BANK MUAMALAT MALAYSIA BERHAD
Company No. 6175-W
(Incorporated in Malaysia)

AUDITED FINANCIAL STATEMENT
31 MARCH 2011

PUBLIC

6175-W

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Contents	**Page**

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Directors' report

The directors of the Bank Muamalat Malaysia Berhad have pleasure in submitting their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2011.

Principal activities

The principal activities of the Bank are Islamic banking business and related financial services.

The principal activities of the subsidiaries are as disclosed in Note 11 to the financial statements.

There have been no significant changes in these activities during the financial year.

Results

	Group RM'000	Bank RM'000
Net profit for the year	133,577	134,014

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

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

Dividend

No dividends has been paid or declared by the company since the end of the previous financial priod. The directors do not recommend the payment of any dividend in respect of the current financial period.

Directors

The names of the directors of the Bank in office since the date of the last report and at the date of this report are:

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Dato' Sri Haji Mohd Khamil Jamil
Dato' Haji Mohd Redza Shah Abdul Wahid
Haji Ismail Ibrahim
Datin Azizah Mohd. Jaafar (resigned 17 September 2010)
Haji Abdul Jabbar Abdul Majid
Tengku Dato' Seri Hasmuddin Tengku Othman
Haji Mohd Izani Ghani
Dato' Azmi Abdullah

Directors' interests

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial year in shares in the Bank and its related corporations are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.4.2010	**Acquired**	**Disposal**	**As at 31.3.2011**
Interest in Etika Strategi Sdn Bhd, ultimate holding company:				
Dato' Sri Haji Mohd Khamil Jamil	30,000	-	-	30,000

None of the other directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares of the Bank or its related corporations during the financial year.

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Bank was a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other corporate body .

Since the end of the previous financial period, no director 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 the directors or the fixed salary of a full-time employee of the Bank as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for certain directors who received remuneration from a subsidiary company of the immediate holding company.

Other statutory information

(a) Before the income statements, statements of comprehensive income and statements of financial positions of the Group and the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and have satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for bad and doubtful debts and financing; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected to realise.

(b) As at the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written off for bad debts and financing, or the amount of the allowance for bad and doubtful debts and financing in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

(ii) the value attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) As at the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

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

(ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

Business review 2010/2011

The Group registered a profit before tax and zakat of RM204.3 million for the year ended 31 March 2011, higher by 43.8% in contrast to the profit recorded in the prior corresponding period in 2010 amounting to RM142.1 million. The increase in profit was mainly due to significant improvements in allowance for losses on financing and writeback of impairment on financial asset.

Total assets of the Group grew in the twelve months period to RM18.3 billion as compared to RM16.7 billion last year. The increase was mainly due to an increase in amount of securities held, cash and short term fund and financing of customer.

Prospects 2011/2012

The world economy has passed its worst economic downturn since the Great Depression. Many industrialised economies remains in recovery phase but the emerging markets have been pivotal in reviving the momentum.

The enhanced economic environment has augured positively for the prospects ahead. The strengthening domestic economy and the encouraging trends in private economic activities, on the back of sustained resilience in the financial sector, appears to underpin the improved sentiment.

Islamic finance in Malaysia, meanwhile, continued to register robust growth during the past year. Its total assets advanced to RM351 billion in 2010, or almost 16% higher from a year ago. Broadly, the progressive stance in reinforcing Malaysia as a leading international centre for Islamic finance continues to position the bank favourably going forward.

Rating by external rating agencies

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Received
Rating Agency Malaysia Berhad	May 2011	Long term	A2
		Short term	P1
		Subordinated Bond	A3
		Outlook	Stable

Disclosure of Shariah committee

The Bank's business activities are subject to the Shariah compliance and conformation by the Shariah Committee consisting of 5 members appointed by the Board for a 2-year term. The duties and responsibilities of the Shariah Committee are governed by the Shariah Governance Framework for the Islamic Financial Institutions issued by the Bank Negara Malaysia (BNM).The main duties and responsibilities of the Shariah Committee are as follow:

(a) The Shariah Committee is expected to advise the Board, Management including the Bank's subsidiaries and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.

(b) The Shariah Committee is expected to endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.

(c) To ensure that the products of the Bank comply with Shariah principles, the Shariah Committee must approve:

  i) the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and

  ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

(d) To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

(e) The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

(f) The Shariah Committee may advise the Bank to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC of BNM) on Shariah matters that could not be resolved.

(g) The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank make reference to the SAC for further deliberation, or where the Bank submits applications to the Bank for new product approval.

(h) Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.

(i) Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.

Disclosure of Shariah committee (contd.)

(j) Report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.

(k) Provide Shariah advisory and consultancy services in all matters relating to Bank's products, transactions and activities as well as other businesses involving the Bank.

(l) Scrutinize and endorse the annual financial report of the Bank.

(m) Provide training to the staff as well as notes or relevant materials for their reference.

(n) Represent the Bank or to attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.

(o) The Shariah Committee shall maintain the confidentiality of the BMMB's internal information and shall responsible for the safe guarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorized by the Bank or required by law.

(p) The Shariah Committee shall ensure the quality and consistency of the Shariah decision.

Zakat obligations

The Bank pays zakat on its business as required by Shariah.

Auditors

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

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

Tan Sri Dato' Dr. Mohd Munir Abdul Majid	Dato' Haji Mohd Redza Shah Abdul Wahid

Kuala Lumpur, Malaysia

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Haji Mohd Redza Shah Abdul Wahid, being two of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 11 to 130 are drawn up in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines and Shariah principles and Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2011 and of the financial performance and the cash flows of the Group and of the Bank for the year then ended.

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

Tan Sri Dato' Dr. Mohd Munir Abdul Majid	Dato' Haji Mohd Redza Shah Abdul Wahid
Kuala Lumpur, Malaysia	

Statutory declaration
Pursuant to Section 169(16) of the Companies Act, 1965

I, PeerMohamed Ibramsha being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 130 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
above named PeerMohamed Ibramsha
at Kuala Lumpur in Federal Territory
on ____________.

PeerMohamed Ibramsha

Before me,

Commissioner for Oaths

6175-W

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Report of the Shariah committee

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank Muamalat Malaysia Berhad during the year ended 31 March 2011. We have also conducted our review to form an opinion as to whether Bank Muamalat Malaysia Berhad has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

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

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank Muamalat Malaysia Berhad has not violated the Shariah principles.

To the best of our knowledge based on the information provided to us and discussions and decisions transpired and made in the meetings of or attended by the Shariah Committee of Bank Muamalat Malaysia Berhad as been detailed out in the relevant minutes of meetings and taking into account the advices and opinions given by the relevant experts, bodies and authorities, we are of the opinion that:

1. the contracts, transactions and dealings entered into by the Bank Muamalat Malaysia Berhad during the year ended 31 March 2011 that we have reviewed are in compliance with the Shariah principles;

2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

3. all earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes; and

4. the calculation and distribution of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the operations of the Bank Muamalat Malaysia Berhad to the best of its effort, for the year ended 31 March 2011 have been conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee,

Azizi Che Seman　　　　Engku Ahmad Fadzil Engku Ali

Date: _____________
Kuala Lumpur, Malaysia

Independent auditors' report to the members of Bank Muamalat Malaysia Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 2011 of the Group and the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements cash flows of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 11 to 130.

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 Shariah principles 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 Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Independent auditors' report to the members of Bank Muamalat Malaysia Berhad (cont'd.) (Incorporated in Malaysia)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines and Shariah principle and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2011 and of its financial performance and cash flows for the period 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 Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

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

Other matters

This report is made solely to the members 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

Mohd. Sukarno bin Tun Sardon
No. 1697/03/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 March 2011 (26 Rabiul akhir 1432H)

		Group		Bank	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Assets					
Cash and short-term funds	4	**6,447,295**	5,775,383	**6,447,295**	5,775,383
Financial investment held-to-maturity	5 (a)	**28,224**	28,224	**28,224**	28,224
Financial investment available-for-sale	5 (b)	**4,331,906**	4,012,805	**4,321,106**	4,012,805
Islamic derivative financial assets	6	**2,154**	17,763	**2,154**	17,763
Financing of customers	7	**7,148,160**	6,630,159	**7,166,034**	6,630,405
Other assets	8	**113,866**	68,697	**106,811**	68,209
Statutory deposits with Bank Negara Malaysia	9	**94,121**	87,821	**94,121**	87,821
Deferred tax assets (net)	10	**38,240**	27,915	**38,240**	27,915
Investment in subsidiaries	11	**-**	-	**6,484**	6,402
Property, plant and equipment	12	**101,521**	84,079	**101,516**	84,034
Prepaid land lease payment	13	**255**	260	**255**	260
Total assets		**18,305,742**	16,733,106	**18,312,240**	16,739,221
Liabilities					
Deposits from customers	14	**16,171,772**	14,920,856	**16,178,389**	14,927,848
Deposits and placements of banks and other financial institutions	15	**14,993**	16,361	**14,993**	16,361
Islamic derivative financial liabilities	6	**1,018**	18,894	**1,018**	18,894
Bills and acceptances payable	16	**291,375**	92,224	**291,375**	92,224
Other liabilities	17	**209,926**	96,422	**209,950**	96,297
Provision for zakat and taxation	18	**5,228**	19,218	**5,228**	19,143
Subordinated bonds	19	**250,000**	250,000	**250,000**	250,000
Total liabilities		**16,944,312**	15,413,975	**16,950,953**	15,420,767

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of financial position as at 31 March 2011 (26 Rabiul akhir 1432H) (cont'd)

	Note	Group 2011 RM'000	Group 2010 RM'000	Bank 2011 RM'000	Bank 2010 RM'000
Shareholders' equity					
Share capital	20	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves	21	**361,430**	319,131	**361,287**	318,454
Total shareholders' equity		**1,361,430**	1,319,131	**1,361,287**	1,318,454
Total liabilities and shareholders' equity		**18,305,742**	16,733,106	**18,312,240**	16,739,221
Commitments and contingencies	37	**5,745,824**	5,732,029	**5,745,824**	5,732,029
Capital adequacy *	40				
Core capital ratio		**15.2%**	13.9%	**15.2%**	13.9%
Risk-weighted capital ratio		**19.2%**	17.6%	**19.2%**	17.5%

* Capital adequacy ratios are computed after taking into account the credit, market and operational risks.

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Income statements
For the year ended 31 March 2011 (26 Rabiul akhir 1432H)

		Group		Bank	
		1.4.2010 to 31.3.2011	**1.1.2009 to 31.3.2010**	**1.4.2010 to 31.3.2011**	**1.1.2009 to 31.3.2010**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Income derived from investment of depositors' funds and others	22	**758,404**	860,052	**758,404**	860,052
Income derived from investment of shareholders' funds	23	**64,888**	82,668	**64,803**	81,973
Allowance for impairment on financing	24	**(36,127)**	(161,189)	**(36,127)**	(161,065)
(Provision)/writeback for commitments and contingencies	17	**(32,861)**	82	**(32,861)**	82
Impairment writeback/(loss) on investments	25	**59,617**	(37,779)	**59,699**	(39,152)
Islamic profit rate swap		**(158)**	(4,527)	**(158)**	(4,527)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		**(21,521)**	(29,641)	**(21,521)**	(29,739)
Total distributable income		**792,242**	709,666	**792,239**	707,624
Income attributable to depositors	26	**(301,091)**	(269,956)	**(300,948)**	(270,109)
Total net income		**491,151**	439,710	**491,291**	437,515
Personnel expenses	27	**(154,497)**	(152,086)	**(153,789)**	(151,636)
Other overheads and expenditures	30	**(116,718)**	(126,032)	**(117,090)**	(125,714)
Finance cost	31	**(15,625)**	(19,531)	**(15,625)**	(19,531)
Profit before zakat and taxation		**204,310**	142,061	**204,786**	140,634
Zakat	32	**(8,174)**	(241)	**(8,174)**	(241)
Taxation	33	**(62,560)**	(42,986)	**(62,599)**	(42,865)
Net profit for the year/period		**133,577**	98,834	**134,014**	97,528
Earnings per share attributable to share holders of the Bank (sen):	34	13.4	11.0		

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of comprehensive income
For the year ended 31 March 2011 (26 Rabiul akhir 1432H)

	Note	Group 1.4.2010 to 31.3.2011 RM'000	Group 1.1.2009 to 31.3.2010 RM'000	Bank 1.4.2010 to 31.3.2011 RM'000	Bank 1.1.2009 to 31.3.2010 RM'000
Profit for the year/period		**133,577**	98,834	**134,014**	97,528
Other comprehensive income/(loss):					
Net gain/(loss) on revaluation of financial investment available-for-sale		**18,386**	24,316	**18,376**	24,541
Income tax relating to components of other comprehensive income		**(5,526)**	(5,064)	**(5,526)**	(5,064)
Exchange fluctuation reserve		**1,083**	(1,191)	**1,083**	(1,191)
Other comprehensive income for the year/period, net of tax		**13,943**	18,061	**13,933**	18,286
Total comprehensive income for the year/period		**147,520**	116,895	**147,947**	115,814

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Consolidated statements of changes in equity
For the year ended 31 March 2011 (26 Rabiul akhir 1432H)

	<=== Attributable to Shareholders of the Bank						
	<==== Share Capital ====>		<======== Non-distributable ========>				
Group	**Ordinary shares RM'000**	**Musharakah irredeemable non-cumulative convertible preference shares RM'000**	**Statutory reserve* RM'000**	**Exchange fluctuation reserve RM'000**	**Available-for-sale reserve RM'000**	**Distributable retained profits RM'000**	**Total equity RM'000**
At 1 April 2010, as previously stated	**1,000,000**	**-**	**206,105**	**(530)**	**(52,973)**	**166,529**	**1,319,131**
Effect of FRS 139 adoption	**-**	**-**	**-**	**-**		**(105,221)**	**(105,221)**
At 1 April 2010, as restated	**1,000,000**	**-**	**206,105**	**(530)**	**(52,973)**	**61,308**	**1,213,910**
Total comprehensive income for the year	**-**	**-**	**-**	**1,083**	**12,860**	**133,577**	**147,520**
Transfer to statutory reserve	**-**	**-**	**66,788**	**-**	**-**	**(66,788)**	**-**
At 31 March 2011	**1,000,000**	**-**	**272,893**	**553**	**(40,113)**	**128,097**	**1,361,430**

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

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Consolidated statements of changes in equity
For the period ended 31 March 2010 (15 Rabiul akhir 1431H)

	<=================== Attributable to Shareholders of the Bank						======================>
	<==== Share Capital	====>	<======== Non-distributable		========>		
Group (cont'd.)	**Ordinary shares RM'000**	**Musharakah irredeemable non-cumulative convertible preference shares RM'000**	**Statutory reserve* RM'000**	**Exchange fluctuation reserve RM'000**	**Available-for-sale reserve RM'000**	**Distributable retained profits RM'000**	**Total equity RM'000**
At 1 Jan 2009	397,275	102,725	156,688	661	(72,225)	117,112	702,236
Total comprehensive income for the period	-	-	-	(1,191)	19,252	98,834	116,895
Transfer to statutory reserve	-	-	49,417	-	-	(49,417)	-
Issued during the period	500,000	-	-	-	-	-	500,000
Converted to ordinary shares during the period	102,725	(102,725)	-	-	-	-	-
At 31 March 2010	1,000,000	-	206,105	(530)	(52,973)	166,529	1,319,131

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

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the year ended 31 March 2011 (26 Rabiul akhir 1432H)

		<=== Attributable to Shareholders of the Bank							
		<==== Share Capital =====>		<======= Non-distributable ========>				
Bank	**Note**	**Ordinary shares RM'000**	**Musharakah irredeemable non-cumulative convertible preference shares RM'000**	**Statutory reserve* RM'000**	**Exchange fluctuation reserve RM'000**	**Available-for-sale reserve RM'000**	**Distributable retained profits RM'000**	**Total equity RM'000**
At 1 April 2010, as previously stated		**1,000,000**	**-**	**204,596**	**(530)**	**(52,824)**	**167,212**	**1,318,454**
Effect of FRS 139 adoption		**-**	**-**	**-**	**-**	**-**	**(105,114)**	**(105,114)**
At 1 April 2010, as restated		**1,000,000**	**-**	**204,596**	**(530)**	**(52,824)**	**62,098**	**1,213,340**
Total comprehensive income for the year		**-**	**-**	**-**	**1,083**	**12,850**	**134,014**	**147,947**
Transfer to statutory reserve		**-**	**-**	**67,007**	**-**	**-**	**(67,007)**	**-**
At 31 March 2011		**1,000,000**	**-**	**271,603**	**553**	**(39,974)**	**129,105**	**1,361,287**

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

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of changes in equity
For the period ended 31 March 2010 (15 Rabiul akhir 1431H)

		<=================== Attributable to Shareholders of the Bank ======================>						
		<==== Share Capital =====>		<======= Non-distributable ========>				
Bank (cont'd.)	**Note**	**Ordinary shares RM'000**	**Musharakah irredeemable non-cumulative convertible preference shares RM'000**	**Statutory reserve* RM'000**	**Exchange fluctuation reserve RM'000**	**Available-for-sale reserve RM'000**	**Distributable retained profits RM'000**	**Total equity RM'000**
At 1 Jan 2009		397,275	102,725	155,832	661	(72,301)	118,448	702,640
Total comprehensive income		-	-	-	(1,191)	19,477	97,528	115,814
for the period		-	-	-	-	-		-
Transfer to statutory reserve		-	-	48,764	-	-	(48,764)	-
Issued during the period		500,000	-	-	-	-	-	500,000
Converted to ordinary shares								
during the period		102,725	(102,725)	-	-	-	-	-
At 31 March 2010		1,000,000	-	204,596	(530)	(52,824)	167,212	1,318,454

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

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

6175-W

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 March 2011 (26 Rabiul akhir 1432H)

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	**1.1.2009 to 31.3.2010 RM'000**	**1.4.2010 to 31.3.2011 RM'000**	**1.1.2009 to 31.3.2010 RM'000**
Cash flows from operating activities				
Profit before zakat and taxation	**204,310**	142,061	**204,786**	140,634
Adjustment for				
Amortisation of prepaid land and lease payment	**5**	5	**5**	5
Depreciation of property, plant and equipment	**13,638**	14,504	**13,612**	14,467
Gain on disposal of property, plant and equipment	**-**	(21)	**-**	(21)
Property, plant and equipment written off	**748**	16	**748**	-
Islamic profit rate swap and Islamic cross currency swap	**158**	4,527	**158**	4,527
Amortisation of premium less accretion of discount	**14,584**	12,547	**14,584**	12,547
Net gain from sale of financial investment available-for-sale	**(626)**	(2,974)	**(626)**	(2,974)
Net gain from sale of financial investment held-for-trading	**(1,170)**	(14,255)	**(1,170)**	(14,255)
Net gain on revaluation of foreign exchange transaction	**(14,034)**	(17,567)	**(14,034)**	(17,567)
Net (gain)/loss from foreign exchange derivatives	**(2,502)**	510	**(2,502)**	510
(Writeback)/additional impairment on investments	**(59,617)**	37,779	**(59,699)**	39,152
Allowance for impairment on financing	**53,897**	170,784	**53,897**	170,660
Provision/(writeback) for commitment and contingencies	**32,861**	(82)	**32,861**	(82)
Finance cost	**15,625**	19,531	**15,625**	19,531
Gross dividend income	**(2,000)**	(5,141)	**(2,000)**	(5,141)
Operating profit before working capital changes	**255,878**	362,224	**256,246**	361,993

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 March 2011 (26 Rabiul akhir 1432H)

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	**1.1.2009 to 31.3.2010 RM'000**	**1.4.2010 to 31.3.2011 RM'000**	**1.1.2009 to 31.3.2010 RM'000**
(Increase)/decrease in operating assets:				
Islamic derivative financial assets	**18,111**	-	**18,111**	-
Financing of customers	**(674,386)**	(773,651)	**(691,907)**	(758,396)
Statutory deposits with Bank Negara Malaysia	**(6,300)**	163,950	**(6,300)**	163,950
Other assets	**(47,439)**	2,936	**(40,872)**	(2,281)
Increase/(decrease) in operating liabilities:				
Deposits from customers	**1,250,916**	2,472,886	**1,250,541**	2,463,150
Deposits and placements of banks and other financial institutions	**(1,368)**	(234,064)	**(1,368)**	(234,064)
Islamic derivative financial liabilities	**(15,763)**	-	**(15,763)**	-
Bills and acceptances payable	**199,151**	(559,692)	**199,151**	(559,692)
Other liabilities	**96,618**	621	**96,654**	604
Cash generated from operation	**1,075,418**	1,435,210	**1,064,493**	1,435,264
Zakat paid	**(3,402)**	-	**(3,402)**	-
Tax paid	**(66,768)**	(23,168)	**(66,619)**	(23,122)
Net cash generated from operating activities	**1,005,248**	1,412,042	**994,472**	1,412,142
Cash flows from investing activities				
Net purchase of financial investment	**(1,344,303)**	(1,892,997)	**(1,333,513)**	(1,892,997)
Proceed from disposal of property, plant and equipment	**32**	176	**18**	176
Purchase of property, plant and equipment	**(31,860)**	(54,932)	**(31,860)**	(54,932)
Additional investment in a subsidiary	**-**	-	**-**	(100)
Redemption of AFS securities	**1,056,160**	758,202	**1,056,160**	758,202
Dividend income	**2,000**	5,141	**2,000**	5,141
Net cash used in investing activities	**(317,971)**	(1,184,410)	**(307,195)**	(1,184,510)

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows
For the year ended 31 March 2011 (26 Rabiul akhir 1432H)

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	**1.1.2009 to 31.3.2010 RM'000**	**1.4.2010 to 31.3.2011 RM'000**	**1.1.2009 to 31.3.2010 RM'000**
Cash flows from financing activities				
Dividend paid on islamic subordinated bond	**(15,365)**	(19,531)	**(15,365)**	(19,531)
Proceeds from issuance of ordinary shares	**-**	500,000	**-**	500,000
Net cash generated from financing activities	**(15,365)**	480,469	**(15,365)**	480,469
Net increase in cash and cash equivalents	**671,912**	708,101	**671,912**	708,101
Cash and cash equivalents at beginning of year/period	**5,775,383**	5,067,282	**5,775,383**	5,067,282
Cash and cash equivalents at end of year/period	**6,447,295**	5,775,383	**6,447,295**	5,775,383
Cash and cash equivalents consist of:				
Cash and short term funds (Note 4)	**6,447,295**	5,775,383	**6,447,295**	5,775,383

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

Notes to the financial statements - 31 March 2011 (26 Rabiul akhir 1432H)

1. Corporate information

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related services in accordance with Shariah principles.

There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the subsidiaries are as disclosed in Note 11 to the financial statements.

The Bank is a licensed Islamic Bank under the Islamic Banking Act, 1983, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 20th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

The holding and ultimate holding companies of the bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively , both of which are incorporated in Malaysia. DRB-HICOM Berhad, a public limited liability company is listed on the main Board of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on ______________.

2. Basis of preparation

The financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standards (“FRSs”) as modified by Bank Negara Malaysia ("BNM") Guidelines and shariah principles and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Bank adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 3.2.

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

3. Significant accounting policies

3.1 Basis of accounting

The financial statements of the Group and of the Bank are prepared under the historical cost convention, unless otherwise indicated in the respective accounting policies.

3. Significant accounting policies (cont'd.)

3.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs

The accounting policies adopted by the Group and the Bank are consistent with those adopted in previous years, except as follows:-

The Group and the Bank adopted the following FRSs, amendments to FRSs and IC Interpretations beginning on or after 1 January 2010:

FRSs, Amendments and Interpretations	Effective for financial period beginning on or after
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 101 Presentation of Financial Statements	1 January 2010
FRS 123 Borrowing Costs	1 January 2010
FRS 139 Financial Instruments: Recognition and Measurement,	1 January 2010
Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendments to FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives	1 January 2010
Amendments to FRS 8: Operating Segments	1 January 2010
Amendments to FRS 107: Cash Flow Statements	1 January 2010
Amendments to FRS 108: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendments to FRS 110: Events After the Balance Sheet Date	1 January 2010
Amendments to FRS 117: Leases	1 January 2010
Amendments to FRS 118: Revenue	1 January 2010
Amendments to FRS 119: Employee Benefits	1 January 2010
Amendments to FRS 120: Accounting for Government Grants	1 January 2010
and Disclosure of Government Assistance	1 January 2010
Amendments to FRS 123: Borrowing Costs	
Amendments to FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010

3. Significant accounting policies (cont'd.)

3.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

FRSs, Amendments and Interpretations	**Effective for financial period beginning on or after**
Amendments to FRS 128: Investments in Associates	1 January 2010
Amendments to FRS 129: Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131: Interest in Joint Ventures	1 January 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2010
Amendments to FRS 134: Interim Financial Reporting	1 January 2010
Amendments to FRS 136: Impairment of Assets	1 January 2010
Amendments to FRS 138: Intangible Assets	1 January 2010
Amendments to FRS 140: Investment Property	1 January 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
TRi-3 Presentation of Financial Statements of Islamic Financial Institutions	1 January 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
Amendments to FRS 132: Financial Instruments: Presentation	1 March 2010

3.2.1 Impact due to adoption of new standards

FRS 4 and Amendments to FRS 129 are not applicable to the Group and the Bank. The adoption of the above standards and interpretation did not have any effects on the financial performance or the position of the Group and the Bank except as discussed below:

3. Significant accounting policies (cont'd.)

3.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

3.2.1 Impact due to adoption of new standards (cont'd.)

(a) FRS 7 *Financial Instruments: Disclosures*

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 *Financial Instruments: Disclosure and Presentation*. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Bank have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Bank's financial statements for the year ended 31 March 2011.

(b) FRS 101 *Presentation of Financial Statements (* Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Bank have elected to present this statement as two linked statements.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

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

The revised FRS 101 was adopted retrospectively by the Group and the Bank.

3. Significant accounting policies (cont'd.)

3.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

3.2.1 Impact due to adoption of new standards (cont'd.)

(c) FRS 139 *Financial Instruments: Recognition and Measurement*

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's revised BNM/GP8i - Guidelines on Financial Reporting for Islamic Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting which are similar to those prescribed by FRS 139 have already been adopted by the Group and the Bank. Therefore, the adoption of FRS 139 on 1 April 2010 has resulted in the following material changes in accounting policies as follows:

(i) Impairment of financing

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly financing. The existing accounting policies relating to the assessment of impairment of other financial assets of the Group and the Bank are already largely in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired financing (previously referred to as non-performing financing) were computed in conformity with the Bank Negara Malaysia ("BNM/GP3") Guidelines on Classification of Non-Performing financings and Provision for Substandard, Bad and Doubtful Debts. Upon the adoption of FRS 139, the Group and the Bank assesses at the end of each reporting period whether there is any objective evidence that a financing or group of financing is impaired. The financing or group of financing is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the financing (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the financing or group of financing that can be reliably estimated.

The Group and the Bank first assess individually whether objective evidence of impairment exists individually for financing which are individually significant, and collectively for financing which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financing with similar credit risk characteristics and collectively assessed for impairment.

3. Significant accounting policies (cont'd.)

3.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

3.2.1 Impact due to adoption of new standards (cont'd.)

(c) FRS 139 *Financial Instruments: Recognition and Measurement* (cont'd.)

(i) Impairment of financings (cont'd.)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

In the Amendments to FRS 139 listed above, Malaysian Accounting Standards Board (MASB) has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment allowance. The collective assessment allowance of the Bank as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting the income statement as at the beginning of the current financial period being adjusted to opening retained earnings. As a result of the adoption of the financings impairment basis under FRS 139 and the transitional arrangements under BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, the Group and the Bank has recognised an additional allowance of RM106,092,000 and RM105,985,000 respectively against the retained earnings as at 1 April 2010. Any further collective assessment allowance and individual assessment allowance charged subsequent to the initial adoption of FRS 139 is recognised as allowance for impairment on financing and financing in the income statement.

3. Significant accounting policies (cont'd.)

3.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

3.2.1 Impact due to adoption of new standards (cont'd.)

(c) FRS 139 *Financial Instruments: Recognition and Measurement* (cont'd.)

(ii) Classification of financing as impaired

Prior to the adoption of FRS 139, financing were classified as non-performing when principal or profit or both are past due for more than three (3) months. The Group and the Bank now assess at the end of each reporting period whether there is any objective evidence that a financing or a group of financing is impaired, as a result of one or more events that have occurred after the initial recognition. Allowances for financing impairment are determined either via the individual assessment or collective assessment basis. The change in the criteria for classification of impaired financings has resulted in an increase in opening impaired financings of RM78,234,152 for the Group and the Bank.

(iii) Profit income recognition

Financial assets classified as held-to-maturity and financing and receivables are measured at amortised cost using the effective profit method. Profit income from financing which were previously recognised on contractual profit rates are now recognised using effective profit rates. Profit-in-suspense is also no longer recognised on financing. The change in the profit income recognition has resulted in an increase in opening retained earnings of RM4,245,533 for the Group and the Bank.

(d) TR i-3 Presentation of Financial Statements of Islamic Financial Institutions

This technical release is to be read in conjunction with FRS 101 Presentation of Financial Statements. The overall requirements are the same as that of FRS 101, except for the additional guidance specific to Islamic financial institutions. The application of this technical release does not have any financial impact on the Group and the Bank as the changes introduced are presentational in nature.

3. Significant accounting policies (cont'd.)

3.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (cont'd.)

3.2.1 Impact due to adoption of new standards (cont'd.)

The following are effects arising from the above changes in accounting policies:

(i) Statement of financial position

	Increase/(decrease)	
	Group	**Bank**
	As at	**As at**
	1.4.2010	**1.4.2010**
	RM'000	**RM'000**
Assets		
Financial investment available-for-sale	(38,412)	(38,412)
Financing of customers		
- reversal of specific allowance (Note 7 (ii))	300,304	300,304
- reversal of general allowance (Note 7 (ii))	106,663	106,770
- reversal of income in suspense	35,156	35,156
- recognition of individual impairment (Note 7 (ii))	(324,997)	(324,997)
- recognition of collective impairment (Note 7 (ii))	(223,218)	(223,218)
- recomputation of income based on effective profit rate	4,245	4,245
	(140,259)	(140,152)
Tax impact	35,038	35,038
Shareholders' equity		
Retained profits	(105,221)	(105,114)

3. Significant accounting policies (cont'd.)

3.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations (revised)	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 7: Financial Instruments: Disclosure	1 January 2011
Amendments to FRS 101: Presentation of Financial Statements	1 January 2011
Amendments to FRS 121: The Effects of Changes in Foreign Exchange Rates	1 January 2011
Amendments to FRS 128: Investments in Associates	1 January 2011
Amendments to FRS 131: Interests in Joint Ventures	1 January 2011
Amendments to FRS 132: Financial Instruments: Presentation	1 January 2011
Amendments to FRS 134: Interim Financial Reporting	1 January 2011
Amendments to FRS 139: Financial Instruments: Recognition and Measurement	1 January 2011
IC Interpretation 4: Determining Whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011

3. Significant accounting policies (cont'd.)

3.3 Standards issued but not yet effective (cont'd.)

Description	Effective for annual periods beginning on or after
Amendments to IC Interpretation 13: Customer Loyalty Programmes	1 January 2011
TR 3: Guidance on Disclosures of Transition to IFRSs	1 January 2011
TR i-4: Shariah Compliant Sale Contracts	1 January 2011
IC Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14 Prepayments of a Minimum Funding Requirement	1 July 2011
FRS 124: Related Party Disclosures	1 January 2012
IC Interpretation 15: Agreements for the Construction of Real Estate	1 January 2012

The directors expect that the adoption of the standards and interpretation above will have no material impact on the financial statements in the period of initial application.

3.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Bank’s separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(a) Subsidiaries and basis of consolidation (cont'd.)

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Bank.

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, intragroup balances, transactions 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.

Acquisitions of subsidiaries are accounted for using the purchase method. 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 acquisition.

Any excess of the cost of the 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 is recognised immediately in profit or loss.

Minority interest represents the portion of income statement and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of the changes in the subsidiaries' equity since then.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(b) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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

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

(c) Financial assets

Initial recognition and subsequent measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value throughincome statements directly attributable transaction costs.

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, financing and receivables, held-to-maturity investments and available-for-sale financial assets.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(c) Financial assets (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

(i) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, profit and dividend income. Exchange differences, profit and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Regular way purchases and sales of financial assets held-for-trading are recognised on settlement date.

(ii) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financing and receivables are measured at amortised cost using the effective profit method, less allowance for impairment. Profit income on financing and receivables is recognised in "profit income" in the profit or loss. Impairment losses on financing and receivables are recognised in profit or loss as "Allowances for impairment on financing".
.

(iii) Financial investment held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(c) Financial assets (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

(iii) Financial investment held-to-maturity (cont'd.)

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective profit method, less impairment. Profit income on held-to-maturity investments is recognised in "Profit income" in the profit or loss. Impairment losses on held-to-maturity investments are recognised in profit or loss as "Impairment on held-to-maturity investments".

Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of financing restructuring or financing 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.

Regular way purchases and sales of held-to-maturity investments are recognised on settlement date.

If the Group or the Bank were to sell or reclassify more than an insignificant amount of financial investments held-to-maturity before maturity, the entire category would be tainted and be reclassified to available-for sale.

Furthermore, the Group and the Bank would be prohibited from classifying any financial assets as held-to-maturity for the following two years.

(iv) Financial investment available-for-sale

Available-for-sale are financial assets that are designated as available for sale or are not classified in any of the three preceding categories. Available-for-sale investments include financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in market condition.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective profit method are recognised in profit or loss.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(c) Financial assets (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

(iv) Financial investment Available-for-sale (cont'd.)

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment when the financial asset is derecognised. Profit income calculated using the effective profit method is recognised in income statement. Dividends on an available-for-sale equity instrument are recognised in income statement when the Group and the Bank's right to receive payment is established.

If an available-for-sale investment is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases and sales of held-to-maturity investments are recognised on settlement date.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Fair value determination

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. The fair value of financial instruments traded in active markets are based on quoted market price or dealer price quotation.

For all other financial assets, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cash flow models, based on observable data in respect of similar financial instruments and using inputs (such as yield curve) existing at reporting date.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(c) Financial assets (cont'd.)

Derecognition

Financial instruments are derecognised when the risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the cumulative gain or loss that has been recognised in the equity are taken to the income statement.

(d) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised at amortised cost. Financial liabilities measured at amortised cost include deposits from customers, debt securities issued and other borrowed fund.

Financial liabilities are derecognised when they are redeemed or extinguished.

(e) Impairment of financial assets

(i) Financing

Classification of impaired financing

Financing of the Group and the Bank are classified as impaired when they fulfill either of the following criteria:

(1) principal or profit or both are past due for more than three (3) months;

(2) where a financing is in arrears for less than three (3) months, the financing exhibits indications of credit weaknesses; or

(3) where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of three (3) months.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(e) Impairment of financial assets (cont'd.)

(i) Financing (cont'd.)

<u>Classification of impaired financing</u> (cont'd.)

The Group and the Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

De-classification of an impaired account shall be supported by a credit assessment of the repayment capabilities, cash flow and financial position of the borrower. The Group must be satisfied that once the account is de-classified, the account is unlikely to be classified again in the near future.

<u>Impairment allowances</u>

The Group first assesses individually whether objective evidence of impairment exists individually for financing that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(e) Impairment of financial assets (cont'd.)

(i) Financing (cont'd.)

Impairment allowances (cont'd.)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised financing or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable. Profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. The profit income is recorded as part of 'profit income'.

Financing together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

For financing that are collectively assessed, the Group have applied the transitional provision issued by Bank Negara Malaysia via its guidelines on Classification and Impairment Provision for Loans/Financing, whereby collective assessment allowance is maintained at a minimum of 1.5% of total financing outstanding, net of individual assessment allowance.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(e) Impairment of financial assets (cont'd.)

(ii) Financial investment held-to-maturity

The Group assess at each reporting date whether objective evidence of impairment of held-to-maturity investments exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the amortised cost and the present value of the estimated future cash flows, less any impairment previously recognised.

(iii) Financial investment available-for-sale

The Group assess at each reporting date whether objective evidence that financial investment classified as available-for-sale is impaired.

In the case of quoted investments, a significant and prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less impairment loss previously recognised) is removed from equity and recognised in the income statement. For unquoted equity investment which are measured at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flow discounted at the current rate of return for a similar financial asset. Impairment losses recognised in the profit and loss on equity investments are not reversed through the income statement.

For debt instruments, impairment is assessed based on the same criteria as other available-for-sale financial investments. Where impairment losses have been previously recognised in the income statement, if there is a subsequent increase in the fair value of the debt instruments that can be objectively related to a credit event occurring after the impairment financing was recognized in the profit or loss, the impairment loss is reversed through income statement.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(f) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Bank after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(g) Derivatives

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

Derivatives embedded in other financial instruments are accounted for separately as derivatives if the economic characteristics and risks are not closely related to those of the host contracts and the host contracts are carried at fair value through profit or loss.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(h) Inventories

Inventories are stated at lower of cost and net realisable value.

Cost is determined using the first in, first out method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Property, plant and equipment and depreciation

All items of property, plant 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 Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and therefore is not depreciated. Renovation work-in-progress are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings	3%
Long term leasehold land	3%
Office furniture and equipment	15%
Building improvements and renovations	20%
Motor vehicles	20%
Computer equipment	20% - 33.3%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(i) Property, plant and equipment and depreciation (cont'd.)

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(j) 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 and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at 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 not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the year.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(j) Foreign currencies (cont'd.)

(iii) Consolidation of financial statements of foreign operations

The results and financial position of the Group’s foreign operations in the Federal Territory of Labuan, whose functional currencies are not the presentation currency, are translated into the presentation currency at average exchange rates for the year and at the closing exchange rate as at reporting date respectively. All resulting exchange differences are recognised in a separate component of equity as a foreign currency translation reserve and are subsequently recognised in the income statement upon disposal of the foreign operation.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2011	2010
USD1	**3.0253**	3.2638

(k) 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.

(l) Provision for liabilities

Provisions are recognised when the Group and the Bank have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(m) Impairment of non-financial assets

For non-financial assets other than goodwill, such as property and equipment, investments in subsidiary and associated companies and foreclosed properties, are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use.

The impairment loss is recognised in the income statement, and is reversed only if there is change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

Impairment of goodwill is discussed under the accounting policy on goodwill in Note 3.4(b).

(n) Cash and cash equivalent

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short term deposits maturing within one (1) month.

(o) Contingent liabilities and contingent assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(p) 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. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (“EPF”).

(q) Income recognition

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

(i) Profit and income from financing

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

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(q) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

For impaired financial assets where the value of the financial asset have been written down as a result of an impairment loss, profit/financing income continues to be recognised using the rate of profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from securities is recognised when the Bank's right to receive payment is established.

(r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

3. Significant accounting policies (cont'd.)

3.4 Summary of significant accounting policies (cont'd.)

(r) Income tax (cont'd.)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial position date. Deferred tax is recognised as income or expense and included in the statement of comprehensive income for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(s) Zakat

This represents business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 2.5% of the shareholders' funds growth method.

3.5 Significant accounting estimates and judgements

Preparation of the financial statements involved making certain estimates and assumptions concerning the future judgements. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Changes in these estimates and assumptions by management may have an effect on the balances as reported in financial statements. The most significant uses of judgement and estimates are as follows:-

(a) Going concern

The Bank’s management has made an assessment to the bank’s ability to continue as a going concern and is satisfied that the bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the bank’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. Significant accounting policies (cont'd.)

3.5 Significant accounting estimates and judgements

(b) Fair value of financial instruments

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement normally incorporate assumptions that other market participants would use in their valuations, including assumptions about profit rate yield curves, exchange rates, volatilities and prepayment and default rates. The valuation of financial instruments is described in more detail in Note 43.

(c) Impairment losses on financing

For impaired financing which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ from this, hence resulting in changes to impairment losses.

For financing of the Bank and its domestic banking subsidiary companies which are collectively assessed for impairment under BNM's guidelines on Classification and Impairment Provisions for Financing, judgement is exercised in the determination of the adequacy of the collective assessment allowance provided based on 1.5% of total outstanding financing net of individual assessment allowance to cover credit losses within the portfolio. In the exercise of such judgement, management assesses the historical loss experience of the various financing asset pools within the portfolio in order to determine the actual incurred impairment levels for those portfolios.

The impairment loss on financings is disclosed in more detail in Note 24.

3. Significant accounting policies (cont'd.)

3.5 Significant accounting estimates and judgements

(d) Impairment of financial investment available-for-sale (Note 5)

The bank reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of financing.

The bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. In making this judgment, the bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

(e) Income tax (Note 18)

Significant management judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

(f) Deferred tax (Note 10)

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 tax losses can be utilised. 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.

4. Cash and short-term funds

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	**169,013**	152,804	**169,013**	152,804
Money at call and interbank placements with remaining maturity not exceeding one month	**6,278,282**	5,622,579	**6,278,282**	5,622,579
	6,447,295	5,775,383	**6,447,295**	5,775,383

5. Financial investment

	Group and Bank	
	2011	2010
	RM'000	RM'000
(a) Held-to-maturity		
At amortised cost		
Corporate bonds	**30,285**	30,285
Accumulated impairment loss	**(2,061)**	(2,061)
Total held-to-maturity securities	**28,224**	28,224

(b) Available-for-sale

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
At fair value				
Quoted securities:				
Malaysian Government Investment Certificate	**1,960,866**	1,181,505	**1,960,866**	1,181,505
Cagamas bonds	**135,713**	115,647	**135,713**	115,647
Islamic private debt securities	**2,127,431**	2,596,505	**2,127,431**	2,596,505
Sukuk	**58,087**	115,043	**58,087**	115,043
Quoted shares	**24,994**	-	**24,994**	-
Unit trust	**9,910**	-	**9,910**	-
	4,317,001	4,008,700	**4,317,001**	4,008,700
Unquoted securities:				
Shares	**14,905**	4,105	**4,105**	4,105
Total available-for-sale securities	**4,331,906**	4,012,805	**4,321,106**	4,012,805

5. Financial investment (cont'd.)

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Stated at net of impairment amounting to	**100,270**	122,009	**100,270**	122,009

A reconciliation of impairment by class of financial assets are as follows:

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 April 2010/1 January 2009, as previously stated	**122,009**	84,428	**122,009**	84,428
Effect of FRS 139 adoption				
- Sukuk	**38,412**	-	**38,412**	-
At 1 April 2010/1 January 2009, as restated	**160,421**	84,428	**160,421**	84,428
Impairment made during the year/period				
- Sukuk	**31,885**	48,803	**31,885**	48,803
Impairment written back during the year/ period				
- Sukuk	**(91,080)**	(11,222)	**(91,080)**	(11,222)
Foreign exchange difference	**(956)**	-	**(956)**	-
	100,270	122,009	**100,270**	122,009

6. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Group and Bank	Contract/ notional amount 2011 RM'000	Fair value Assets 2011 RM'000	Fair value Liabilities 2011 RM'000	Contract/ Notional Amount 2010 RM'000	Fair value Assets 2010 RM'000	Fair value Liabilities 2010 RM'000
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards						
Less than one year	**52,994**	**770**	**(302)**	290,088	9,071	(2,127)
- Currency swaps						
Less than one year	**256,702**	**1,384**	**(558)**	750,308	8,692	(16,767)
	309,696	**2,154**	**(860)**	1,040,396	17,763	(18,894)
Islamic profit rate swap (IPRS)						
More than one year	**75,000**	**-**	**(158)**	-	-	-
Total	**384,696**	**2,154**	**(1,018)**	1,040,396	17,763	(18,894)

6. Derivative financial instruments (cont'd.)

Derivative often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of asset, rate, or index underlying a derivative contract may have a significant impact on the profit or loss of the bank.

Over–the-counter derivatives may expose the bank to the risks associated with the absence of an exchange market on which to close out an open position.

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the bank's market risk (see also note 38).

Islamic profit rate swaps:

The Islamic profit rate swap allows two parties to exchange a series of profit payments in a single currency in exchange for another series of payments in the same currency. For example, it allows for the exchange of profit rate cash flows between a fixed rate party and a floating rate party or vice versa implemented through the execution of a series of underlying contracts to trade certain assets under the Shariah principles of either Murabahah, Bai Bithaman Ajil (BBA), Mudharabah, Bai-el-inah and many others.

Each party's payment obligation is computed using a different pricing formula. In an IPRS, the notional principal is never exchanged as it is netted off. Swap typically refers to the difference in the price over and above the notional principal in which one party pays a fixed rate and another pays a floating rate.

The minimum amount for IPRS transaction is RM5 million, with the maximum amount subject to the counterparty/ client's limit. Meanwhile transaction tenors can range from a minimum period of minimum 6 months maximum tenors on market dynamics.

Islamic Cross Currency Swaps:

The Islamic Cross Currency Swap (ICCS) provides customers with a Shariah compliant instrument to manage multi-currency swaps. It is essentially an agreement between 2 parties to exchange profit and principal payment, which is denominated in different currencies. It will facilitate investors in Islamic finance instruments to manage both foreign currency and interest rate risks.

The instrument allows the parties to exchange a series of profit related payments in one currency for another denominated in a different currency, based on a notional principal amount over an agreed period. Net profit is settled between 2 counterparties where if:

1. The fixed rate is higher than the floating rate; the fixed rate receiver (offerer) will be receiving net of the fixed rate minus the floating rate.
2. The fixed rate is lower than the floating rate; the fixed rate receiver (offerer) will be paying net of the floating rate minus the fixed rate.
3. Day count : Actual / 365.

7. Financing of customers

(i) By type

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Cash line	**367,763**	428,225	**367,763**	428,225
Term financing				
- Home financing	**4,828,099**	4,076,724	**4,828,099**	4,076,724
- Syndicated financing	**143,617**	164,712	**143,617**	164,712
- Hire purchase receivables	**1,397,081**	1,564,836	**1,397,081**	1,564,836
- Leasing receivables	**191,584**	205,120	**191,584**	205,120
- Other term financing	**4,294,681**	3,428,178	**4,312,555**	3,428,531
Trust receipts	**147,916**	140,769	**147,916**	140,769
Claims on customers under acceptance credits	**779,186**	730,361	**779,186**	730,361
Staff financing	**94,761**	89,202	**94,761**	89,202
Revolving credit	**356,088**	498,891	**356,088**	498,891
	12,600,776	11,327,018	**12,618,650**	11,327,371
Less : Unearned income	**(4,753,075)**	(3,909,046)	**(4,753,075)**	(3,909,046)
	7,847,701	7,417,972	**7,865,575**	7,418,325
Less : Financing sold to Cagamas	**(364,308)**	(380,846)	**(364,308)**	(380,846)
Gross financing	**7,483,393**	7,037,126	**7,501,267**	7,037,479
Less : Allowance for bad and doubtful financing:				
- General allowance	**-**	(106,663)	**-**	(106,770)
- Specific allowance	**-**	(300,304)	**-**	(300,304)
- Collective assessment allowance	**(226,702)**	-	**(226,702)**	-
- Individual assessment allowance	**(108,531)**	-	**(108,531)**	-
Total net financing	**7,148,160**	6,630,159	**7,166,034**	6,630,405

7. Financing of customers (cont'd.)

(ii) By contract

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Bai' Bithaman Ajil (deferred payment sale)	**2,465,728**	2,192,508	**2,465,728**	2,192,508
Ijarah (lease)	**260,690**	126,525	**260,690**	126,525
Ijarah Thumma Al-Bai (lease ended with purchase)	**1,207,059**	1,339,247	**1,207,059**	1,339,247
Inah (sale and buyback)	**449,754**	664,587	**449,754**	664,587
Tawarruq (commodity murabahah)	**1,301,019**	873,560	**1,301,019**	873,560
Bai Al Dayn (purchase of debt)	**805,213**	724,830	**805,213**	724,830
Murabahah (cost-plus)	**652,739**	655,260	**652,739**	655,260
Istisna' (sale order)	**301,566**	426,367	**301,566**	426,367
Qard Hasan (benevolent loan)	**16,344**	4,844	**16,344**	11,948
Shirkah Mutanaqisah (diminishing partnership)	**23,281**	29,398	**41,155**	22,647
	7,483,393	7,037,126	**7,501,267**	7,037,479

(iii) By type of customer

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Domestic non-banking institutions	**37,042**	36,818	**37,042**	36,818
Domestic business enterprises				
- Small business enterprises	**728,478**	1,162,500	**728,478**	1,162,500
- Others	**2,336,206**	2,013,136	**2,347,158**	2,020,239
Government and statutory bodies	**135,190**	104,825	**142,112**	98,075
Individuals	**4,224,569**	3,698,733	**4,224,569**	3,698,733
Other domestic entities	**5,520**	3,295	**5,520**	3,295
Foreign entities	**16,388**	17,819	**16,388**	17,819
	7,483,393	7,037,126	**7,501,267**	7,037,479

7. Financing of customers (cont'd.)

(iv) By profit rate sensitivity

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate:				
Home financing	**485,065**	596,980	**485,065**	596,980
Hire purchase receivables	**1,201,348**	1,285,372	**1,201,348**	1,285,372
Others	**2,764,311**	2,896,580	**2,769,263**	2,903,683
Variable rate:				
Home financing	**1,114,763**	828,603	**1,114,763**	828,603
Others	**1,917,906**	1,429,591	**1,930,828**	1,422,841
	7,483,393	7,037,126	**7,501,267**	7,037,479

(v) By sector

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Agriculture	**75,846**	138,739	**75,846**	138,739
Mining and quarrying	**4,049**	3,975	**4,049**	3,975
Manufacturing	**670,143**	738,168	**675,095**	738,168
Electricity, gas and water	**144,710**	66,706	**144,710**	66,706
Construction	**810,779**	906,148	**816,779**	906,148
Purchase of landed property:				
- Residential	**1,651,418**	1,432,596	**1,651,418**	1,432,596
- Non-residential	**255,963**	273,849	**255,963**	273,849
Real estate	**16,937**	15,234	**16,937**	15,234
Wholesale, retail and restaurant	**601,139**	537,409	**601,139**	537,409
Transport, storage and communication	**155,913**	172,225	**155,913**	172,463
Finance, insurance and business services	**154,028**	190,991	**154,028**	190,991
Purchase of securities	**86**	128	**86**	128
Purchase of transport vehicles	**1,207,546**	1,285,372	**1,207,546**	1,285,372
Consumption credit	**1,316,730**	953,558	**1,316,730**	953,558
Community, social and personal service	**418,106**	322,028	**425,028**	322,143
	7,483,393	7,037,126	**7,501,267**	7,037,479

7. Financing of customers (cont'd.)

(vi) By residual contractual maturity

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Maturity				
within one year	**1,240,173**	1,470,364	**1,240,173**	1,470,364
more than one to five years	**1,657,121**	1,411,592	**1,657,121**	1,411,592
more than five years	**4,586,099**	4,155,170	**4,603,973**	4,155,523
	7,483,393	7,037,126	**7,501,267**	7,037,479

(vii) By geographical area

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Domestic	**7,388,918**	6,913,284	**7,406,792**	6,913,637
Labuan Offshore	**94,475**	123,842	**94,475**	123,842
	7,483,393	7,037,126	**7,501,267**	7,037,479

(viii) By economic purpose

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchase of securities	**86**	128	**86**	128
Purchase of transport vehicles	**1,207,546**	1,285,372	**1,207,546**	1,285,372
Purchase of landed properties of which:				
– residential	**1,651,418**	1,432,596	**1,651,418**	1,432,596
– non-residential	**255,963**	273,849	**255,963**	273,849
Purchase of fixed assets (excluding landed properties)	**448,398**	359,268	**448,398**	359,268
Personal use	**1,316,730**	953,558	**1,316,730**	953,558
Construction	**810,779**	906,148	**816,779**	906,148
Working capital	**239,508**	251,228	**239,508**	251,228
Other purposes	**1,552,965**	1,574,979	**1,564,839**	1,575,332
	7,483,393	7,037,126	**7,501,267**	7,037,479

7. Financing of customers (cont'd.)

Impaired financing

(i) Movements in the impaired financing

	Group and Bank	
	2011	**2010**
	RM'000	**RM'000**
As at 1 April 2010/1 January 2009, as previously stated	**513,753**	592,168
Effect of FRS 139 adoption	**78,235**	-
At 1 April 2010/1 January 2009, as restated	**591,988**	592,168
Classified as impaired during the year/period	**457,633**	611,265
Reclassified as performing during the year/period	**(265,609)**	(405,239)
Recovered during the year/period	**(142,588)**	(126,951)
Written off during the year/period	**(263,081)**	(157,490)
As at 31 March	**378,343**	513,753
Ratio of gross impaired/ non performing financing to total financing	**4.8%**	6.9%
Gross impaired financing as % of gross financing as at 1 April 2010, restated for the effect of FRS 139 adoption	7.9%	

(ii) Movements in the allowance for impaired financing

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
General allowance				
As at 1 April 2010/1 January 2009, as previously stated	**106,663**	97,330	**106,770**	97,561
- Effect of FRS 139 adoption	**(106,663)**	-	**(106,770)**	-
At 1 April 2010/1 January 2009, as restated	**-**	97,330	**-**	97,561
Allowance made during the period	**-**	9,333	**-**	9,209
As at 31 March	**-**	106,663	**-**	106,770
As % of gross financing, less specific allowance	**-**	1.5%	**-**	1.5%

7. Financing of customers (cont'd.)

Impaired financing (cont'd)

(ii) Movements in the allowance for impaired financing (cont'd)

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Specific allowance				
As at 1 April 2010/1 January 2009, as previously stated	**300,304**	302,901	**300,304**	302,901
Effect of FRS 139 adoption	**(300,304)**	-	**(300,304)**	-
At 1 April 2010/1 January 2009, as restated	**-**	302,901	**-**	302,901
Allowance made during the period	**-**	230,498	**-**	230,498
Amount recovered	**-**	(97,127)	**-**	(97,127)
Amount written off	**-**	(135,968)	**-**	(135,968)
As at 31 March	**-**	300,304	**-**	300,304
Collective assessment				
As at 1 April 2010/1 January 2009, as previously stated	**-**	-	**-**	-
Effect of FRS 139 adoption	**223,218**	-	**223,218**	-
At 1 April 2010/1 January 2009, as restated	**223,218**	-	**223,218**	-
Allowance made during the year	**250,047**	-	**250,047**	-
Amount recovered	**(224,291)**	-	**(224,291)**	-
Amount written off	**(22,272)**	-	**(22,272)**	-
As at 31 March	**226,702**	-	**226,702**	-
As % of gross financing, less individual assessment allowance	**3.1%**	-	**3.1%**	-
Individual assessment allowance				
As at 1 April 2010/1 January 2009, as previously stated	**-**	-	**-**	-
Effect of FRS 139 adoption	**324,997**	-	**324,997**	-
At 1 April 2010/1 January 2009, as restated	**324,997**	-	**324,997**	-
Allowance made during the year	**89,776**	-	**89,776**	-
Amount recovered	**(70,129)**	-	**(70,129)**	-
Amount written off	**(236,113)**		**(236,113)**	
As at 31 March	**108,531**	-	**108,531**	-

7. Financing of customers (cont'd.)

Impaired financing (cont'd.)

(iii) Impaired financing by sector

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Manufacturing	**24,660**	92,031
Construction	**71,810**	127,757
Purchase of landed property:		
- Residential	**159,345**	172,493
- Non-residential	**12,206**	19,210
Wholesale and retail and restaurant	**33,360**	26,533
Transport, storage and communication	**45**	518
Finance, insurance and business services	**9,713**	11,302
Purchase of securities	**84**	127
Purchase of transport vehicles	**34,933**	37,969
Consumption credit	**23,928**	24,491
Community, social and personal service	**8,259**	1,322
	378,343	513,753

(iv) Impaired financing by geographical area

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Domestic	**372,045**	507,496
Labuan Offshore	**6,298**	6,257
	378,343	513,753

(v) Impaired financing by economic purpose

	Group and Bank 2011 RM'000	Group and Bank 2010 RM'000
Purchase of securities	**84**	127
Purchase of transport vehicles	**34,933**	37,969
Purchase of landed properties of which:		
– residential	**159,345**	172,493
– non-residential	**12,206**	19,210
Purchase of fixed assets (excluding landed properties)	**1,553**	1,651
Personal use	**23,928**	24,491
Construction	**71,810**	127,757
Working capital	**867**	1,391
Other purposes	**73,617**	128,664
	378,343	513,753

8. Other assets

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Deposits	**4,876**	3,015	**4,721**	2,860
Prepayments	**2,428**	1,693	**2,409**	1,672
Income receivables	**51,278**	53,297	**44,579**	53,182
Tax recoverable	**15,726**	38	**15,611**	-
Other debtors	**39,557**	10,654	**39,491**	10,495
	113,866	68,697	**106,811**	68,209

9. Statutory deposits with Bank Negara Malaysia

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined at set percentages of total eligible liabilities.

10. Deferred tax assets (net)

	Group and Bank	
	2011	2010
	RM'000	RM'000
At 1 April 2010/1 January 2009, as previously stated	**27,915**	35,580
Effect of FRS 139 adoption	**35,038**	-
At 1 April 2010/1 January 2009, as restated	**62,953**	35,580
Recognised in the income statement (Note 33)	**(30,239)**	(1,056)
Recognised in the equity	**5,526**	(6,609)
At 31 March	**38,240**	27,915

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group and Bank	
	2011	2010
	RM'000	RM'000
Deferred tax assets	**46,855**	34,332
Deferred tax liabilities	**(8,615)**	(6,417)
	38,240	27,915

10. Deferred tax assets (net) (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and the Bank:

	Collective assessment allowance for bad and doubtful financing RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2009	25,289	1,948	11,023	38,260
Recognised in income statements	2,779	(95)	(3)	- 2,681
Recognised in the equity	-	-	(6,609)	(6,609)
At 31 March 2010	28,068	1,853	4,411	34,332
At 1 April 2010, as previously stated	**28,068**	**1,853**	**4,411**	**34,332**
Effect of FRS 139 adoption	-	-	**35,038**	**35,038**
	28,068	**1,853**	**39,449**	**69,370**
Recognised in income statements	**640**	**6,362**	**(35,043)**	**(28,041)**
Recognised in the equity	**-**	**-**	**5,526**	**5,526**
At 31 March 2011	**28,708**	**8,215**	**9,932**	**46,855**

Deferred tax liabilities of the Group and the Bank:

	Property, plant and equipment RM'000	Total RM'000
At 1 January 2009	(2,680)	(2,680)
Recognised in the income statement	(3,737)	(3,737)
At 31 March 2010	(6,417)	(6,417)
At 1 April 2010	**(6,417)**	**(6,417)**
Recognised in the income statement	**(2,198)**	**(2,198)**
At 31 March 2011	**(8,615)**	**(8,615)**

11. Investment in subsidiaries

	Bank 2011 RM'000	Bank 2010 RM'000
Unquoted shares at cost		
- in Malaysia	**10,823**	10,823
Less: Impairment loss	**(4,339)**	(4,421)
	6,484	6,402

Details of the subsidiary companies that are all incorporated in Malaysia are as follows:

Name	Principal activities	Percentage of equity held 2011 %	Percentage of equity held 2010 %	Paid up capital 2011 RM
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	**100**	100	**2**
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	**100**	100	**2**
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	**100**	100	**100,002**
Muamalat Invest Sdn. Bhd.	Provision of Fund Management Services	**100**	100	**10,000,000**

12. Property, plant and equipment

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle and equipment RM'000	Capital work in progress RM'000	Total RM'000
At 31 March 2011					
Cost					
At 1 April 2010	**2,958**	**16,049**	**160,659**	**33,831**	**213,497**
Additions	**-**	**-**	**10,736**	**21,124**	**31,860**
Disposals	**-**	**-**	**(1,945)**	**-**	**(1,945)**
Write off			**(533)**	**(621)**	**(1,154)**
Reclassification	**-**	**-**	**13,924**	**(13,924)**	**-**
At 31 March 2011	**2,958**	**16,049**	**182,841**	**40,410**	**242,258**
Accumulated depreciation					
At 1 April 2010	**880**	**3,702**	**124,836**	**-**	**129,418**
Charge for the period	**74**	**401**	**13,163**	**-**	**13,638**
Disposals	**-**	**-**	**(1,913)**	**-**	**(1,913)**
Write off	**-**	**-**	**(406)**	**-**	**(406)**
Reclassification	**(40)**	**40**	**-**	**-**	**-**
At 31 March 2011	**914**	**4,143**	**135,680**	**-**	**140,737**
Carrying amount at 31 March 2011	**2,044**	**11,906**	**47,161**	**40,410**	**101,521**
At 31 March 2010					
Cost					
At 1 January 2009	2,958	14,092	139,914	2,009	158,973
Additions	-	1,957	18,106	34,869	54,932
Disposals	-	-	(363)	-	(363)
Write off	-	-	(45)	-	(45)
Reclassification	-	-	3,047	(3,047)	-
At 31 March 2010	2,958	16,049	160,659	33,831	213,497
Accumulated depreciation					
At 1 January 2009	748	3,263	111,140	-	115,151
Charge for the period	132	439	13,933	-	14,504
Disposals	-	-	(208)	-	(208)
Write off	-	-	(29)	-	(29)
At 31 March 2010	880	3,702	124,836	-	129,418
Carrying amount at 31 March 2010	2,078	12,347	35,823	33,831	84,079

12. Property, plant and equipment (cont'd.)

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle and equipment RM'000	Capital work in progress RM'000	Total RM'000
At 31 March 2011					
Cost					
At 1 April 2010	**2,958**	**16,049**	**160,481**	**33,860**	**213,348**
Additions	**-**	**-**	**10,736**	**21,124**	**31,860**
Disposals	**-**	**-**	**(1,917)**	**-**	**(1,917)**
Write off	**-**	**-**	**(533)**	**(621)**	**(1,154)**
Reclassification	**-**	**-**	**13,924**	**(13,924)**	**-**
At 31 March 2011	**2,958**	**16,049**	**182,691**	**40,439**	**242,137**
Accumulated depreciation					
At 1 April 2010	**880**	**3,702**	**124,732**	**-**	**129,314**
Charge for the period	**74**	**401**	**13,137**	**-**	**13,612**
Disposals	**-**	**-**	**(1,899)**	**-**	**(1,899)**
Write off	**-**	**-**	**(406)**	**-**	**(406)**
Reclassification	**(40)**	**40**	**-**	**-**	**-**
At 31 March 2011	**914**	**4,143**	**135,564**	**-**	**140,621**
Carrying amount at 31 March 2011	**2,044**	**11,906**	**47,127**	**40,439**	**101,516**
At 31 March 2010					
Cost					
At 1 January 2009	2,958	14,092	139,722	2,009	158,781
Additions	-	1,957	18,077	34,898	54,932
Disposals	-	-	(365)	-	(365)
Reclassification	-	-	3,047	(3,047)	-
At 31 March 2010	2,958	16,049	160,481	33,860	213,348
Accumulated depreciation					
At 1 January 2009	748	3,263	111,046	-	115,057
Charge for the year	132	439	13,896	-	14,467
Disposals	-	-	(210)	-	(210)
At 31 March 2010	880	3,702	124,732	-	129,314
Carrying amount at 31 March 2010	2,078	12,347	35,749	33,860	84,034

13. Prepaid land lease payments

	Group and Bank	
	2011	2010
	RM'000	RM'000
At 1 April 2010 / 1 January 2009	**260**	265
Amortisation	**(5)**	(5)
As at 31 March	**255**	260
Analysed as:		
Long term leasehold land	**255**	260

14. Deposits from customers

(i) By type of deposits

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Non-Mudharabah Fund				
Demand deposits	**2,733,229**	2,578,074	**2,739,846**	2,579,066
Savings deposits	**474,725**	510,621	**474,725**	510,621
Negotiable Islamic debt certificate	**1,500,971**	1,299,566	**1,500,971**	1,299,566
Others	**17,582**	18,776	**17,582**	18,776
	4,726,507	4,407,037	**4,733,124**	4,408,029
Mudharabah Fund				
Demand deposits	**217,094**	96,361	**217,094**	96,361
Savings deposits	**222,945**	115,524	**222,945**	115,524
General investment deposits	**9,543,630**	8,857,771	**9,543,630**	8,863,771
Special general investment deposits	**1,461,596**	1,444,163	**1,461,596**	1,444,163
	11,445,265	10,513,819	**11,445,265**	10,519,819
	16,171,772	14,920,856	**16,178,389**	14,927,848

14. Deposits from customers (cont'd.)

(ii) By type of customer

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	**3,767,238**	2,290,788	**3,767,238**	2,290,788
Business enterprises	**6,632,146**	6,980,829	**6,632,146**	6,987,821
Individuals	**1,024,490**	952,655	**1,024,490**	952,655
Others	**4,747,898**	4,696,584	**4,754,515**	4,696,584
	16,171,772	14,920,856	**16,178,389**	14,927,848

The maturity structure of negotiable instruments of deposit and mudharabah general and special investment deposit are as follows :

	Group and Bank	
	2011	2010
	RM'000	RM'000
Due within six months	**11,080,128**	10,380,162
More than six months to one year	**1,405,514**	1,200,532
More than one year to three years	**20,555**	26,806
	12,506,197	11,607,500

15. Deposits and placements of banks and other financial institutions

	2011	2010
	RM'000	RM'000
Non-Mudharabah		
Bank Negara Malaysia	**14,993**	16,361

16. 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.

17. Other liabilities

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Sundry creditors	**38,402**	21,746	**38,378**	21,704
Income payable to depositors	**46,718**	28,651	**46,718**	28,651
Provision for commitments and contingencies [Note (a)]	**40,273**	7,412	**40,273**	7,412
Provision for bonus	**30,605**	31,141	**30,527**	31,095
Others	**53,928**	7,472	**54,054**	7,435
	209,926	96,422	**209,950**	96,297

(a) Movement in provision for commitments and contingencies

	Group and Bank	
	2011	2010
	RM'000	RM'000
At 1 April 2010/1 January 2009	**7,412**	7,494
Provision made during the year		
Charge/(write back) during the year/period	**32,861**	(82)
At 31 March	**40,273**	7,412

The provision relates to bank guarantees issued by the Group and the Bank that have a high likelihood to result in claims from the beneficiaries.

18. Provision for zakat and taxation

	Group		Bank	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Zakat	**5,228**	456	**5,228**	456
Taxation	**-**	18,762	**-**	18,687
	5,228	19,218	**5,228**	19,143

19. Subordinated bonds

On 5 September 2006, the Bank issued RM250,000,000 Subordinated Bonds under the Shariah principle of Bai' Bithaman Ajil. The Bonds are under a 10 non-callable 5 basis feature, with a profit rate of 6.25% per annum payable semi-annually. Under the 10 non-callable 5 basic feature, the Bank has the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. Should the Bank decide not to exercise its option to redeem the bonds, the holders of the Bonds will be entitled to an annual incremental step-up profit rate from the beginning of the 6th year to the final maturity date.

20. Share capital

	Number of shares of RM1 each		Amount	
	2011	2010	2011	2010
	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares	**3,000,000**	3,000,000	**3,000,000**	3,000,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Total	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Issued and fully paid:				
Ordinary shares				
At 1 April 2010/1 January 2009	**1,000,000**	397,275	**1,000,000**	397,275
Converted during the year/period	**-**	102,725	**-**	102,725
Issued during the period	**-**	500,000	**-**	500,000
At 31 March	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares				
At 1 April 2010/1 January 2009	**-**	102,725	**-**	102,725
Converted during the year/period	**-**	(102,725)	**-**	(102,725)
At 31 March	**-**	-	**-**	-
Total	**1,000,000**	1,000,000	**1,000,000**	1,000,000

21. Reserves

		Group		Bank	
		2011	2010	2011	2010
	Note	RM'000	RM'000	RM'000	RM'000
Statutory reserve	(a)	**272,893**	206,105	**271,603**	204,596
Retained profit	(b)	**128,097**	166,529	**129,105**	167,212
Exchange fluctuation reserve		**553**	(530)	**553**	(530)
Net unrealised losses on financial investment available-for-sale		**(40,113)**	(52,973)	**(39,974)**	(52,824)
		361,430	319,131	**361,287**	318,454

(a) Statutory reserve

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

(b) Retained profit

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system").

However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the 108 balance as at 31 March 2011 and 31 March 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

As at 31 March 2011 and 31 March 2010, the Bank has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

22. Income derived from investment of depositors' funds and others

	Group and Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Income derived from investment of:		
(i) General investment deposits	**493,164**	559,379
(ii) Other deposits	**265,240**	300,673
	758,404	860,052

(i) Income derived from investment of general investment deposits

	Group and Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Finance income and hibah:		
Income from financing	**309,492**	342,680
Financial investment held-for-trading	**4**	87
Financial investment held-for-maturity	**170**	691
Financial investment available-for-sale	**97,803**	118,470
Money at call and deposit with financial institutions	**77,312**	70,304
	484,781	532,232
Amortisation of premium less accretion of discounts	**(9,438)**	(7,188)
Total finance income and hibah	**475,343**	525,044
Other operating income:		
Net gain from sale of:		
- financial investment available-for-sale	**1,042**	1,999
- financial investment held-for-trading	**761**	9,271
	1,803	11,270
Fees and commission		
Guarantee fees	**3,076**	9,304
Processing fees	**9,824**	12,456
Commission	**3,118**	1,305
	16,018	23,065
Total	**493,164**	559,379
Of which :		
Financing income earned on impaired financing	**829**	-

22. Income derived from investment of depositors' funds and others (cont'd.)

(ii) Income derived from investment of other deposits

	Group and Bank 1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Finance income and hibah		
Income from financing	**166,455**	184,199
Financial investment held-for-trading	**2**	47
Financial investment held-for-maturity	**91**	371
Financial investment available-for-sale	**52,602**	63,678
Money at call and deposit with financial institutions	**41,581**	37,790
	260,731	286,085
Amortisation of premium less accretion of discounts	**(5,076)**	(3,864)
Total finance income and hibah	**255,655**	282,221
Other operating income		
Net gain from sale of:		
- Financial investment available-for-sale	**560**	1,074
- Financial investment held-for-trading	**409**	4,984
	969	6,058
Fees and commission		
Guarantee fees	**1,654**	5,000
Processing fees	**5,284**	6,693
Commission	**1,678**	701
	8,616	12,394
Total	**265,240**	300,673
Of which :		
Financing income earned on impaired financing	**447**	-

23. Income derived from investment of shareholders' funds

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Finance income and hibah				
Financial investment available-for-sale	**35,477**	50,573	**35,477**	50,573
Amortisation of premium less accretion of discounts	**(70)**	(1,495)	**(70)**	(1,495)
Total finance income and hibah	**35,407**	49,078	**35,407**	49,078
Other operating income				
Net gain/(loss) from foreign exchange derivatives	**2,502**	(510)	**2,502**	(510)
Net gain on revaluation of foreign exchange transaction	**14,034**	17,567	**14,034**	17,567
Net loss from sale of financial investment available-for-sale	**(976)**	(99)	**(976)**	(99)
Gross dividend income	**2,000**	5,141	**2,000**	5,141
	17,560	22,099	**17,560**	22,099
Fees and commission				
Processing fees	**1,608**	977	**1,608**	977
Corporate advisory fees	**5,613**	2,296	**5,662**	2,296
Service charges and fees	**720**	697	**586**	697
Commission	**1,793**	1,825	**1,793**	1,825
Others	**1,198**	1,491	**1,198**	796
	10,932	7,286	**10,847**	6,591
Other income				
Rental income	**989**	4,184	**989**	4,184
Gain on disposal of property plant and equipment	**-**	21	**-**	21
	989	4,205	**989**	4,205
Total	**64,888**	82,668	**64,803**	81,973

24. Allowance for impairment on financing

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Allowance for impaired financing:				
(a) Individual assessment allowance				
Made during the year	**89,776**	-	**89,776**	-
Written back during the year	**(70,129)**	-	**(70,129)**	-
	19,647	-	**19,647**	-
(b) Collective assessment allowance				
Made during the year	**250,047**	-	**250,047**	-
Written back during the year	**(224,291)**	-	**(224,291)**	-
	25,756	-	**25,756**	-
(c) Specific allowance:				
Made during the period	**-**	230,498	**-**	230,498
Written back during the period	**-**	(97,127)	**-**	(97,127)
	-	133,371	**-**	133,371
(d) General allowance:				
Made during the period	**-**	9,333	**-**	9,209
	-	9,333	**-**	9,209
Bad debts on financing:				
Written off	**8,494**	28,080	**8,494**	28,080
Recovered	**(17,770)**	(9,595)	**(17,770)**	(9,595)
	(9,276)	18,485	**(9,276)**	18,485
Total	**36,127**	161,189	**36,127**	161,065

25. Impairment (write back)/loss on investments

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Impairment (write back)/loss on corporate bonds included under available-for-sale financial investment	**(59,617)**	37,779	**(59,617)**	37,779
Impairment(write back)/loss on investment in subsidiary	**-**	-	**(82)**	1,373
	(59,617)	37,779	**(59,699)**	39,152

26. Income attributable to depositors

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Deposits from customers				
- Mudharabah funds	**237,669**	212,425	**237,526**	212,578
- Non-Mudharabah funds	**51,600**	12,018	**51,600**	12,018
Deposits and placements of banks and other financial institutions				
- Mudharabah funds	**388**	1,532	**388**	1,532
- Non-Mudharabah funds	**11,434**	43,981	**11,434**	43,981
	301,091	269,956	**300,948**	270,109

27. Personnel expenses

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	**1.1.2009 to 31.3.2010 RM'000**	**1.4.2010 to 31.3.2011 RM'000**	**1.1.2009 to 31.3.2010 RM'000**
Salaries and wages	**87,747**	86,531	**87,232**	86,177
Contributions to defined contribution plan	**18,040**	20,091	**17,972**	20,048
Social security contributions	**908**	939	**908**	937
Allowances and bonuses	**28,783**	30,800	**28,673**	30,754
Mutual Separation Scheme	**107**	578	**107**	578
Others	**18,912**	13,147	**18,897**	13,142
	154,497	152,086	**153,789**	151,636

Included in personnel expenses of the Group and of the Bank are executive director's remuneration amounting to RM2,315,000 (1.1.2009 to 31.03.2010: RM1,365,000) as further disclosed in Note 28 .

28. Directors' remuneration

	Group and Bank	
	1.4.2010 to 31.3.2011 RM'000	**1.1.2009 to 31.3.2010 RM'000**
Executive Director/Chief Executive Officer		
Salaries and wages	**985**	1,085
Contributions to defined contribution plan	**343**	199
Bonuses	**924**	23
Benefits-in-kind	**63**	58
	2,315	1,365
Non-Executive Directors		
Fees	**517**	620
Other remunerations	**373**	493
	890	1,113
Shariah Committee Members		
Allowance	**200**	207
Other remunerations	**54**	-
	254	207
Total	**3,459**	2,685

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

28. Directors' remuneration (cont'd.)

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

Group and Bank 2011	<===========Remuneration received from the Bank=================>					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors:						
Dato' Haji Mohd Redza Shah Abdul Wahid	985	-	924	343	63	2,315
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	192	-	27	-	219
Dato' Sri Haji Mohd Khamil Jamil *	-	50	-	29	-	79
Haji Ismail Ibrahim **	-	50	-	48	-	98
Haji Mohd Izani Ghani **	-	50	-	37	-	87
Haji Abdul Jabbar Abdul Majid	-	50	-	67	-	117
Tengku Dato' Seri Hasmuddin Tengku Othman	-	50	-	66	-	116
Dato' Azmi Abdullah	-	50	-	62	-	112
Datin Azizah Mohd Jaafar	-	25	-	37	-	62
	-	517	-	373	-	890
Total Directors' remuneration	985	517	924	716	63	3,205

* Director's Fees payable to DRB Hicom Berhad
** Director's Fees payable to Khazanah Nasional Berhad

28. Directors' remuneration (cont'd.)

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

Group and Bank 2010	<===========Remuneration received from the Bank				================>	
	Salary RM'000	**Fees RM'000**	**Bonus RM'000**	**Other emoluments RM'000**	**Benefits-in-kind RM'000**	**Bank Total RM'000**
Executive Directors:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,085	-	23	199	58	1,365
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	227	-	37	-	264
Dato' Sri Haji Mohd Khamil Jamil *	-	62	-	46	-	108
Haji Ismail Ibrahim **	-	62	-	83	-	145
Haji Mohd Izani Ghani **	-	54	-	42	-	96
Haji Abdul Jabbar Abdul Majid	-	62	-	95	-	157
Tengku Dato' Seri Hasmuddin Tengku Othman	-	62	-	71	-	133
Dato' Azmi Abdullah	-	29	-	24	-	53
Datin Azizah Mohd Jaafar	-	62	-	95	-	157
	-	620	-	493	-	1,113
Total Directors' remuneration	1,085	620	23	692	58	2,478

* Director's Fees payable to DRB Hicom Berhad
** Director's Fees payable to Khazanah Nasional Berhad

29. Compensation of key management personnels

The remuneration of directors and other members of key management during the year was as follows:

	Group and Bank	
	1.4.2010 to 31.3.2011 RM'000	**1.1.2009 to 31.3.2010 RM'000**
Short-term employees benefits	**4,450**	3,923
Included in the total key management personnel are:		
Directors' remuneration (Note 28)	**2,315**	1,365

30. Other overheads and expenditures

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	**1.1.2009 to 31.3.2010 RM'000**	**1.4.2010 to 31.3.2011 RM'000**	**1.1.2009 to 31.3.2010 RM'000**
Promotion				
Advertisement and publicity	**8,660**	8,549	**8,656**	8,549
Establishment				
Rental	**7,794**	9,524	**7,794**	9,524
Depreciation	**13,638**	14,504	**13,612**	14,467
EDP expenses	**31,332**	38,594	**31,332**	38,594
Amortisation of land and prepaid lease payment	**5**	5	**5**	5
Hire of equipment	**4,820**	5,618	**4,820**	5,618
	57,589	68,245	**57,563**	68,208

30. Other overheads and expenditures (cont'd.)

	Group 1.4.2010 to 31.3.2011 RM'000	Group 1.1.2009 to 31.3.2010 RM'000	Bank 1.4.2010 to 31.3.2011 RM'000	Bank 1.1.2009 to 31.3.2010 RM'000
General expenses				
Auditors' fees				
- statutory audit				
- current year	**251**	240	**236**	225
- underprovision in prior year	**-**	65	**-**	60
- non-audit work	**638**	121	**481**	117
Professional fees	**6,200**	2,883	**5,846**	2,798
Legal expenses	**1,416**	1,427	**1,416**	1,427
Repair and maintenance	**2,799**	1,886	**2,792**	1,844
Insurance	**4,426**	9,074	**4,426**	9,074
Utilities expenses	**4,789**	5,125	**4,789**	5,125
Security guard expenses	**5,786**	5,583	**5,786**	5,583
Telephone	**2,785**	2,584	**2,471**	2,447
Stationery and printing	**2,605**	2,497	**2,602**	2,493
Postage and courier	**1,826**	1,660	**1,826**	1,660
Travelling	**4,853**	3,759	**4,843**	3,747
Directors remuneration and Shariah Committee allowance	**2,508**	2,799	**2,501**	2,761
Others	**9,587**	9,535	**10,856**	9,596
	50,469	49,238	**50,871**	48,957
	116,718	126,032	**117,090**	125,714

31. Finance cost

	Group 1.4.2010 to 31.3.2011 RM'000	Group 1.1.2009 to 31.3.2010 RM'000	Bank 1.4.2010 to 31.3.2011 RM'000	Bank 1.1.2009 to 31.3.2010 RM'000
Subordinated bonds	**15,625**	19,531	**15,625**	19,531

32. Zakat

	Group and Bank 1.4.2010 to 31.3.2011 RM'000	Group and Bank 1.1.2009 to 31.3.2010 RM'000
Provision for zakat for the year/period	**5,228**	241
Under provision in prior year	**2,946**	-
	8,174	241

33. Taxation

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Current income tax	**32,360**	40,121	**32,360**	40,000
Under provision in prior period	**(36)**	1,809	**-**	1,809
	32,324	41,930	**32,360**	41,809
Deferred tax:				
Relating to origination and reversal of temporary differences	**26,190**	(1,722)	**26,193**	(1,722)
Under provision in prior years/period	**4,046**	2,778	**4,046**	2,778
	30,236	1,056	**30,239**	1,056
	62,560	42,986	**62,599**	42,865

33. Taxation (cont'd.)

Domestic current income tax is calculated at the statutory tax rate of 25% (31.03.2010: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Profit before taxation	**204,310**	142,061	**204,786**	140,634
Taxation at Malaysian statutory tax rate 25% (2010: 25%)	**51,077**	35,515	**51,197**	35,159
Effect of different tax rates in other tax jurisdiction	**4,541**	1,084	**4,541**	1,084
Income not subject to tax	**-**	-	-	-
Expenses not deductible for tax purposes	**2,931**	1,800	**2,815**	2,035
Under provision of income tax in prior years/period	**(36)**	1,809	**-**	1,809
Under provision of deferred tax in prior years/period	**4,046**	2,778	**4,046**	2,778
Income tax expense for the years/period	**62,560**	42,986	**62,599**	42,865

	Group	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Unused tax losses	**2,052**	2,104
Unabsorbed capital allowances	**9**	28
	2,061	2,132

The unused tax losses of the Group amounting to RM2,052,000 (2010: RM2,104,000) are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

34. Earnings per share

	Group	
	1.4.2010 to 31.3.2011	**1.1.2009 to 31.3.2010**
Basic		
Profit attributable to ordinary equity holders of the Bank (RM'000)	**133,577**	98,834
Weighted average number of ordinary shares in issue ('000)	**1,000,000**	900,000
Basic earnings per share (sen)	**13.4**	11.0

35. Related party transactions

The Bank's significant transactions and balances with related parties are as follows:

	Group and Bank	
	1.4.2010 to 31.3.2011 RM'000	**1.1.2009 to 31.3.2010 RM'000**
Related companies *		
Income		
- profit on financing	**1,314**	7,385
Expenditure		
- hibah on deposit	**4,650**	1,416
- seconded staff salary and related expenses	**3,023**	1,564
- purchase of property, plant and equipment	**2,357**	1,815
- others	**604**	-
Amounts due to		
- deposits	**277,320**	563,292
Amounts due from		
- financing	**265,225**	281,846
Other related companies **		
Income		
- profit on financing	**18,283**	16,395
Expenditure		
- hibah on deposit	**12,997**	5,747
- security services and equipment	**1,969**	-
- insurance expenses	**5,852**	9,074
- others	**593**	-

35. Related party transactions (cont'd.)

	Group and Bank	
	1.4.2010 to 31.3.2011 RM'000	1.1.2009 to 31.3.2010 RM'000
Amounts due to		
- deposits	**889,574**	451,565
Amounts due from		
- financing	**720,441**	733,520

* Related companies are companies within the DRB-HICOM Berhad group.

** Other related companies are companies related to a substantial shareholder of DRB-HICOM Berhad group.

36. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	2011 RM'000	2010 RM'000
Outstanding credit exposures with connected parties	**988,892**	1,017,628
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**6.4%**	6.6%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**-**	-

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

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

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

37. Commitments and contingencies

(i) In the normal course of business, the Bank 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.

Risk weighted exposures of the Bank are as follows:

	Group and Bank					
	31 March 2011			31 March 2010		
The commitments and contingencies constitute the following:	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
Contingent liabilities						
Direct credit substitutes	**11**	**11**	**11**	609	609	612
Trade-related contingencies	**45,914**	**9,183**	**9,025**	80,091	16,018	13,996
Transaction related contingencies	**871,491**	**435,745**	**371,611**	1,993,954	996,977	490,906
Obligations under an on-going underwriting agreement	**65,000**	**32,500**	**6,500**	75,000	37,500	7,500
Housing financing sold directly and indirectly to Cagamas with recourse	**364,308**	**364,308**	**174,040**	380,846	380,846	194,646
Commitments						
Credit extension commitment:						
- Maturity within one year	**323,002**	**64,600**	**55,443**	993,178	-	-
- Maturity exceeding one year	**2,242,093**	**1,121,047**	**391,538**	993,599	496,799	301,332
Bills of collection	**37,009**	**-**	**-**	-	-	-
Foreign exchange related contracts -Spot	**1,487,300**	**-**	**-**	174,356	-	-
Derivative financial instruments						
Foreign exchange related contracts	**309,696**	**2,131**	**1,608**	1,040,396	29,819	15,362
	5,745,824	**2,029,525**	**1,009,776**	5,732,029	1,958,568	1,024,354

38. Financial risk management objectives and policies

Overview

The integrated risk management system enables the Group and Bank to achieve a single view of risks across its various business operations and in order to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimization of the principal risk areas of Market Risk (MR), Asset and Liability Management (ALM), Credit Risk (CR), Operational Risk (OR) and Shariah Compliance Risk; and building the requisite risk management organization, infrastructure, process and technology with the objective of advancing the Group and Bank towards value protection and creation.

Generally, the objectives of the Group and Bank integrated risk management system include the following:

- Identifying all the risks exposures and their impact.
- Establishment of sound policies and procedures in line with the Group and Bank strategy, lines of business and nature of operations.
- Set out an enterprise-wide organization structure and defining the appropriate roles and responsibilities.
- Instill the risk culture within the Group and Bank.

Risk governance

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Group and Bank and form strong risk governance.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Group and Bank, it has entrusted the Board Risk Management Committee (BRMC) to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Group and Bank Management and the conduct of these functions are being exercised under a committee structure, namely the Executive Risk Management Committee (ERMC), which is chaired by the Chief Executive Officer (CEO). The Committee focuses on the overall business strategies and day-to-day business operations of the Group and Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee (SC) is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

38. Financial risk management objectives and policies (cont'd.)

Risk governance (cont'd.)

There are other risk committees at the management level to oversee specific risk areas and control function the following is the detail:

Committee	Objective
Asset-Liability Management Committee	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by BRMC. These include areas of capital management, funding and liquidity management and market risk of non-trading portfolio.
Credit Committee ("CC")	Authority for approving and reviewing business financing.
Investment Committee ("IC")	To manage the Bank's investments and decides on new and/or additional increases of existing investment securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORM")	To ensure effective implementation of Operational Risk Management Framework.

To carry out the day-to-day risk management functions, a dedicated Risk Management Department (RMD) that is independent of profit and volume target, supports the above committees.

(a) Credit risk

Credit Risk is defined as the potential loss to the Group and Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and Bank Risk Management Department (RMD) and Senior Management via Executive Risk Management Committee (ERMC) implement and execute the strategies and policies in managing credit risk to ensure that the Bank’s exposure to credit are always kept within the Group and Bank risk appetite and the Group and Bank will be able to identify its risk tolerance level. The administration of credit risk is governed by a full set of credit related policies such as Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP).

Credit risk arises from the possibility that a customer or counterparty may be unable to meet its financial obligations to the Group and Bank, either from a facility granted or a contract in which the Group and Bank have a gain position. The Group and Bank comprehend that credit risk is inherent in its credit products activities such as financing facilities (funded / non-funded); treasury activities including inter-bank money market, money and capital trading, foreign exchange; and investment banking activities including underwriting of private debt securities issuance.

38. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd.)

The above credit risk exposures are controlled through financing granting criteria which include the assessment of an identifiable and adequate source of payments or income generation from the customer, as well as the appropriate structure of credit. As a supporting tool of the assessment, the Group and Bank adopt credit risk rating (internal / external) mechanism. The internal risk rating/grading mechanism is consistent with the nature, size and complexity of the Group and Bank activities. It is also in compliance with the regulatory authority's requirements. The external rating assessment will be used as those provided by more than one of the selected External Credit Assessment Institution (ECAI).

The applicable level of credit approval is determined by the aggregation of all credit lines or facilities (including temporary excesses) of all related companies and their principals and guarantors as prescribed by BNM GP5. The Group and Bank establish its credit exposure limit for individual/single customer, global counterparty, industry/sector and other various funded and non-funded exposures.

In mitigating the credit risk, the Group and Bank have also introduced the Credit Risk Mitigation Techniques (CRMT) whereby the various financing facilities are categorized as either secured or unsecured. The Group and Bank have developed the techniques to identify the eligible collaterals and securities through certain criteria, perform appraisal on the collaterals and securities, value and revalue the collaterals and securities including valuation of collaterals for non-performing financing (NPF) / impaired assets and implement adequate monitoring process on the collaterals and securities. These measures are taken to control and mitigate the calculated risks in granting such credit.

Credit portfolio of the Group and Bank are monitored on a bank-wide basis by stipulating portfolio exposure limits with the objective to avoid credit concentrations and over exposure in the portfolio. The monitoring includes (among others) review of exposure limit for each sector of which, the relevant limit is recommended to the Board for approval. The risk limits should be appropriate and justified for the business activities of each specified sector/industry.

The Group and Bank credit risk disclosures also cover past due and impaired financing including the approaches in determining the individual and collective impairment provisions which are guided by Bank Negara Malaysia's (BNM) guidelines on Classification and Impairment Provisions for Loans/Financing.

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Credit risk exposures and credit risk concentration

The following table presents the Group's and the Bank's maximum exposure to credit risk (without taking account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, and commitments and contingencies. Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. Included in commitments and contingencies are contingent liabilities and credit commitments. For contingent liabilities, the maximum exposures to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of undrawn credit granted to customers and derivative financial instruments.

A concentration credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By sector analysis

The analysis of credit risk concentration presented relates to financial assets, including derivatives with positive fair values, and commitments and contingencies, subject to credit risk and are based on the sector in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account of any collateral held or other credit enhancements.

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Credit risk exposures and credit risk concentration (cont'd.)

By sector analysis

Group 2011	Government and statutory bodies RM'000	Finance, insurance and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	6,447,295	-	-	-	-	6,447,295
Financial investment held-to-maturity	575	-	-	-	-	27,649	28,224
Financial investment available-for-sale	2,276,090	212,121	454,709	258,995	-	1,104,997	4,306,912
Islamic derivative financial assets	-	2,154	-	-	-	-	2,154
Financing of customers (gross)	135,190	154,028	1,347,128	827,716	1,207,546	3,811,785	7,483,393
Statutory deposits with Bank Negara Malaysia	94,121	-	-	-	-	-	94,121
Other financial assets	-	-	-	-	-	81,710	81,710
	2,505,976	**6,815,598**	**1,801,837**	**1,086,711**	**1,207,546**	**5,026,141**	**18,443,809**
Commitments and contingencies							
Contingent liabilities	121,166	429,308	90,285	351,919	-	354,046	1,346,724
Commitments	1,378,834	1,487,300	419,604	450,840	15,604	337,222	4,089,404
Derivative financial instruments	-	309,696	-	-	-	-	309,696
	1,500,000	**2,226,304**	**509,889**	**802,759**	**15,604**	**691,268**	**5,745,824**
Total credit exposures	**4,005,976**	**9,041,902**	**2,311,726**	**1,889,470**	**1,223,150**	**5,717,409**	**24,189,633**

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Credit risk exposures and credit risk concentration (cont'd.)

By sector analysis

Bank 2011	Government and statutory bodies RM'000	Finance, insurance and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	6,447,295	-	-	-	-	6,447,295
Financial investment held-to-maturity	575	-	-	-	-	27,649	28,224
Financial investment available-for-sale	2,276,090	212,121	449,909	252,995	-	1,104,997	4,296,112
Islamic derivative financial assets	-	2,154	-	-	-	-	2,154
Financing of customers (gross)	142,112	154,028	1,352,080	833,716	1,207,546	3,811,785	7,501,267
Statutory deposits with Bank Negara Malaysia	94,121	-	-	-	-	-	94,121
Other financial assets	-	-	-	-	-	74,790	74,790
	2,512,898	**6,815,598**	**1,801,989**	**1,086,711**	**1,207,546**	**5,019,221**	**18,443,963**
Commitments and contingencies							
Contingent liabilities	121,166	429,308	90,285	351,919	-	354,046	1,346,724
Commitments	1,378,834	1,487,300	419,604	450,840	15,604	337,222	4,089,404
Derivative financial instruments	-	309,696	-	-	-	-	309,696
	1,500,000	**2,226,304**	**509,889**	**802,759**	**15,604**	**691,268**	**5,745,824**
Total credit exposures	**4,012,898**	**9,041,902**	**2,311,878**	**1,889,470**	**1,223,150**	**5,710,489**	**24,189,787**

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(i) Credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic	Labuan	Domestic	Labuan
2011	RM'000	RM'000	RM'000	RM'000
On Balance Sheet Exposures				
Cash and short-term funds	6,302,125	145,170	6,302,125	145,170
Financial investment held-to-maturity	28,224	-	28,224	-
Financial investment available-for-sale	4,248,825	58,087	4,238,025	58,087
Islamic derivative financial assets	2,154	-	2,154	-
Financing of customers	7,388,918	94,475	7,406,792	94,475
Statutory deposits with Bank Negara Malaysia	94,121	-	94,121	-
Other financial assets	81,037	673	74,117	673
	18,145,404	**298,405**	**18,145,558**	**298,405**
Commitments and contingencies				
Contingent liabilities	1,346,724	-	1,346,724	-
Commitments	4,089,404	-	4,089,404	-
Derivative financial instruments	309,696	-	309,696	-
	5,745,824	**-**	**5,745,824**	**-**
Total credit exposures	**23,891,228**	**298,405**	**23,891,382**	**298,405**

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group 2011	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	1,046,164	303,158	79,130	153,502	1,581,954
- Syndicated financing	125,457	-	-	6,298	131,755
- Hire purchase receivables	1,010,655	108,833	47,126	34,735	1,201,349
- Leasing receivables	95,036	-	19	30,385	125,440
- Other term financing	2,453,022	164,333	44,337	61,695	2,723,387
Other financing	1,104,380	514,693	8,707	91,728	1,719,508
Total	**5,834,714**	**1,091,017**	**179,319**	**378,343**	**7,483,393**

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Financing of customers are analysed as follows:

Bank 2011	Neither past due nor impaired Good RM'000	 Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	1,064,038	303,158	79,130	153,502	1,599,828
- Syndicated financing	125,457	-	-	6,298	131,755
- Hire purchase receivables	1,010,655	108,833	47,126	34,735	1,201,349
- Leasing receivables	95,036	-	19	30,385	125,440
- Other term financing	2,453,022	164,333	44,337	61,695	2,723,387
Other financing	1,104,380	514,693	8,707	91,728	1,719,508
Total	**5,852,588**	**1,091,017**	**179,319**	**378,343**	**7,501,267**

Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

- “Good grade” refers to financing of customers which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.

- “Satisfactory grade” refers to financing of customers which may have been past due but not impaired or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Rescheduled/restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amount by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Group and Bank	2011 RM'000
Term financing	
- Home financing	140,755
- Hire purchase receivables	14,955
- Other term financing	100,492
Other financing	3,032
Total	**259,234**

Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make principal or profit payment or both after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Group and Bank 2011	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	61,218	17,912	79,130
- Hire purchase receivables	-	36,715	10,411	47,126
- Leasing receivables	-	-	19	19
- Other term financing	-	19,456	24,881	44,337
Other financing	2,081	6,177	449	8,707
Total	**2,081**	**123,566**	**53,672**	**179,319**

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Past due but not impaired (cont'd.)

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	**2011**
	RM'000
Purchase of transport vehicles	47,133
Purchase of landed properties of which:	
– residential	77,700
– non-residential	9,661
Personal use	12,980
Construction	1,156
Working capital	2,018
Other purpose	28,671
	179,319

Impaired financing

Classification of impaired financing and provisioning is made on the Group's and Bank's financing assets upon determination of the existence of “objective evidence of impairment” and categorisation into individual and collective assessment (as prescribed under the FRS139). At the moment, the Group's and Bank's is adopting the transitional provision as prescribed by BNM in determining the classification of impairing financing assets and its provisioning.

<u>Individual assessment allowance</u>

Financing are classified as individually impaired when they fulfill either of the following criteria:

(a) principal or profit or both are past due for more than three (3) months;
(b) where a financing is in arrears for less than three (3) months, and exhibits the indications of credit weaknesses; or
(c) where an impaired financing has been rescheduled or restructured, the financing continues to be classified as impaired until repayments based on the rescheduled and restructured terms have been observed continuously for a minimum period of three (3) months.

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Impaired financing (cont'd.)

Individual assessment allowance (cont'd.)

In addition, for all financing that are considered individually significant, the Group assesses the financing at each reporting date whether there is any objective evidence that a financing is impaired. The criteria that the Group uses to determine that there is objective evidence of impairment include:

1. Bankruptcy petition filed against the customer
2. Customer resorting to Section 176 Companies Act 1965 (and alike)
3. Other banks calling their lines (revealed through publicised news, market rumours, etc)
4. Customer involved in material fraud
5. Excess drawing or unpaid profit / principal
6. Distressed debt restructuring
7. Improper use of credit lines
8. Legal action by other creditors

Collective assessment allowance

Allowances are assessed collectively for losses on financing that are not individually significant (including residential and unsecured consumer financing) and for individually significant financing that have been assessed individually and found not to be impaired.

The Group and Bank generally analyses its financing with similar characteristics will be collectively assessed and subject to impairment provisions, based on the banking institution's historical loss performance. Compliance with the revised guidelines is slated for 1 January 2012. Meanwhile, the Group and Bank are providing collective impairment at 1.5% of their gross financing, net of individual impairment provisions. For financing facilities below the recommended threshold, the Group and Bank will make full provision net of collateral if the facility has been more than 3 months in arrears, instead of applying the 1.5% of gross financing, net of individual impairment provisions, to arrive at the collective assessment allowance.

Collective assessment allowance is being assessed on monthly basis based on each portfolio.

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Collateral and other credit enhancements

The amount and type of collateral required depends on as assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:
- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed;
- For share margin financing - pledges over securities from listed exchange;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

At 31 March 2011 the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to RM217,193,000. The collateral consists of cash, securities, letters of guarantee and properties.

Repossessed collateral

Group and Bank	2011 RM'000
Residential properties	81,006
Non-residential properties	2,792
	83,798

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral repossessed are subject to dispose as soon as practicable. Collateral are recognised in other assets on the statement of financial position. The Group's and the Bank's do not occupy repossessed properties for its business use.

38. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(iii) Credit quality of financial investment

Set out below are the credit quality of non-money market instruments-debt securities analysed by ratings from external credit ratings agencies:

2011	Financial investment held-to-maturity Non Money Market Instrument - Debt International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Financial investment available-for-sale Non Money Market Instrument - Debt International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
Group						
AAA+ to AA-	-	-	-	-	1,490,255	1,490,255
A+ to A-	-	-	-	4,306	378,674	382,980
BBB+ to BB-	-	-	-	32,805	151,026	183,831
Unrated	-	28,224	28,224	-	264,772	264,772
Defaulted	-	-	-	7,229	7,068	14,297
Total	**-**	**28,224**	**28,224**	**44,340**	**2,291,795**	**2,336,135**
Bank						
AAA+ to AA-	-	-	-	-	1,490,255	1,490,255
A+ to A-	-	-	-	4,306	378,674	382,980
BBB+ to BB-	-	-	-	32,805	151,026	183,831
Unrated	-	28,224	28,224	-	253,972	253,972
Defaulted	-	-	-	7,229	7,068	14,297
Total	**-**	**28,224**	**28,224**	**44,340**	**2,280,995**	**2,325,335**

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date, none of the financial investment above are past due, except for defaulted private debt securities of the Group and the Bank held under financial investments available-for-sale with carrying value of RM14,297,000, which has been classified as impaired.

At 31 March 2011 the fair value of collateral that the Group's and Bank's holds relating to defaulted private debt securities held under financial investments available-for-sale with amounts to RM31,446,000. The collateral consists of cash, securities, letters of guarantee and properties.

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk

Market risk is the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

Risk governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group’s and Bank's market risk framework and policies, aligns market risk management with business strategies and planning, and recommends actions to ensure that the market risks remain within established risk tolerance. The market risk of the Group is identified into traded market risk and non-traded market risk.

Types of market risk

(i) Traded market risk

Traded market risk, primarily rate of return risk and credit spread risk, exists in the Group’s and Bank's trading positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

Risk measurement approach

The Group's and Bank's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's and Bank's traded market risk for its profit-sensitive fixed income instruments is measured by the present value of a one basis point change (“PV01”) and is monitored independently by the Compliance Unit on a daily basis against approved market risk limits. In addition, the Compliance Unit is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Division. Changes to market risk limits must be approved by the Board. The trading positions and limits are regularly reported to the ALCO. The Group's and Bank's maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk

The Group’s and Bank's core non-traded market risks is the rate of return risk in the Group’s Islamic banking business, foreign exchange risk and equity risk.

Rate of return risk

Rate of return risk is the potential loss of income arising from changes in market rates on the return on assets and on the returns payable on funding. The risk arises from option embedded in many Group’s and Bank's assets, liabilities and off-balance-sheet portfolio.

Rate of return risk emanates from the re-pricing mismatches of the Group’s and Bank's banking assets and liabilities and also from the Group’s and Bank's investment of its surplus funds.

Risk measurement approach

The primary objective in managing the rate of return risk is to manage the volatility in the Group’s net profit income (“NPI”) and economic value of equity (“EVE”), whilst balancing the cost of such hedging activities on the current revenue streams. This is achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in profit rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge profit rate risk is set out on Note 6 to the financial statements.

The Group uses various tools including re-pricing gap reports, sensitivity analysis and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the RMC.

The following tables indicate the effective profit rates at the reporting date and the Group’s and the Bank’s sensitivity to profit rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financings or early withdrawal of deposits.

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2011	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-2 years RM'000**	**>2-3 years RM'000**	**>3-4 years RM'000**	**>4-5 years RM'000**	**Over 5 years RM'000**	**Non-profit sensitive RM'000**	**Total RM'000**	**Effective profit rate %**
ASSETS											
Cash and short-term funds	**6,027,270**	**190,506**	**60,506**	**-**	**-**	**-**	**-**	**-**	**169,013**	**6,447,295**	**2.5%**
Financial investment held-to-maturity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**28,224**	**28,224**	**-**
Financial investment available-for-sale	**153,867**	**287,499**	**689,365**	**1,094,217**	**513,889**	**763,973**	**192,931**	**571,990**	**64,175**	**4,331,906**	**4.4%**
Financing of customers:*											
- non-impaired	**2,810,063**	**98,603**	**201,621**	**232,423**	**420,784**	**181,873**	**463,920**	**2,566,578**	**-**	**6,975,865**	**6.3%**
- impaired	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**172,295**	**172,295**	
Other non-profit sensitive balances	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**350,157**	**350,157**	
TOTAL ASSETS	**8,991,200**	**576,608**	**951,492**	**1,326,640**	**934,673**	**945,846**	**656,851**	**3,138,568**	**783,864**	**18,305,742**	
LIABILITIES AND EQUITY											
Deposits from customers	**8,707,922**	**5,654,500**	**1,782,268**	**3,434**	**1,132**	**1,051**	**3,883**	**-**	**17,582**	**16,171,772**	**2.3%**
Deposits and placements of banks and other financial institutions	**-**	**-**	**800**	**4,505**	**6,638**	**2,401**	**650**	**-**	**-**	**14,993**	**1.5%**
Bills and acceptances payable	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**291,375**	**291,375**	
Subordinated bond	**-**	**-**	**250,000**	**-**	**-**	**-**	**-**	**-**	**-**	**250,000**	**6.3%**
Other non-profit sensitive balances	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**216,172**	**216,172**	
Total Liabilities	**8,707,922**	**5,654,500**	**2,033,068**	**7,939**	**7,770**	**3,452**	**4,533**	**-**	**525,129**	**16,944,312**	
Equity attributable to shareholders of the Bank	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,361,430**	**1,361,430**	
TOTAL LIABILITIES AND EQUITY	**8,707,922**	**5,654,500**	**2,033,068**	**7,939**	**7,770**	**3,452**	**4,533**	**-**	**1,886,559**	**18,305,742**	

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	**283,278**	**(5,077,892)**	**(1,081,576)**	**1,318,701**	**926,903**	**942,394**	**652,318**	**3,138,568**	**(1,102,695)**	**-**	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	
TOTAL PROFIT SENSITIVITY GAP	**283,278**	**(5,077,892)**	**(1,081,576)**	**1,318,701**	**926,903**	**942,394**	**652,318**	**3,138,568**	**(1,102,695)**	**-**	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross financing.

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2010	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
ASSETS											
Cash and short-term funds	5,592,396	-	30,183	-	-	-	-	-	152,804	5,775,383	2.3%
Financial investment held-to-maturity	-	-	-	-	28,224	-	-	-	-	28,224	-
Financial investment available-for-sale	-	78,050	642,990	882,317	855,115	307,173	280,777	966,383	-	4,012,805	4.5%
Financing of customers:*											
- non-impaired	1,705,322	227,010	231,407	182,814	242,077	392,438	609,323	2,526,016	-	6,116,407	6.4%
- impaired	-	-	-	-	-	-	-	-	513,752	513,752	
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	286,535	286,535	
TOTAL ASSETS	7,297,718	305,060	904,580	1,065,131	1,125,416	699,611	890,100	3,492,399	953,091	16,733,106	
LIABILITIES AND EQUITY											
Deposits from customers	8,328,893	4,907,382	1,651,944	10,847	1,020	895	1,100	-	18,775	14,920,856	2.7%
Deposits and placements of banks and other financial institutions	7,971	8,390	-	-	-	-	-	-	-	16,361	2.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	92,224	92,224	
Subordinated bond	-	-	-	250,000	-	-	-	-	-	250,000	6.3%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	134,534	134,534	
Total Liabilities	8,336,864	4,915,772	1,651,944	260,847	1,020	895	1,100	-	245,533	15,413,975	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,319,131	1,319,131	
TOTAL LIABILITIES AND EQUITY	8,336,864	4,915,772	1,651,944	260,847	1,020	895	1,100	-	1,564,664	16,733,106	

6175-W

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2010	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	(1,039,146)	(4,610,712)	(747,364)	804,284	1,124,396	698,716	889,000	3,492,399	(611,573)	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	
TOTAL PROFIT SENSITIVITY GAP	(1,039,146)	(4,610,712)	(747,364)	804,284	1,124,396	698,716	889,000	3,492,399	(611,573)	-	

* This is arrived at after deducting general allowance and specific allowance from the outstanding gross financing.

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
ASSETS											
Cash and short-term funds	6,027,270	190,506	60,506	-	-	-	-	-	169,013	6,447,295	2.5%
Financial investment held-to-maturity	-	-	-	-	-	-	-	-	28,224	28,224	-
Financial investment available-for-sale	153,867	287,499	689,365	1,094,217	513,889	763,973	192,931	571,990	53,375	4,321,106	4.4%
Financing of customers:*											
- non-impaired	2,810,063	98,603	201,621	232,423	420,784	181,873	463,920	2,584,452	-	6,993,739	6.3%
- impaired	-	-	-	-	-	-	-	-	172,295	172,295	
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	349,581	349,581	
TOTAL ASSETS	8,991,200	576,608	951,492	1,326,640	934,673	945,846	656,851	3,156,442	772,488	18,312,240	
LIABILITIES AND EQUITY											
Deposits from customers	8,714,539	5,654,500	1,782,268	3,434	1,132	1,051	3,883	-	17,582	16,178,389	2.3%
Deposits and placements of banks and other financial institutions	-	-	800	4,505	6,638	2,401	650	-	-	14,993	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	291,375	291,375	
Subordinated bond	-	-	250,000	-	-	-	-	-	-	250,000	6.3%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	216,196	216,196	
Total Liabilities	8,714,539	5,654,500	2,033,068	7,939	7,770	3,452	4,533	-	525,153	16,950,953	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,361,287	1,361,287	
TOTAL LIABILITIES AND EQUITY	8,714,539	5,654,500	2,033,068	7,939	7,770	3,452	4,533	-	1,886,440	18,312,240	

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	276,661	(5,077,892)	(1,081,576)	1,318,701	926,903	942,394	652,318	3,156,442	(1,113,952)	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	
TOTAL PROFIT SENSITIVITY GAP	276,661	(5,077,892)	(1,081,576)	1,318,701	926,903	942,394	652,318	3,156,442	(1,113,952)	-	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross financing.

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2010	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000	Effective profit rate %
ASSETS											
Cash and short-term funds	5,592,396	-	30,183	-	-	-	-	-	152,804	5,775,383	2.3%
Financial investment held-to-maturity	-	-	-	-	28,224	-	-	-	-	28,224	-
Financial investment available-for-sale	-	78,050	642,990	882,317	855,115	307,173	280,777	966,383	-	4,012,805	4.5%
Financing of customers:*											
- non-impaired	1,705,322	227,010	231,407	182,814	242,077	392,438	609,323	2,526,262	-	6,116,653	6.4%
- impaired	-	-	-	-	-	-	-	-	513,752	513,752	
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	292,404	292,404	
TOTAL ASSETS	7,297,718	305,060	904,580	1,065,131	1,125,416	699,611	890,100	3,492,645	958,960	16,739,221	
LIABILITIES AND EQUITY											
Deposits from customers	8,335,885	4,907,382	1,651,944	10,847	1,020	895	1,100	-	18,775	14,927,848	2.7%
Deposits and placements of banks and other financial institutions	7,971	8,390	-	-	-	-	-	-	-	16,361	2.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	92,224	92,224	
Subordinated bond	-	-	-	250,000	-	-	-	-	-	250,000	6.3%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	134,334	134,334	
Total Liabilities	8,343,856	4,915,772	1,651,944	260,847	1,020	895	1,100	-	245,333	15,420,767	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,318,454	1,318,454	
TOTAL LIABILITIES AND EQUITY	8,343,856	4,915,772	1,651,944	260,847	1,020	895	1,100	-	1,563,787	16,739,221	

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2010	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**>1-2 years RM'000**	**>2-3 years RM'000**	**>3-4 years RM'000**	**>4-5 years RM'000**	**Over 5 years RM'000**	**Non-profit sensitive RM'000**	**Total RM'000**	**Effective profit rate %**
On-balance sheet profit sensitivity gap	(1,046,138)	(4,610,712)	(747,364)	804,284	1,124,396	698,716	889,000	3,492,645	(604,827)	-	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	-	
TOTAL PROFIT SENSITIVITY GAP	(1,046,138)	(4,610,712)	(747,364)	804,284	1,124,396	698,716	889,000	3,492,645	(604,827)	-	

* This is arrived at after deducting general allowance and specific allowance from the outstanding gross financing.

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Effects of rate of return risk

- Earnings perspective ("EAR")

The focus of analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Group and Bank by undermining its capital adequacy and reducing market confidence.

- Economic value perspective ("EVE")

Economic value of an instrument represents an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of a bank can be viewed as the present value of the Group's and Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance-sheet position. The sensitivity of the Group's and Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

Rate of return risk measurement

- Gap analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

A rate sensitive gap greater than one implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of returns rise, the income on assets will increase faster than the funding costs, resulting in higher spread income and vice versa.

A rate sensitive gap less than one suggests a higher ratio of rate of return in sensitive liabilities than in sensitive assets. If rate of returns rises, funding costs will grow at a faster rate than the income on assets, resulting in a fall in spread income (net rate of return income) and vice versa.

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Rate of return risk measurement (cont'd.)

- Simulation analysis

Detail assessments of the potential effects of changes in rate of return on the Group and Bank earning by simulating future path of rate of returns and also their impact on cash flows.

Simulation analysis will also be used to evaluate the impact of possible decisions on the following:
- Product pricing changes;
- New product introduction;
- Derivatives and hedging strategies;
- Changes in the asset-liability mix; and
- Short term funding decisions.

Sensitivity analysis for rate of return risk

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

Group and Bank **2011** Increase/(decrease) in basis points	**Effect on profit after tax** **RM'000**	**Effect on other comprehensive income** **RM'000**	**Effect on equity** **RM'000**
-50	4,050	49,047	53,097
+50	(10,403)	(49,047)	(59,450)

38. Financial risk management objectives and policies (cont'd.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk

Foreign currency exchange risk refers to adverse movements on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings.

Group and Bank 2011 Currency	Change in currency rate %	Effect on profit after tax RM'000	Effect on equity RM'000
RM	12%	1,938	1,938
USD	12%	249	249
AUD	13%	24	24
CAD	8%	35	35
CHF	10%	2	2
EUR	12%	82	82
GBP	25%	365	365
JPY	20%	99	99
SGD	5%	44	44

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost while Market liquidity risk refers to the Group and Bank potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

The bank monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group and Bank ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its customer deposit base.

The marketing strategy of the Group and Bank have ensured a balanced mix of deposits. Stability of the deposits base thus minimizes the Group and Bank dependence on volatile short-term receiving. Considering the effective maturities of deposits based on retention history (behavioral method) and in view of the ready availability of liquidity investments, the Group and Bank are able to ensure that sufficient liquidity is always available whenever is necessary.

The Asset Liability Committee (ALCO) chaired by the Deputy CEO, will be conducted on monthly basis purposely to review the Liquidity Gap Profile of the bank. In addition the Group and Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The table below is the analysis of assets and liabilities of the Group and Bank as at 31 March 2011 based on contractual undiscounted repayment obligation (using behavioural method on deposits).

38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity:

Group 2011	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	4,701,413	1,494,870	190,506	60,506	-	-	6,447,295
Financial investment held-to-maturity	-	-	-	-	-	28,224	28,224
Financial investment available-for-sale	-	188,771	287,499	437,491	254,286	3,163,859	4,331,906
Financing of customers	-	773,147	661,746	383,617	516,622	4,813,028	7,148,160
Other assets	-	-	-	-	116,020	234,137	350,157
TOTAL ASSETS	4,701,413	2,456,788	1,139,751	881,614	886,928	8,239,248	18,305,742
LIABILITIES AND EQUITY							
Deposits from customers	1,865,816	6,842,106	5,654,500	1,315,137	467,131	27,082	16,171,772
Deposits and placements of banks and other financial institutions	-	-	-	300	500	14,193	14,993
Other liabilities	-	430,423	-	250,000	76,966	158	757,547
TOTAL LIABILITIES	1,865,816	7,272,529	5,654,500	1,565,437	544,597	41,433	16,944,312
NET MATURITY MISMATCH	2,835,597	(4,815,741)	(4,514,749)	(683,823)	342,331	8,197,815	1,361,430

6175-W

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Group 2010	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	3,967,138	1,778,062	-	30,183	-	-	5,775,383
Financial investment held-to-maturity	-	-	-	-	-	28,224	28,224
Financial investment available-for-sale	-	-	78,009	261,527	381,655	3,291,614	4,012,805
Financing of customers	292,848	518,200	250,477	137,361	115,306	5,315,967	6,630,159
Other assets	-	67,079	-	-	27,915	191,541	286,535
TOTAL ASSETS	4,259,986	2,363,341	328,486	429,071	524,876	8,827,346	16,733,106
LIABILITIES AND EQUITY							
Deposits from customers	2,003,315	6,325,645	4,907,421	1,284,786	367,052	32,637	14,920,856
Deposits and placements of banks and other financial institutions	7,971	-	8,390	-	-	-	16,361
Other liabilities	-	149,379	-	-	77,379	250,000	476,758
TOTAL LIABILITIES	2,011,286	6,475,024	4,915,811	1,284,786	444,431	282,637	15,413,975
NET MATURITY MISMATCH	2,248,700	(4,111,683)	(4,587,325)	(855,715)	80,445	8,544,709	1,319,131

38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Bank 2011	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	4,701,413	1,494,870	190,506	60,506	-	-	6,447,295
Financial investment held-to-maturity	-	-	-	-	-	28,224	28,224
Financial investment available-for-sale	-	153,867	287,499	437,491	254,286	3,187,963	4,321,106
Financing of customers	-	773,146	661,746	383,617	516,622	4,830,903	7,166,034
Other assets	-	-	-	-	108,965	240,616	349,581
TOTAL ASSETS	4,701,413	2,421,883	1,139,751	881,614	879,873	8,287,706	18,312,240
LIABILITIES AND EQUITY							
Deposits from customers	1,872,433	6,842,106	5,654,500	1,315,137	467,131	27,082	16,178,389
Deposits and placements of banks and other financial institutions	-	-	-	300	500	14,193	14,993
Other liabilities	-	430,526	-	250,000	76,887	158	757,571
TOTAL LIABILITIES	1,872,433	7,272,632	5,654,500	1,565,437	544,518	41,433	16,950,953
NET MATURITY MISMATCH	2,828,980	(4,850,749)	(4,514,749)	(683,823)	335,355	8,246,273	1,361,287

38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Bank 2010	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	3,967,138	1,778,062	-	30,183	-	-	5,775,383
Financial investment held-to-maturity	-	-	-	-	-	28,224	28,224
Financial investment available-for-sale	-	-	78,009	261,527	381,655	3,291,614	4,012,805
Financing of customers	292,848	518,200	250,477	137,361	115,305	5,316,214	6,630,405
Other assets	-	67,079	-	-	27,915	197,410	292,404
TOTAL ASSETS	4,259,986	2,363,341	328,486	429,071	524,875	8,833,462	16,739,221
LIABILITIES AND EQUITY							
Deposits from customers	2,010,307	6,325,645	4,907,421	1,284,786	367,052	32,637	14,927,848
Deposits and placements of banks and other financial institutions	7,971	-	8,390	-	-	-	16,361
Other liabilities	-	149,379	-	-	77,179	250,000	476,558
TOTAL LIABILITIES	2,018,278	6,475,024	4,915,811	1,284,786	444,231	282,637	15,420,767
NET MATURITY MISMATCH	2,241,708	(4,111,683)	(4,587,325)	(855,715)	80,644	8,550,825	1,318,454

38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(ii) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

	Deposits from customers						
Group	**Up to 7 Days RM'000**	**>7 Days - 1 Month RM'000**	**>1-3 Months RM'000**	**>3-6 Months RM'000**	**>6-12 Months RM'000**	**>1 Year RM'000**	**Total RM'000**
2011							
By contractual maturity	**1,865,816**	**6,842,106**	**5,654,500**	**1,315,137**	**467,131**	**27,082**	**16,171,772**
By behavioural maturity	**1,761,183**	**1,573,731**	**1,452,317**	**141,860**	**395,721**	**10,846,960**	**16,171,772**
Difference	**104,633**	**5,268,375**	**4,202,183**	**1,173,277**	**71,410**	**(10,819,878)**	**-**
Bank							
2011							
By contractual maturity	**1,872,433**	**6,842,106**	**5,654,500**	**1,315,137**	**467,131**	**27,082**	**16,178,389**
By behavioural maturity	**1,767,800**	**1,573,731**	**1,452,317**	**141,860**	**395,721**	**10,846,960**	**16,178,389**
Difference	**104,633**	**5,268,375**	**4,202,183**	**1,173,277**	**71,410**	**(10,819,878)**	**-**

38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances reported in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Within the “More than 1 year” maturity band are financial liabilities of RM16,909,000, all of which relate to Non-Innovative Tier I Stapled Securities whereby the interest payments are computed up to the first optional redemption date.

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.

Group	**Up to 7 Days RM'000**	**>7 Days - 1 Month RM'000**	**>1-3 Months RM'000**	**>3-6 Months RM'000**	**>6-12 Months RM'000**	**>1 Year RM'000**	**Total RM'000**
2011							
Deposits from customers	**1,761,183**	**1,573,731**	**1,452,317**	**141,860**	**395,721**	**10,846,960**	**16,171,772**
Deposits and placements of banks and other financial institutions	**-**	**-**	**55**	**356**	**612**	**14,526**	**15,549**
Other financial liabilities	**-**	**430,423**	**-**	**250,000**	**41,211**	**158**	**721,792**
Total Liabilities	**1,761,183**	**2,004,154**	**1,452,372**	**392,216**	**437,544**	**10,861,644**	**16,909,113**

38. Financial risk management objectives and policies (cont'd.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd)

Bank	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2011							
Deposits from customers	1,767,800	1,573,731	1,452,317	141,860	395,721	10,846,960	16,178,389
Deposits and placements of banks and other financial institutions	-	-	55	356	612	14,526	15,549
Other financial liabilities	-	430,526	-	250,000	41,133	158	721,817
Total Liabilities	1,767,800	2,004,257	1,452,372	392,216	437,466	10,861,644	16,915,755

38. Financial risk management objectives and policies (cont'd.)

(d) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through an operational risk management framework with established operational risk management processes. To manage and control operational risk, the Group and Bank place great emphasis on the importance of proper monitoring and reporting of business units' adherence to established risk policies, procedures and limits by independent control and support units, oversight provided by the management and the Board of Directors, and independent assessment of the adequacy and reliability of the risk management processes by the Internal Audit Division.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

39. Capital and other commitments

(a)

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group and Bank	
	2011	**2010**
	RM'000	**RM'000**
Approved and contracted for	**6,002**	8,210
Approved but not contracted for	**42,981**	64,496
	48,983	72,706

40. Capital adequacy

(a) The core capital ratios and risk-weighted capital ratios of the Group and the Bank are as follows:

	Group		Bank	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Computation of total risk-weighted assets ("RWA")				
Total credit RWA	**7,948,103**	8,684,382	**7,934,560**	8,677,935
Total market RWA	**75,061**	63,805	**75,061**	63,805
Total operational RWA	**960,106**	922,973	**953,244**	916,064
Total RWA	**8,983,270**	9,671,160	**8,962,865**	9,657,804
Computation of capital ratios				
Tier-I capital				
Paid-up ordinary share capital	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Statutory reserve	**272,893**	206,105	**271,603**	204,596
Retained profits	**128,097**	166,529	**129,105**	167,212
Less: Deferred tax assets (net)	**(38,240)**	(27,915)	**(38,240)**	(27,915)
Total Tier-I Capital	**1,362,750**	1,344,719	**1,362,468**	1,343,893
Tier-II capital				
Subordinated bonds	**250,000**	250,000	**250,000**	250,000
Collective assessment allowance*/ General allowance for bad and doubtful financing	**114,833**	106,663	**114,833**	106,770
Total Tier-II Capital	**364,833**	356,663	**364,833**	356,770
Less: Investment in subsidiaries	**-**	-	**(6,484)**	(6,402)
Capital Base	**1,727,583**	1,701,382	**1,720,817**	1,694,261
Core capital	**1,362,750**	1,344,719	**1,362,468**	1,343,893
Capital base	**1,727,583**	1,701,382	**1,720,817**	1,694,261
Core capital ratios	**15.2%**	13.9%	**15.2%**	13.9%
Risk-weighted capital ratio	**19.2%**	17.6%	**19.2%**	17.5%

The capital adequacy ratios of the bank is computed in accordance with the Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB-Basel II). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

** Excluded collective assessment allowance on impaired financing restricted from Tier II capital by BNM of the Group and the Bank of RM111.9 million.*

40. Capital adequacy (contd.)

Credit risk disclosure by risk weights of the Group as at 31 March, are as follows :

	Group 2011		Group 2010	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	**9,101,082**	**-**	6,888,420	-
20%	**1,883,668**	**376,734**	2,725,625	545,125
35%	**534,458**	**187,060**	-	-
50%	**1,041,868**	**520,934**	805,789	402,894
75%	**3,499,816**	**2,624,862**	3,846,912	2,885,184
100%	**4,136,883**	**4,136,883**	2,961,073	2,961,074
150%	**67,754**	**101,630**	1,260,069	1,890,105
Risk weighted assets for credit risk	**20,265,529**	**7,948,103**	18,487,888	8,684,382
Risk weighted assets for market risk		**75,061**		63,805
Risk weighted assets for operational risk		**960,106**		922,973
Total risk weighted assets		**8,983,270**		9,671,160

	Bank 2011		Bank 2010	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	**9,101,082**	**-**	6,888,420	-
20%	**1,883,668**	**376,734**	2,725,625	545,125
35%	**534,458**	**187,060**	-	-
50%	**1,041,868**	**520,934**	805,789	402,894
75%	**3,499,816**	**2,624,862**	3,846,912	2,885,184
100%	**4,123,340**	**4,123,340**	2,954,626	2,954,627
150%	**67,754**	**101,630**	1,260,069	1,890,105
Risk weighted assets for credit risk	**20,251,986**	**7,934,560**	18,481,441	8,677,935
Risk weighted assets for market risk		**75,061**		63,805
Risk weighted assets for operational risk		**953,244**		916,064
Total risk weighted assets		**8,962,865**		9,657,804

41. Capital Management

The capital injection worth of RM500 million of Tier-1 capital in 2009, had ensured that the Bank's RWCR remain competitive throughout the duration of the 5-year business plan.

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the management level, capital management strategy review is a period exercise that is under the purview of Asset-Liability Management Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as the broad environment, i.e. regulatory and macroeconomic setting.

Latest review exercise revealed that the management of the bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel 3. Much has been deliberated as regulators global wide strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.

For year 2011, the Bank plans to raise additional Subordinated Sukuk to boost further its capitalization.

42. Segment information

(a) Business segments

The bank is organised into two major business segments:

(i) Wholesale banking - this segment includes corporate banking, treasury and capital market and investment banking activities.

(ii) Retail banking - this segment includes Small Medium Enterprise banking, commercial and retail banking.

Other business segments include rental services, none of which is of a sufficient size to be reported separately.

Group 2011	**Wholesale banking RM'000**	**Retail banking RM'000**	**Others RM'000**	**Total RM'000**
Total income	**406,597**	**409,647**	**5,301**	**821,545**
Result				
Segment result	**157,430**	**99,621**	**(52,740)**	**204,311**
Zakat and taxation				**(70,734)**
Net profit for the financial year				**133,577**
Other information				
Segment assets	**6,842,657**	**5,337,344**	**-**	**12,180,001**
Unallocated corporate assets				**6,125,741**
Total assets				**18,305,742**
Segment liabilities	**7,165,843**	**9,031,131**	**-**	**16,196,974**
Unallocated corporate liabilities				**747,338**
Total liabilities				**16,944,312**
Other segment items				
Capital expenditure	**398**	**7,438**	**24,024**	**31,860**
Depreciation	**1,436**	**8,816**	**3,386**	**13,638**

42. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group 2010	Wholesale banking RM'000	Retail banking RM'000	Others RM'000	Total RM'000
Total income	447,013	485,970	5,002	937,985
Result				
Segment result	115,903	116,180	(90,022)	142,061
Zakat and taxation				(43,227)
Net profit for the financial year				98,834
Other information				
Segment assets	8,559,493	4,877,633	-	13,437,126
Unallocated corporate assets				3,295,980
Total assets				16,733,106
Segment liabilities	6,854,447	8,089,403	-	14,943,850
Unallocated corporate liabilities				470,125
Total liabilities				15,413,975
Other segment items				
Capital expenditure	153	12,152	42,627	54,932
Depreciation	1,697	8,575	4,232	14,504

42. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2011	Wholesale banking RM'000	Retail banking RM'000	Others RM'000	Total RM'000
Total income	406,597	409,647	4,182	820,426
Result				
Segment result	157,430	99,621	(52,264)	204,787
Zakat and taxation				(70,773)
Net profit for the financial year				134,014
Other information				
Segment assets	6,842,657	5,337,344	-	12,180,001
Unallocated corporate assets				6,132,239
Total assets				18,312,240
Segment liabilities	7,147,258	9,031,131	-	16,178,389
Unallocated corporate liabilities				772,564
Total liabilities				16,950,953
Other segment items				
Capital expenditure	398	7,438	24,024	31,860
Depreciation	1,436	8,816	3,360	13,612

42. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2010	Wholesale banking RM'000	Retail banking RM'000	Others RM'000	Total RM'000
Total income	447,013	485,970	4,056	937,039
Result				
Segment result	115,903	116,180	(91,449)	140,634
Zakat and taxation				(43,106)
Net profit for the financial year				97,528
Other information				
Segment assets	8,559,852	4,877,633	-	13,437,485
Unallocated corporate assets				3,301,736
Total assets				16,739,221
Segment liabilities	6,854,806	8,089,403	-	14,944,209
Unallocated corporate liabilities				476,558
Total liabilities				15,420,767
Other segment items				
Capital expenditure	153	12,152	42,627	54,932
Depreciation	1,697	8,575	4,195	14,467

(b) Geographical segment

No segmental reporting in respect of geographical segment is presented as the Bank operates only in Malaysia.

43. Fair values of financial assets and liabilities

Group	2011 Carrying amount RM'000	2011 Fair value RM'000	2010 Carrying amount RM'000	2010 Fair value RM'000
Financial assets				
Financial investment held-to-maturity	**28,224**	**28,224**	28,224	28,224
Financing of customers	**7,148,160**	**8,338,198**	6,630,159	7,659,898
Bank				
Financial assets				
Financial investment held-to-maturity	**28,224**	**28,224**	28,224	28,224
Financing of customers	**7,166,034**	**8,356,072**	6,630,405	7,660,251
Group and Bank				
Financial liabilities				
Subordinated obligations	**250,000**	**250,025**	250,000	248,457

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two parties under normal market conditions. However, for certain assets such as financing and deposits, fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

43. Fair values of financial assets and liabilities (cont'd.)

Cash and short-term funds, statutory deposits with Bank Negara Malaysia, other assets, deposits and placements of banks and other financial institutions, bills and acceptances payable and other liabilities

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

The fair values of these financial instruments are estimated based on quoted or observable market prices. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where the discounted cash flow technique is used, the expected future cash flows are discounted using market interest rates for similar instruments.

Financing to customers

The fair values of financing to customers are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new borrowers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of specific allowance for bad and doubtful financing.

Deposits from customers

The fair values of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

Subordinated obligations

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

44. Comparatives

The income statements, statement of changes in equity, statements of cash flows and related notes to the financial statements are for the twelve months period from 1 April 2010 to 31 March 2011. Accordingly, comparative amounts are not comparable as the 2010 figures are for the fifteen months period from 1 January 2009 to 31 March 2010.