interest sensitive balances	-	-	-	-	-	-	2,362,117	-	2,362,117	-
TOTAL ASSETS	34,400,372	2,607,617	997,969	614,175	8,499,098	18,307,019	4,162,412	1,183,549	70,772,211	
LIABILITIES AND EQUITY										
Deposits from customers	22,379,889	9,784,922	6,190,513	9,787,533	2,400,834	-	2,656,154	-	53,199,845	2.77
Deposits and placements of banks and other financial institutions	3,086,673	549,473	775,583	652,203	787,719	781,369	12,305	-	6,645,325	2.63
Derivative financial liabilities	-	-	-	-	-	-	563,600	-	563,600	-
Bills and acceptances payable	483,002	771,732	245,757	7,189	-	-	-	-	1,507,680	2.07
Recourse obligation of loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	-	155,037	3.98
Subordinated term loans	-	-	-	-	-	825,853	-	-	825,853	6.69
Medium term notes	-	-	-	-	-	1,460,000	-	-	1,460,000	5.66
Exchangeable bonds	-	-	-	-	-	575,000	-	-	575,000	5.22
Term loans	145,820	-	-	-	-	-	-	-	145,820	1.80
Stapled Capital Securities	-	-	-	-	-	500,000	-	-	500,000	9.00
Irredeemable Non-Cumulative Convertible Preference Shares	-	-	-	-	-	-	150,000	-	150,000	-
Other non-interest sensitive balances	-	-	-	-	-	-	1,186,739	-	1,186,739	-
Total Liabilities	26,095,384	11,106,127	7,211,853	10,446,925	3,343,590	4,142,222	4,568,798	-	66,914,899	
Shareholder's Equity	-	-	-	-	-	-	3,857,312	-	3,857,312	
TOTAL LIABILITIES AND EQUITY	26,095,384	11,106,127	7,211,853	10,446,925	3,343,590	4,142,222	8,426,110	-	70,772,211	
On-balance sheet interest sensitivity gap	8,304,988	(8,498,510)	(6,213,884)	(9,832,750)	5,155,508	14,164,797	(4,263,698)	1,183,549	-	
Off-balance sheet interest sensitivity gap **	(798,353)	(3,120,000)	1,662,088	70,000	2,881,853	(755,588)	-	-	(60,000)	
Total interest sensitivity gap	7,506,635	(11,618,510)	(4,551,796)	(9,762,750)	8,037,361	13,409,209	(4,263,698)	1,183,549	(60,000)	

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

** This comprises interest rate swap and interest rate futures.

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

2008 The Bank	----- Non Trading Book -----							Trading Book	Total	Effective interest rate %
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
ASSETS										
Cash and short-term funds	7,974,786	-	-	-	-	-	390,827	-	8,365,613	3.40
Deposits and placements with banks and other financial institutions	-	1,265,820	69,351	2,500	622	-	-	-	1,338,293	3.50
Securities held-for-trading	-	-	-	-	-	-	-	6,124,258	6,124,258	3.61
Securities available-for-sale	9,344	12,579	-	85,726	531,197	648,961	42,464	-	1,330,271	5.83
Securities held-to-maturity	40,760	-	43,201	7,540	522,241	357,727	143,895	-	1,115,364	3.83
Derivative financial assets	-	-	-	-	-	-	307,651	-	307,651	-
Loans, advances and financing										
- Performing	18,428,674	2,345,331	560,723	508,209	6,976,567	14,309,066	2,204	-	43,130,774	7.07
- Non-performing *	-	-	-	-	-	-	1,107,369	-	1,107,369	-
Amount due from originators	-	6,430	26,042	-	2,668	-	-	-	35,140	4.33
Other non-interest sensitive balances	-	-	-	-	-	-	3,618,310	-	3,618,310	-
TOTAL ASSETS	26,453,564	3,630,160	699,317	603,975	8,033,295	15,315,754	5,612,720	6,124,258	66,473,043	
LIABILITIES AND EQUITY										
Deposits from customers	21,543,736	6,886,572	5,974,483	7,725,789	3,267,861	-	2,819,426	-	48,217,867	3.28
Deposits and placements of banks and other financial institutions	2,108,603	1,356,830	897,805	485,600	310,972	1,155,395	286,171	-	6,601,376	3.42
Derivative financial liabilities	-	-	-	-	-	-	352,007	-	352,007	-
Bills and acceptances payable	415,618	676,830	269,448	-	-	-	-	-	1,361,896	3.59
Recourse obligation of loans sold to Cagamas Berhad	-	70,070	26,042	-	147,867	-	-	-	243,979	3.65
Subordinated term loans	-	-	460,000	-	-	689,469	-	-	1,149,469	6.87
Medium term notes	-	-	-	-	-	860,000	-	-	860,000	5.27
Subordinated bonds	200,000	-	-	-	-	-	-	-	200,000	5.85
Exchangeable bonds	-	-	-	-	-	575,000	-	-	575,000	5.22
Term loans	-	-	-	271,490	-	-	-	-	271,490	5.45
Irredeemable Convertible Unsecured Loan Stocks	-	-	2,755	-	-	128,849	-	-	131,604	5.75
Irredeemable Non-Cumulative Convertible Preference Shares	-	-	-	-	-	-	150,000	-	150,000	-
Other non-interest sensitive balances	-	-	-	-	-	-	1,357,729	-	1,357,729	-
Total Liabilities	24,267,957	8,990,302	7,630,533	8,482,879	3,726,700	3,408,713	4,965,333	-	61,472,417	
Shareholder's Equity	-	-	-	-	-	200,792	4,799,834	-	5,000,626	
TOTAL LIABILITIES AND EQUITY	24,267,957	8,990,302	7,630,533	8,482,879	3,726,700	3,609,505	9,765,167	-	66,473,043	
On-balance sheet interest sensitivity gap	2,185,607	(5,360,142)	(6,931,216)	(7,878,904)	4,306,595	11,706,249	(4,152,447)	6,124,258	-	
Off-balance sheet interest sensitivity gap **	1,025,431	5,435,660	(2,645,648)	(1,531,181)	(2,820,000)	498,800	-	-	(36,938)	
Total interest sensitivity gap	3,211,038	75,518	(9,576,864)	(9,410,085)	1,486,595	12,205,049	(4,152,447)	6,124,258	(36,938)	

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

** This comprises of interest rate swap and interest rate futures.

54. 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 when they fall due.

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

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

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

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

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

2009 The Group	Up to 1	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Total
	month	months	months	months	years	5 years	specific	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	maturity	RM'000
ASSETS								
Cash and short-term funds	17,105,926	-	-	-	-	-	521	17,106,447
Deposits and placements with banks and other financial institutions	-	220,000	150,000	-	51,050	-	-	421,050
Securities held-for-trading	56,948	118,357	119,486	48,111	276,080	768,429	-	1,387,411
Securities available-for-sale	-	82,725	82,386	175,839	2,055,214	3,098,462	103,858	5,598,484
Securities held-to-maturity	7,704	60,838	1,747	71,930	373,076	122,638	115,426	753,359
Derivative financial assets	-	-	-	-	-	-	477,132	477,132
Loans, advances and financing	5,918,607	1,795,439	784,566	870,696	13,740,680	33,629,804	-	56,739,792
Other assets	597	277	31	33	-	-	727,311	728,249
Amount due from originators	-	-	-	-	25,789	-	-	25,789
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	517,578	517,578
Deferred tax asset	-	-	-	-	-	-	344,230	344,230
Investment in associated companies	-	-	-	-	-	-	805	805
Prepaid land lease payments	-	-	-	-	-	4,051	-	4,051
Property and equipment	-	-	-	-	-	-	171,196	171,196
Intangible assets	-	-	-	-	-	-	66,407	66,407
TOTAL ASSETS	23,089,782	2,277,636	1,138,216	1,166,609	16,521,889	37,623,384	2,524,464	84,341,980
LIABILITIES AND EQUITY								
Deposits from customers	31,228,443	12,102,487	7,452,938	10,312,788	2,850,479	-	-	63,947,135
Deposits and placements of banks and other financial institutions	3,824,431	826,617	1,063,821	818,109	955,060	153,368	-	7,641,406
Derivative financial liabilities	-	-	-	-	-	-	565,483	565,483
Bills and acceptances payable	703,905	1,053,556	355,597	7,191	-	-	-	2,120,249
Recourse obligation of loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	155,037
Other liabilities	3,278	44	5	-	-	-	1,380,915	1,384,242
Hybrid securities	-	-	-	-	-	825,853	-	825,853
Medium term notes	-	-	-	-	-	1,460,000	-	1,460,000
Subordinated bonds	-	-	-	-	-	400,000	-	400,000
Exchangeable bonds	-	-	-	-	-	575,000	-	575,000
Term loan	-	-	-	145,820	-	-	-	145,820
Stapled Capital Securities	-	-	-	-	-	500,000	-	500,000
Irredeemable Non-Cumulative Convertible Preference Shares	-	-	-	-	-	-	150,000	150,000
Total Liabilities	35,760,057	13,982,704	8,872,361	11,283,908	3,960,576	3,914,221	2,096,398	79,870,225
Minority interests	-	-	-	-	-	-	28	28
Shareholder's Equity	-	-	-	-	-	-	4,471,727	4,471,727
TOTAL LIABILITIES AND EQUITY	35,760,057	13,982,704	8,872,361	11,283,908	3,960,576	3,914,221	6,568,153	84,341,980
Net maturity mismatch	(12,670,275)	(11,705,068)	(7,734,145)	(10,117,299)	12,561,313	33,709,163	(4,043,689)	-

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

2008

The Group	Up to 1	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Total
	month	months	months	months	years	5 years	specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	10,771,670	-	-	-	-	-	-	10,771,670
Deposits and placements with banks and other financial institutions	-	1,265,820	63,880	-	-	-	-	1,329,700
Securities held-for-trading	656,613	432,492	286,795	346,174	2,204,751	2,655,290	101,624	6,683,739
Securities available-for-sale	-	-	-	85,726	553,120	648,961	43,361	1,331,168
Securities held-to-maturity	49,255	-	53,767	57,064	294,747	357,062	344,641	1,156,536
Derivative financial assets	-	-	-	-	-	-	307,651	307,651
Loans, advances and financing	6,648,446	1,930,975	1,318,853	1,532,342	11,508,374	29,386,260	-	52,325,250
Other assets	452	1,990	577	-	-	-	769,378	772,397
Amount due from originators	-	6,430	26,042	-	2,668	-	-	35,140
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	1,660,197	1,660,197
Deferred tax asset	-	-	-	-	-	-	645,067	645,067
Investment in associated companies	-	-	-	-	-	-	740	740
Prepaid land lease payments	-	-	-	-	-	4,404	-	4,404
Property and equipment	-	-	-	-	-	-	169,274	169,274
Intangible assets	-	-	-	-	-	-	61,486	61,486
TOTAL ASSETS	18,126,436	3,637,707	1,749,914	2,021,306	14,563,660	33,051,977	4,103,419	77,254,419
LIABILITIES AND EQUITY								
Deposits from customers	28,669,167	8,183,369	7,024,440	8,324,657	3,418,108	-	-	55,619,741
Deposits and placements of banks and other financial institutions	2,406,949	1,687,758	1,791,267	1,092,562	682,735	516,595	-	8,177,866
Derivative financial liabilities	-	-	-	-	-	-	352,007	352,007
Bills and acceptances payable	594,174	935,818	379,251	-	-	-	-	1,909,243
Recourse obligation of loans sold to Cagamas Berhad	-	70,070	26,042	-	147,867	-	-	243,979
Other liabilities	1,209	23	-	-	-	-	1,496,170	1,497,402
Subordinated term loans	-	-	-	-	-	460,000	-	460,000
Hybrid securities	-	-	-	-	-	689,469	-	689,469
Medium term notes	-	-	-	-	-	860,000	-	860,000
Subordinated bonds	-	-	-	-	-	600,000	-	600,000
Exchangeable bonds	-	-	-	-	-	575,000	-	575,000
Term loan	-	-	-	271,490	-	-	-	271,490
Irredeemable Convertible Unsecured Loan Stocks	-	-	2,755	-	-	128,849	-	131,604
Irredeemable Non-Cumulative Convertible Preference Shares	-	-	-	-	-	-	150,000	150,000
Total Liabilities	31,671,499	10,877,038	9,223,755	9,688,709	4,248,710	3,829,913	1,998,177	71,537,801
Minority interests	-	-	-	-	-	-	41	41
Shareholder's Equity	-	-	-	-	-	200,792	5,515,785	5,716,577
TOTAL LIABILITIES AND EQUITY	31,671,499	10,877,038	9,223,755	9,688,709	4,248,710	4,030,705	7,514,003	77,254,419
Net maturity mismatch	(13,545,063)	(7,239,331)	(7,473,841)	(7,667,403)	10,314,950	29,021,272	(3,410,584)	-

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

2009

The Bank	Up to 1	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Total
	month	months	months	months	years	5 years	specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	13,634,119	-	-	-	-	-	-	13,634,119
Deposits and placements with								
banks and other financial institutions	-	220,000	155,471	622	51,050	-	-	427,143
Securities held-for-trading	29,954	60,558	28,492	20,034	276,080	768,431	-	1,183,549
Securities available-for-sale	-	75,341	73,100	144,079	1,743,717	2,914,532	102,794	5,053,563
Securities held-to-maturity	7,704	60,838	1,747	35,475	366,970	122,638	115,426	710,798
Derivative financial assets	-	-	-	-	-	-	475,247	475,247
Loans, advances and financing	4,995,908	1,723,292	702,178	708,327	11,500,360	27,269,821	-	46,899,886
Other assets	-	-	-	-	-	-	624,178	624,178
Amount due from originators	-	-	-	-	25,789	-	-	25,789
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	431,499	431,499
Deferred tax asset	-	-	-	-	-	-	241,639	241,639
Investment in subsidiaries companies	-	-	-	-	-	-	849,870	849,870
Investment in associated companies	-	-	-	-	-	-	137	137
Prepaid land lease payments	-	-	-	-	-	2,860	-	2,860
Property and equipment	-	-	-	-	-	-	146,088	146,088
Intangible assets	-	-	-	-	-	-	65,846	65,846
TOTAL ASSETS	18,667,685	2,140,029	960,988	908,537	13,963,966	31,078,282	3,052,724	70,772,211
LIABILITIES AND EQUITY								
Deposits from customers	25,015,567	9,785,399	6,210,513	9,787,533	2,400,833	-	-	53,199,845
Deposits and placements of banks and								
other financial institutions	3,747,454	528,996	775,583	652,203	787,721	153,368	-	6,645,325
Derivative financial liabilities	-	-	-	-	-	-	563,600	563,600
Bills and acceptances payable	483,002	771,732	245,757	7,189	-	-	-	1,507,680
Recourse obligation of loans								
sold to Cagamas Berhad	-	-	-	-	155,037	-	-	155,037
Other liabilities	-	-	-	-	-	-	1,186,739	1,186,739
Subordinated term loans	-	-	-	-	-	825,853	-	825,853
Medium term notes	-	-	-	-	-	1,460,000	-	1,460,000
Exchangeable bonds	-	-	-	-	-	575,000	-	575,000
Term loan	-	-	-	145,820	-	-	-	145,820
Stapled Capital Securities	-	-	-	-	-	500,000	-	500,000
Irredeemable Non-Cumulative Convertible								
Preference Shares	-	-	-	-	-	-	150,000	150,000
Total Liabilities	29,246,023	11,086,127	7,231,853	10,592,745	3,343,591	3,514,221	1,900,339	66,914,899
Shareholder's Equity	-	-	-	-	-	-	3,857,312	3,857,312
TOTAL LIABILITIES AND EQUITY	29,246,023	11,086,127	7,231,853	10,592,745	3,343,591	3,514,221	5,757,651	70,772,211
Net maturity mismatch	(10,578,338)	(8,946,098)	(6,270,865)	(9,684,208)	10,620,375	27,564,061	(2,704,927)	-

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

2008

The Bank	Up to 1	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Total
	month	months	months	months	years	5 years	specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	8,365,613	-	-	-	-	-	-	8,365,613
Deposits and placements with								
banks and other financial institutions	-	1,265,820	69,351	2,500	622	-	-	1,338,293
Securities held-for-trading	646,636	334,864	213,380	250,959	1,927,405	2,649,460	101,554	6,124,258
Securities available-for-sale	-	-	-	85,726	553,120	648,961	42,464	1,330,271
Securities held-to-maturity	40,242	-	53,767	57,064	262,806	357,062	344,423	1,115,364
Derivative financial assets	-	-	-	-	-	-	307,651	307,651
Loans, advances and financing	5,613,212	1,896,288	1,245,323	1,412,422	9,615,237	24,455,661	-	44,238,143
Other assets	452	1,990	577	-	-	-	688,554	691,573
Amount due from originators	-	6,430	26,042	-	2,668	-	-	35,140
Statutory deposit with								
Bank Negara Malaysia	-	-	-	-	-	-	1,388,497	1,388,497
Deferred tax asset	-	-	-	-	-	-	483,873	483,873
Investment in subsidiary companies	-	-	-	-	-	-	846,869	846,869
Investment in associated companies	-	-	-	-	-	-	137	137
Prepaid land lease payments	-	-	-	-	-	3,193	-	3,193
Property and equipment	-	-	-	-	-	-	143,292	143,292
Intangible assets	-	-	-	-	-	-	60,876	60,876
TOTAL ASSETS	14,666,155	3,505,392	1,608,440	1,808,671	12,361,858	28,114,337	4,408,190	66,473,043
LIABILITIES AND EQUITY								
Deposits from customers	24,175,120	6,969,910	6,208,080	7,738,545	3,126,212	-	-	48,217,867
Deposits and placements of banks and								
other financial institutions	2,244,542	1,445,924	1,560,675	494,302	339,338	516,595	-	6,601,376
Derivative financial liabilities	-	-	-	-	-	-	352,007	352,007
Bills and acceptances payable	415,618	676,830	269,448	-	-	-	-	1,361,896
Recourse obligation of loans sold to Cagamas Berhad	-	70,070	26,042	-	147,867	-	-	243,979
Other liabilities	-	-	-	-	-	-	1,357,729	1,357,729
Term loan	-	-	-	271,490	-	-	-	271,490
Subordinated term loans	-	-	-	-	-	1,149,469	-	1,149,469
Medium term notes	-	-	-	-	-	860,000	-	860,000
Subordinated bonds	-	-	-	-	-	200,000	-	200,000
Exchangeable bonds	-	-	-	-	-	575,000	-	575,000
Irredeemable Convertible Unsecured Loan Stocks	-	-	2,755	-	-	128,849	-	131,604
Irredeemable Non-Cumulative Convertible								
Preference Shares	-	-	-	-	-	-	150,000	150,000
Total Liabilities	26,835,280	9,162,734	8,067,000	8,504,337	3,613,417	3,429,913	1,859,736	61,472,417
Shareholder's Equity	-	-	-	-	-	200,792	4,799,834	5,000,626
TOTAL LIABILITIES AND EQUITY	26,835,280	9,162,734	8,067,000	8,504,337	3,613,417	3,630,705	6,659,570	66,473,043
Net maturity mismatch	(12,169,125)	(5,657,342)	(6,458,560)	(6,695,666)	8,748,441	24,483,632	(2,251,380)	-

54. 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 framework is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

Lending activities are guided by internal group credit policies and guidelines, 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 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 and rating 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, hire purchase and credit card applications is being used to complement the credit assessment process.

OPERATIONAL RISK MANAGEMENT

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

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

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

LEGAL AND REGULATORY RISK

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

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

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

54. RISK MANAGEMENT POLICY (CONTD.)

RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

Purpose of engaging in financial derivatives

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

The principal exchange rate contracts used are forward foreign exchange contracts and cross currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

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

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

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

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

54. RISK MANAGEMENT POLICY (CONTD.)

Risk associated with financial derivatives

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

Market risk of derivatives used for trading purposes

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

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

Credit risk of derivatives

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

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

55. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiary companies and 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 Group's and the Bank's financial instruments are as follows:

The Group	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	17,106,447	17,106,447	10,771,670	10,771,670
Deposits and placements with banks and other financial institutions	421,050	422,814	1,329,700	1,329,610
Securities held-for -trading	1,387,411	1,387,411	6,683,739	6,683,739
Securities available-for-sale	5,598,484	5,598,484	1,331,168	1,349,496
Securities held-to-maturity	753,359	857,928	1,156,536	1,313,500
Loans, advances and financing *	57,635,447	58,416,852	53,165,280	53,910,209
Other financial assets	1,323,109	1,323,109	2,430,427	2,430,443
	<u>84,225,307</u>	<u>85,113,045</u>	<u>76,868,520</u>	<u>77,788,667</u>
Non-financial assets	116,673		385,899	
TOTAL ASSETS	<u>84,341,980</u>		<u>77,254,419</u>	

	2009		2008	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Liabilities				
Deposits from customers	63,947,135	63,574,602	55,619,741	55,422,231
Deposits and placements of banks and other financial institutions	7,641,406	7,675,465	8,177,866	7,968,431
Bills and acceptances payable	2,120,249	2,120,249	1,909,243	1,909,243
Recourse obligation of loans sold to Cagamas Berhad	155,037	129,106	243,979	239,716
Other financial liabilities	1,887,563	1,898,540	1,812,042	1,812,042
Subordinated term loans	-	-	460,000	552,884
Term loans	145,820	145,820	271,490	271,490
Hybrid securities	825,853	471,925	689,469	630,695
Medium term notes	1,460,000	1,745,424	860,000	860,800
Subordinated bonds	400,000	456,142	600,000	632,061
Exchangeable bonds	575,000	624,261	575,000	606,475
Stapled Capital Securities	500,000	732,901	-	-
Irredeemable Convertible Unsecured Loan Stocks	-	-	131,604	133,339
Irredeemable Non-cumulative Convertible Preference Shares	150,000	150,000	150,000	150,000
	<u>79,808,063</u>	<u>79,724,435</u>	<u>71,500,434</u>	<u>71,189,407</u>
Non-Financial Liabilities				
Other non-financial liabilities	62,162		37,367	
Minority interests	28		41	
Share capital	670,364		610,364	
Reserves	3,801,363		5,106,213	
	<u>4,533,917</u>		<u>5,753,985</u>	
TOTAL LIABILITIES AND EQUITY	<u>84,341,980</u>		<u>77,254,419</u>	

* The general allowance for the Group amounting to RM895,655,000 (2008: RM840,030,000) has been included under non-financial assets.

The Bank	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	13,634,119	13,634,119	8,365,613	8,365,613
Deposits and placements with banks and other financial institutions	427,143	428,907	1,338,293	1,338,203
Securities held-for -trading	1,183,549	1,183,549	6,124,258	6,124,258
Securities available-for-sale	5,053,563	5,053,563	1,330,271	1,348,599
Securities held-to-maturity	710,798	810,794	1,115,364	1,272,328
Loans, advances and financing *	47,628,586	48,196,125	44,922,730	45,460,181
Other financial assets	1,183,209	1,183,209	2,136,741	2,136,757
	<u>69,820,967</u>	<u>70,490,266</u>	<u>65,333,270</u>	<u>66,045,939</u>
Non-financial assets	951,244		1,139,773	
TOTAL ASSETS	<u>70,772,211</u>		<u>66,473,043</u>	

	2009		2008	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Liabilities				
Deposits from customers	53,199,845	52,801,658	48,217,867	48,008,775
Deposits and placements of banks and other financial institutions	6,645,325	6,702,748	6,601,376	6,387,895
Bills and acceptances payable	1,507,680	1,507,680	1,361,896	1,361,896
Recourse obligation of loans sold to Cagamas Berhad	155,037	129,106	243,979	239,716
Other financial liabilities	1,750,339	1,755,647	1,709,736	1,709,736
Subordinated term loans	825,853	471,925	1,149,469	1,183,579
Term loans	145,820	145,820	271,490	271,490
Medium term notes	1,460,000	1,745,424	860,000	860,800
Subordinated bonds	-	-	200,000	200,000
Exchangeable bonds	575,000	624,261	575,000	606,475
Stapled Capital Securities	500,000	732,901		
Irredeemable Convertible				
Unsecured Loan Stocks	-	-	131,604	133,339
Irredeemable Non-cumulative				
Convertible Preference Shares	150,000	150,000	150,000	150,000
	<u>66,914,899</u>	<u>66,767,170</u>	<u>61,472,417</u>	<u>61,113,701</u>
Non-Financial Liabilities				
Share capital	670,364		610,364	
Shareholder's Equity	<u>3,186,948</u>		<u>4,390,262</u>	
			<u>5,000,626</u>	
TOTAL LIABILITIES AND EQUITY	<u>70,772,211</u>		<u>66,473,043</u>	

* The general allowance for the Bank amounting to RM728,700,000 (2008: RM684,587,000) has been included under non-financial assets.

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

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2009 and 31 March 2008:

(a) Cash And Short-Term Funds

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

(b) Deposits and Placements with Banks and Other Financial Institutions

The fair values of deposits and placements with banks and other financial institutions ("Deposits") with remaining maturities less than six months are estimated to approximate their carrying values. For Deposits with maturities of more than six months, the fair value are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

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

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is estimated using net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at par value, taking into consideration the underlying collateral values. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using market indicative rates of similar instruments at the balance sheet date.

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

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

(e) Deposits From Customers, Deposits of Banks and Other Financial Institutions and securities sold under repurchase agreements

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

(f) Recourse Obligation on Loans Sold To Cagamas Berhad

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

(g) Bills and Acceptances Payables

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

(h) Subordinated term loans, Redeemable Unsecured Subordinated bonds, Medium Term Notes, Exchangeable Bonds, ICULS, INCPS, Hybrid securities, Term Loans and Stapled Capital securities (“Borrowings”)

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

(i) Derivative Financial Instruments

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

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

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

56. RECLASSIFICATION OF SECURITIES

During the 2nd quarter of financial year 2009, the Bank adopted Bank Negara Malaysia's Circular on the Reclassification of Securities under Specific Circumstances which allow banking institutions to reclassify securities in held-for-trading category under the Revised Guidelines of Financial reporting for Licensed Institutions (BNM/GP 8). The provisions in this Circular shall override the existing requirements of BNM/GP8 in relation to the reclassification of securities into or out of the held-for-trading category and are effective from 1 July 2008 until 31 December 2009. The effects of the reclassification were as follows:

	Before reclassification RM'000	Increase/ (Decrease) in reclassification RM'000	After reclassification RM'000
Effect on Balance Sheet as at 30 September 2008			
The Group and the Bank			
Securities held-for-trading	1,678,356	(500,787)	1,177,569
Securities available for sale	4,956,006	500,787	5,456,793
Available for sale reserve	(134,342)	(22,200)	(156,542)
Unappropriated profits	1,135,875	17,200	1,153,075

	Before reclassification RM'000	Increase/ (Decrease) reclassification RM'000	After reclassification RM'000
Effect on Income Statement for the period ended 30 September 2008			
The Group and the Bank			
Revenue	2,342,136	22,200	2,364,336
Other operating income	5,860	22,200	28,060
Taxation	(140,593)	(5,000)	(145,593)
Profit after taxation	400,808	17,200	418,008

There was no further reclassification of securities after the second quarter of financial year 2009. The balances as at 31 March 2009 relating to securities reclassified in the second quarter of financial year 2009 are:

	Carrying value RM'000	Fair value RM'000	Mark-to-market loss taken up in Available for sale reserve RM'000
The Group and the Bank as at 31 March 2009			
Securities reclassified	531,373	489,175	42,198

The carrying value and fair value as at 30 September 2008 for securities reclassified were RM 581,453,000 and RM 500,787,000 respectively.

57. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	The Group		The Bank	
	2009	2008	2009	2008
Outstanding credit exposures with connected parties (RM'000)	762,113	429,902	745,195	422,788
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	1.14	0.67	1.37	0.85
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.26	0.22	0.25	0.22

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 activities of the Bank;
- (d) officer and his close relatives; officer refers to those responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually;
- (e) firms, partnerships, companies or any legal entities which control, or are controlled by, any person (including close relatives in the case of individuals) listed in (a) to (d) above, or in which they have interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (f) any person for whom the persons listed in (a) to (d) above is a guarantor;
- (g) subsidiary of, or an entity controlled by the Bank and its connected parties.

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

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

- (i) the creditworthiness of the connected party is not less than what is normally required of other persons;
- (ii) the terms and conditions of credit transactions with connected parties are not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness;
- (iii) the credit transactions are in the interest of the Bank and approved by the Board of Directors with not less than three quarters of all board members present.

58 RESTATEMENT OF COMPARATIVES

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

- (a) certain balances which represent cash held by outsourcers and were previously included in Other assets are now reclassified and presented as part of cash and short term funds;
- (b) credit card receivables under instalment payment scheme which were previously classified under Other Assets have been reclassified as part of Loans, advances and financing;
- (c) 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;
- (d) 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, interest expense attributable to these depositors were reclassified from Interest expense on Deposits and placements of banks and other financial institutions to Interest expense on Deposits from customers.

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

On 12 April 2008, the Group had completed the Business Transfer 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 Group and the Bank as if the merger had been effected prior to and throughout the current financial year. Accordingly comparative figures of the Group and the Bank have been restated.

58 RESTATEMENT OF COMPARATIVES (CONTD.)

The comparative amounts which have been restated due to the above are as follows:

	As previously stated RM'000	Effect of change arising from pooling of interest method RM'000	Effect of other reclassifications RM'000	As restated RM'000
The Group				
Balance Sheet as at 31 March 2008				
ASSETS				
Cash and short-term funds	8,933,353	1,751,255	87,062	10,771,670
Deposits and placements with banks and other financial institutions	1,968,500	(638,800)	-	1,329,700
Securities held-for-trading	1,771,247	4,912,492	-	6,683,739
Securities available- for-sale	119,413	1,211,755	-	1,331,168
Securities held-to-maturity	656,680	499,856	-	1,156,536
Derivative financial assets	71,663	235,988	-	307,651
Loans, advances and financing	47,949,516	4,255,007	120,727	52,325,250
Other assets	863,115	152,211	(207,789)	807,537
Statutory deposit with Bank Negara Malaysia	1,526,507	133,690	-	1,660,197
Deferred tax asset	629,628	15,439	-	645,067
Property and equipment	168,764	510	-	169,274
Intangible assets	61,484	2	-	61,486
LIABILITIES				
Deposits from customers	41,535,545	6,232,786	7,851,410	55,619,741
Deposits and placements of banks and other financial institutions	12,316,385	3,712,891	(7,851,410)	8,177,866
Derivative financial liabilities	85,659	266,348	-	352,007
Recourse obligation on loans sold to Cagamas Berhad	208,839	35,140	-	243,979
Other liabilities	1,451,003	46,399	-	1,497,402
Term loan	-	271,490	-	271,490
Reserves	3,141,862	1,964,351	-	5,106,213

58. RESTATEMENT OF COMPARATIVES (CONTD.)

The comparative amounts which have been restated are as follows (contd.):

	As previously stated RM'000	Effect of change arising from pooling of interest method RM'000	Effect of other reclassifications RM'000	As restated RM'000
The Group				
Income Statement for the financial period ended 31 March 2008				
Interest Income	3,210,621	609,073	(14,786)	3,804,908
Interest Expense	(1,777,173)	(415,692)	-	(2,192,865)
Net income from Islamic Banking business	493,028	40,306	(114)	533,220
Other operating income	305,727	70,414	-	376,141
Other operating expenses	(857,633)	(59,709)	14,900	(902,442)
Allowance for losses on loans, advances and financing	(553,753)	36,739	-	(517,014)
Impairment loss	(83,101)	(36,527)	-	(119,628)
Provision for commitments and contingencies	-	(1,641)	-	(1,641)
Taxation	(271,074)	(58,756)	-	(329,830)
The Bank				
Balance Sheet as at 31 March 2008				
ASSETS				
Cash and short-term funds	7,411,342	867,209	87,062	8,365,613
Deposits and placements with banks and other financial institutions	1,977,093	(638,800)	-	1,338,293
Securities held-for-trading	1,671,478	4,452,780	-	6,124,258
Securities available- for-sale	119,413	1,210,858	-	1,330,271
Securities held-to-maturity	656,462	458,902	-	1,115,364
Derivative financial assets	71,663	235,988	-	307,651
Loans, advances and financing	39,948,718	4,204,013	85,412	44,238,143
Other assets	751,059	148,128	(172,474)	726,713
Statutory deposit with Bank Negara Malaysia	1,269,307	119,190	-	1,388,497
Deferred tax asset	468,529	15,344	-	483,873
Investment in subsidiary companies	813,849	33,020	-	846,869

58. RESTATEMENT OF COMPARATIVES (CONTD.)

The comparative amounts which have been restated are as follows (contd.):

	As previously stated RM'000	Effect of change arising from pooling of interest method RM'000	Effect of other reclassifications RM'000	As restated RM'000
Balance Sheet as at 31 March 2008				
LIABILITIES				
Deposits from customers	36,106,940	5,304,491	6,806,436	48,217,867
Deposits and placements of banks and other financial institutions	9,816,197	3,591,615	(6,806,436)	6,601,376
Derivative financial liabilities	85,659	266,348	-	352,007
Recourse obligation on loans sold to Cagamas Berhad	208,839	35,140	-	243,979
Other liabilities	1,318,114	39,615	-	1,357,729
Term loan	-	271,490	-	271,490
Reserves	2,792,329	1,597,933	-	4,390,262
Income Statement for the financial period ended 31 March 2008				
Interest Income	3,210,674	591,128	(14,786)	3,787,016
Interest Expense	(1,777,681)	(402,591)	-	(2,180,272)
Other operating income	304,316	67,255	-	371,571
Other operating expenses	(656,730)	(52,960)	14,786	(694,904)
Allowance for losses on loans, advances and financing	(414,087)	34,395	-	(379,692)
Impairment loss	(83,198)	(36,527)	-	(119,725)
Provision for commitments and contingencies	-	296	-	296
Taxation	(204,787)	(49,607)	-	(254,394)

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