AmIslamic Bank Berhad

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

Interim Financial Statements
For the Financial Period
1 April 2010 to
30 June 2010

(In Ringgit Malaysia)

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	30 June 2010 RM'000	31 March 2010 RM'000
ASSETS			
Cash and short-term funds		3,571,309	3,886,453
Deposits and placements with banks and other financial institutions		550,000	150,000
Derivative financial assets		2,599	3,461
Financial assets held-for-trading	A8	461,275	350,934
Financial investments available-for-sale	A9	511,370	907,930
Financing and advances	A10	12,785,723	11,758,678
Other assets	A11	72,771	81,626
Statutory deposit with Bank Negara Malaysia	A12	32,079	32,079
Deferred tax asset		59,532	41,500
Property and equipment		337	317
Intangible assets		406	449
TOTAL ASSETS		18,047,401	17,213,427
LIABILITIES AND EQUITY			
Deposits and placements of banks and other financial institutions	A13	1,850,565	1,485,750
Derivative financial liabilities		2,596	3,458
Deposits from customers	A14	13,291,030	13,398,040
Bills and acceptances payable		884,570	394,986
Subordinated Sukuk Musyarakah		400,000	400,000
Other liabilities	A15	277,268	191,820
Provision for zakat		1,419	1,226
Total Liabilities		16,707,448	15,875,280
Share capital		403,038	403,038
Reserves		936,915	935,109
Equity attributable to equity holder of the Bank		1,339,953	1,338,147
TOTAL LIABILITIES AND EQUITY		18,047,401	17,213,427
COMMITMENTS AND CONTINGENCIES	A25	5,505,920	4,117,941
NET ASSETS PER SHARE (RM)		3.32	3.32

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2010.

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

UNAUDITED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

		Individual Quarter		Cumulative Quarter	
		30 June 2010	30 June 2009	30 June 2010	30 June 2009
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A16	256,639	213,019	256,639	213,019
Income derived from investment of shareholder's funds	A17	34,240	32,735	34,240	32,735
Allowances for impairment on financing and advances	A18	(29,869)	(20,981)	(29,869)	(20,981)
Impairment writeback on financial investments		4,218	-	4,218	-
Provision for commitments and contingencies		55	(171)	55	(171)
Transfer from/(to) profit equalisation reserve		(11,722)	(2,074)	(11,722)	(2,074)
Total distributable income		253,561	222,528	253,561	222,528
Income attributable to the depositors	A19	(95,655)	(80,196)	(95,655)	(80,196)
Total net income		157,906	142,332	157,906	142,332
Other operating expenses	A20	(75,701)	(57,602)	(75,701)	(57,602)
Finance cost		(6,468)	(4,787)	(6,468)	(4,787)
Profit before zakat and taxation		**75,737**	**79,943**	**75,737**	**79,943**
Zakat		(193)	(322)	(193)	(322)
Taxation		(19,641)	(20,785)	(19,641)	(20,785)
Profit after zakat and taxation		**55,903**	**58,836**	**55,903**	**58,836**
Earnings per share (sen)	A21	**13.87**	**14.60**	**13.87**	**14.60**

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2010.

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Profit for the period	55,903	58,836	55,903	58,836
Other comprehensive income/ (loss):				
Net change in revaluation of financial investments available-for-sale	123	(1,040)	123	(1,040)
Income tax relating to the components of other comprehensive income	(31)	525	(31)	525
Other comprehensive income/ (loss)for the period, net of tax	92	(515)	92	(515)
Total comprehensive income for the period	55,995	58,321	55,995	58,321

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2010.

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

	<---------------------- Attributable to Equity Holder of the Bank				---------------------->	
		<---------------- Non-distributable		---------------->	Distributable	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Available For-Sale Reserve RM'000	Retained Earnings RM'000	Total RM'000
At 1 April 2009	403,038	534,068	168,773	8,906	168,770	1,283,555
Profit for the period	-	-	-	-	58,836	58,836
Other comprehensive loss	-	-	-	(515)	-	(515)
Total comprehensive (loss)/income for the period	-	-	-	(515)	58,836	58,321
At 30 June 2009	403,038	534,068	168,773	8,391	227,606	1,341,876
At 1 April 2010						
As previously stated	403,038	534,068	265,169	2,153	133,719	1,338,147
Effects of adopting FRS 139	-	-	-	(5,444)	(48,745)	(54,189)
At 1 April 2010 (restated)	403,038	534,068	265,169	(3,291)	84,974	1,283,958
Profit for the period	-	-	-	-	55,903	55,903
Other comprehensive income	-	-	-	92	-	92
Total comprehensive income for the period	-	-	-	92	55,903	55,995
At 30 June 2010	403,038	534,068	265,169	(3,199)	140,877	1,339,953

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2010.

Company No. 295576–U

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UNAUDITED CONDENSED STATEMENT OF CASH FLOW FOR THE FINANCIAL QUARTER ENDED 30 JUNE 2010

	30 June 2010 RM'000	30 June 2009 RM'000
Profit before zakat and taxation	75,737	79,943
Adjustments for non-cash items	37,265	31,805
Operating profit before working capital changes	113,002	111,748
Changes in working capital:		
Net changes in operating assets	(1,623,277)	(309,551)
Net changes in operating liabilities	795,266	3,069,066
Taxes paid	(5,737)	-
Net cash (used in)/generated from operating activities	(720,746)	2,871,263
Net cash generated from investing activities	405,602	31,563
Net (decrease)/increase in cash and cash equivalents	(315,144)	2,902,826
Cash and cash equivalents at beginning of the period	3,886,453	3,217,910
Cash and cash equivalents at end of the period	3,571,309	6,120,736

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 March 2010.

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

Explanatory Notes

A1. Basis of Preparation

These unaudited condensed interim financial statements have been prepared in accordance with Financial Reporting Standard (“FRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”). The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Bank as at and for the year ended 31 March 2010.

The accounting policies and methods of computation applied in these condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 March 2010 except for the adoption of the following FRSs, amendments to FRSs, IC Interpretations and Technical Release:

FRS 4 Insurance Contracts
FRS 7 Financial Instruments: Disclosures
FRS 8 Operating Segments
FRS 101 Presentation of Financial Statements (revised)
FRS 123 Borrowing Costs (revised)
FRS 139 Financial Instruments: Recognition and Measurement
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
Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements
- Puttable Financial Instruments and Obligations Arising on Liquidation
- Separation of Compound Instruments

Amendments to FRS 132 Financial Instruments: Presentation – Classification of Rights Issues
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
- Reclassification of Financial Assets
- Puttable Financial Instruments and Obligations Arising on Liquidation

Amendments to FRS 139 Financial Instruments: Recognition and Measurement
- Collective Assessment of Impairment for Banking Institutions

Improvements to FRSs (2009)
IC Interpretation 9 Reassessment of Embedded Derivatives
IC Interpretation 10 Interim Financial Reporting and Impairment
IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13, Customer Loyalty Programmes
IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
TR i – 3, Presentation of Financial Statements of Islamic Financial Institutions

A1. Basis of Preparation (continued)

FRS 4 is not relevant to the Bank. The effects of adopting FRS 7, FRS 8, FRS 101, Amendments to FRS 117 and IC Interpretation 13, which did not have any significant effect on the financial performance or position of the Bank and did not impact earnings per ordinary share, are discussed below:

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, market risk and sensitivity analysis to market risk.

The Bank has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The adoption of FRS 7 did not impact the financial position or results of the Bank.

FRS 8 Operating Segments

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

FRS 101 Presentation of Financial Statements

FRS 101 requires the Bank to present all owner changes in equity and all non-owner changes to be presented in either a single statement of comprehensive income or in two separate statements of income and comprehensive income. FRS 101 also requires the income tax effect of each component of comprehensive income be disclosed. FRS 101 requires retrospective restatement of comparative statement of financial position as at the beginning of the earliest comparative period. The Bank has opted for the two statements approach. The adoption of FRS 101 did not impact the financial position or results of the Bank as the changes introduced are presentational in nature.

A1. Basis of Preparation (continued)

FRS 117 Leases

The amendments to FRS 117 require leasehold land which is in substance finance lease to be classified as Property, Plant and Equipment or Investment Property as appropriate. The change in accounting policy does not have any impact to the financial performance or position of the Bank as the Bank does not have any leasehold land.

IC Interpretation 13 Customer Loyalty Programmes

IC Interpretation 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The Bank’s AmBonus Rewards Programme, operated for the benefit of the Bank’s credit card customers, falls within the scope of IC Interpretation 13. Under the AmBonus Rewards Programme, the credit card customers are entitled to bonus points that can be used to redeem gifts and vouchers. The accounting treatment adopted by the Bank for customer loyalty programmes is consistent with IC Interpretation 13, except that the Bank recorded the expense of the AmBonus points as a set off against financing income in the past. The Bank has applied IC Interpretation 13 retrospectively in accordance with the transitional provisions of IC Interpretation 13 and has reclassified the expense of the AmBonus points from financing income to fee income to reflect the multiple element arrangement. The reclassification does not affect earnings per ordinary share for the current and prior periods.

The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments and IC Interpretations are disclosed below:

Change in Accounting Policies

The adoption of the new and revised FRSs during the financial period have resulted in changes to the following accounting policies:

i. FRS 139 Financial Instruments: Recognition and Measurement
ii. IC Interpretation 9 Reassessment of Embedded Derivatives
iii. Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives
    - Reclassification of Financial Assets
    - Puttable Financial Instruments and Obligations Arising on Liquidation
iv. Amendments to FRS 139 Financial Instruments: Recognition and Measurement
    - Collective Assessment of Impairment for Banking Institutions

A1. Basis of Preparation (continued)

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/GP8 – Guidelines on Financial Reporting for 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 Bank. Therefore, the adoption of the full FRS 139 on 1 April 2010 resulted in changes in the following areas:

(i) Impairment of Financing and Advances
The adoption of FRS 139 changes the accounting policy relating to the assessment for impairment of financial assets, particularly financing and advances. The existing accounting policies on the assessment of impairment of other financial assets of the Bank are generally in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired financing and advances (previously referred to as non-performing financing) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. On adoption of FRS 139, 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 the estimated future cash flows of the financing or group of financing that can be reliably estimated.

The Bank first assesses 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 for purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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 profit or loss.

A1. Basis of Preparation (continued)

(i) Impairment of Financing and Advances (continued)

The Bank is currently reporting under BNM's transitional arrangement as prescribed in its guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and as allowed by the MASB in its Amendments to FRS 139 issued on the same date. Pursuant to this transitional arrangement, banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

The changes in accounting policies above have been accounted for prospectively, in line with the transitional arrangements in paragraph 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting profit or loss as at the beginning of the current financial period being adjusted to opening retained earnings as tabulated in item (iv) below.

(ii) Profit Income Recognition

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. On adoption of FRS 139 on 1 April 2010, profit income on its financing and advances is no longer recognised based on contractual profit rates but the effective profit rate ("PIR") is applied instead. PIR refers to the rate that exactly discounts estimated future cash receipts through the expected life of the financing or, when appropriate, a shorter period to the net carrying amount of the financing.

This change in accounting policy has been accounted for prospectively in line with the transitional arrangements in paragraph 103AA of FRS 139 and the resulting opening retained earnings adjustment is tabulated in item (iv) below.

Prior to the adoption of FRS 139, profit accrued and recognised as income prior to the date that a financing is classified as non-performing is reversed out of income and set-off against the profit receivable account in the statement of financial position. Thereafter, profit on the non-performing financing is recognised as income on a cash basis. On adoption of FRS 139, once a financing has been written down for impairment loss, subsequent profit income thereon is thereafter recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. The opening retained earnings adjustment as a result of this change in accounting policy is presented in item (iv) below.

A1. Basis of Preparation (continued)

(iii) Recognition of Embedded Derivatives

On adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured.

The Bank has assessed the impact of this requirement on adoption of FRS 139 on 1 April 2010 and concluded that there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

The adoption of FRS 139 and its related amendments did not impact earnings per ordinary share.

(iv) Opening Retained Earnings Adjustments

The application of the above new accounting policies has the following effects:

	As previously reported RM'000	Effect of Adoption of FRS139 RM'000	As restated RM'000
Effects on opening retained earnings as at 1 April 2010	133,719	(48,745)	84,974
Effects on opening AFS reserves as at 1 April 2010	2,153	(5,444)	(3,291)

The adoption of the other FRSs, amendments to FRSs, IC Interpretations and Technical Release did not have any material financial impact on the financial statements of the Bank.

A1. Basis of Preparation (continued)

At the date of authorisation of these condensed interim financial statements, the following revised FRSs, new IC Interpretations and Amendments to certain FRSs and IC Interpretations have been issued by the MASB but are not yet effective for, and have not been applied by the Bank:

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

FRS 1 First-time Adoption of Financial Reporting Standards (revised)
FRS 3 Business Combinations (revised)
FRS 127 Consolidated and Separate Financial Statements (revised)
Amendments to FRS 2 Share-based Payment
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS138 Intangible Assets
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
IC Interpretation 12 Service Concession Arrangements
IC Interpretation I5 Agreements for the Construction of Real Estate
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17 Distributions of Non-cash Assets to Owners

Technical Release effective for annual periods ending on or after 31 December 2010

TR 3, Guidance on Disclosures of Transition to IFRSs

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Additional Exemptions for First-time Adopters

Amendments to FRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
Amendments to FRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
IC Interpretation 4 Determining whether an Arrangement contains a Lease
IC Interpretation 18 Transfers of Assets from Customers
TR i – 4 Shariah Compliant Sale Contracts

A2. Audit Qualification

The auditors' report on the audited annual financial statements for the financial year 31 March 2010 was not qualified.

A3. Seasonality or Cyclicality of Operations

The operations of the Bank are not materially affected by any seasonal or cyclical fluctuation in the current financial quarter.

A4. Unusual Items

There were no unusual items during the current financial quarter.

A5. Use of Estimates

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial quarter ended 30 June 2010.

A6. Issuance, Cancellation, Repurchase, Resale and Repayment of Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt securities during the financial quarter.

There were no share buy-backs, share cancellations, shares held as treasury shares nor resale of treasury shares by the Bank during the financial quarter.

A7. Dividends

The directors do not recommend the payment of any dividend in respect of the financial quarter ended 30 June 2010 and no dividends were paid in the current financial quarter.

A8. Financial Assets Held-for-trading

	30 June 2010 RM'000	31 March 2010 RM'000
At fair value		
Money Market Securities:		
Malaysian Government Investment Certificates	85,997	189,911
Islamic Khazanah bonds	4,734	-
Islamic Treasury Bills	-	39,141
Sukuk Bank Negara Malaysia	14,975	14,990
Bank Negara Malaysia Monetary Notes	283,447	48,716
	389,153	292,758
Unquoted securities:		
Private Debt Securities	72,122	58,176
Total financial assets held-for-trading	461,275	350,934

A9. Financial Investments Available-for-sale

	30 June 2010 RM'000	31 March 2010 RM'000
At fair value		
Money Market Securities:		
Malaysian Government Investment Certificates	76,103	76,005
Negotiable Instruments of Deposit	199,960	577,330
	276,063	653,335
Unquoted securities:		
Private Debt Securities	235,307	258,813
Total	511,370	912,148
Less: Accumulated impairment losses	-	(4,218)
Total financial investments available-for-sale	511,370	907,930

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A9. Financial Investments Available-for-sale (continued)

The Bank was appointed Islamic Principal Dealer ("i-PD") by Bank Negara Malaysia ("BNM") for Islamic Government and BNM Sukuk Berhad issuances with effect from 1 July 2009 until 31 December 2012.

As i-PD, the Bank is required to undertake certain obligations as well as accorded certain incentives in the appointment period. One of the incentives accorded is the eligibility to maintain 1% Statutory Reserve Requirement ("SRR") in the form of Government Investment Certificates ('GIC") holdings instead of cash. As at 30 June 2010, the nominal values of GIC holdings maintained for SRR purposes amount to RM75.26 million (31 March 2010: RM75.26 million).

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A10. Financing and Advances

By type of financing At amortised cost:	30 June 2010 RM'000	31 March 2010 RM'000
Cash lines	250,659	252,506
Term financing		
- House financing	842,656	772,823
- Hire-purchase receivables	8,262,129	7,947,593
- Other financing *	6,280,292	4,751,206
Cards receivables	289,895	292,842
Bills receivables	3,324	-
Trust receipts	51,101	70,239
Claims on customers under acceptance credit	983,133	917,819
Revolving credit	847,553	771,311
Total	17,810,742	15,776,339
Unearned income	(3,594,411)	(3,422,336)
	14,216,331	12,354,003
Less: Islamic financing sold to Cagamas Berhad	(1,125,238)	(345,738)
Gross financing and advances	13,091,093	12,008,265
Allowances for impairment on financing and advances		
- Collective allowance	(304,918)	-
- Individual allowance	(452)	-
- General allowance	-	(184,803)
- Specific allowance	-	(64,784)
Net financing and advances	12,785,723	11,758,678

* Included in other financing is financing amounting to RM1,454,217,000 (31 March 2010: RM210,619,000) which is exempted from collective allowance/general allowance by Bank Negara Malaysia.

A10a. By geographical distribution

	30 June 2010 RM'000	31 March 2010 RM'000
Domestic	13,091,093	12,008,265

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A10. Financing and Advances (continued)

A10b. By contract

	30 June 2010 RM'000	31 March 2010 RM'000
Bai' Bithaman Ajil	1,372,812	1,260,664
Ijarah/Al-Ijarah Thumma Al-Bai'	5,733,532	6,271,747
Murabahah	1,084,020	1,033,047
Other Islamic contracts	4,900,729	3,442,807
Gross financing and advances	13,091,093	12,008,265

A10c. By type of customer

	30 June 2010 RM'000	31 March 2010 RM'000
Domestic non-bank financial institutions	57,256	58,012
Domestic business enterprises		
- Small medium enterprises	1,285,062	1,150,197
- Others	2,388,549	2,063,244
Government and statutory bodies	1,454,217	210,619
Individuals	7,899,524	8,519,544
Other domestic entities	2,006	2,078
Foreign entities	4,479	4,571
Gross financing and advances	13,091,093	12,008,265

A10. Financing and Advances (continued)

A10d. By profit rate sensitivity

	30 June 2010 RM'000	31 March 2010 RM'000
Fixed rate		
- House financing	318,516	325,779
- Hire purchase receivables	5,733,859	6,271,747
- Other financing	6,810,216	5,201,701
Variable rate		
- Base financing rate plus	115,555	83,079
- Cost plus	112,947	125,959
Gross financing and advances	13,091,093	12,008,265

A10e. By sector

	30 June 2010 RM'000	31 March 2010 RM'000
Primary agriculture	114,247	112,353
Mining and quarrying	15,689	12,746
Manufacturing	1,260,515	948,257
Electricity, gas and water	203,811	203,262
Construction	401,061	311,351
Wholesale, retail trade, restaurant and hotel	498,231	478,520
Transport, storage and communication	331,516	299,988
Finance, insurance, real estate and business activities	480,331	496,301
Education and health	1,569,756	318,030
Household	7,904,003	8,524,115
of which:		
- purchase of residential properties	397,830	377,089
- purchase of transport vehicles	5,238,265	5,797,396
- others	2,267,908	2,349,630
Others	311,933	303,342
Gross financing and advances	13,091,093	12,008,265

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A10. Financing and Advances (continued)

A10f. By residual contractual maturity

	30 June 2010 RM'000	31 March 2010 RM'000
Maturing within one year	2,101,490	1,982,230
One year to three years	892,277	804,687
Three years to five years	2,184,274	2,074,631
Over five years	7,913,052	7,146,717
Gross financing and advances	13,091,093	12,008,265

A10g. Movements in the allowance for impaired financing and advances are as follows:

	30 June 2010 RM'000	31 March 2010 RM'000
Collective Allowance		
Balance at beginning of period/year		
- as previously stated	-	-
- effect of adopting FRS 139	287,845	-
Balance at beginning of period/year (restated)	287,845	-
Allowance made during the period/year	39,939	-
Amount written off	(22,866)	
Balance at end of period/year	304,918	-
As % of gross financing and advances (including Islamic financing sold to Cagamas Berhad) less individual allowance and financing exempted from collective allowance by Bank Negara Malaysia	2.39%	-
Individual Allowance		
Balance at beginning of period/year		
- as previously stated	-	-
- effect of adopting FRS 139	1,108	-
Balance at beginning of period/year (restated)	1,108	-
Allowance made during the period/year - net	(656)	-
Balance at end of period/year	452	-

A10. Financing and Advances (continued)

A10g. Movements in the allowance for impaired financing and advances are as follows (continued):

	30 June 2010 RM'000	31 March 2010 RM'000
General Allowance		
Balance at beginning of period/year		
- as previously stated	184,803	166,507
- effect of adopting FRS 139	(184,803)	-
Balance at beginning of period/year (restated)	-	166,507
Allowance made during the period/year	-	18,296
Balance at end of period/year	-	184,803
As % of net financing and advances (including Islamic financing sold to Cagamas Berhad) less financing exempted from general allowance by Bank Negara Malaysia	-	1.53%
Specific Allowance		
Balance at beginning of period/year		
- as previously stated	64,784	99,053
- effect of adopting FRS 139	(64,784)	-
Balance at beginning of period/year (restated)	-	99,053
Allowance made during the period/year	-	149,764
Amount written back in respect of recoveries during the period/year	-	(44,898)
Net charge to income statement	-	104,866
Amount written off	-	(139,135)
Balance at end of period/year	-	64,784

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A10. Financing and Advances (continued)

A10h. Movements in impaired financing and advances are as follows:

	30 June 2010 RM'000	31 March 2010 RM'000
Balance at beginning of period/year		
- as previously stated	182,232	239,637
- effect of adopting FRS 139	9,662	-
Balance at beginning of period/year (restated)	191,894	239,637
Impaired during the period/year	73,486	155,135
Reclassified as non-impaired	(40,569)	(54,810)
Amount recovered	(10,341)	(21,151)
Amount written off	(22,866)	(136,579)
Balance at end of period/year	191,604	182,232
Gross financing and advances	13,091,093	12,008,265
Add: Islamic financing sold to Cagamas Berhad	1,125,238	345,738
Gross financing and advances (including Islamic financing sold to Cagamas Berhad)	14,216,331	12,354,003
Ratio of gross impaired financing and advances to total financing and advances (including Islamic financing sold to Cagamas Berhad) - net	1.35%	1.48%

A10i. Impaired financing and advances by geographical distribution

	30 June 2010 RM'000	31 March 2010 RM'000
Domestic	191,604	182,232

A10. Financing and Advances (continued)

A10j. Impaired financing and advances by sector

	30 June 2010 RM'000	31 March 2010 RM'000
Primary agriculture	543	497
Mining and quarrying	21	20
Manufacturing	14,427	9,358
Electricity, gas and water	97	68
Construction	7,842	4,492
Wholesale, retail trade, restaurant and hotel	8,338	8,677
Transport, storage and communication	857	839
Finance, insurance, real estate and business activities	2,056	1,250
Education and health	626	539
Household	156,750	156,492
of which:		
- purchase of residential properties	33,904	37,872
- purchase of transport vehicles	108,924	104,474
- others	13,922	14,146
Others	47	-
Impaired financing and advances	191,604	182,232

A11. Other Assets

	30 June 2010 RM'000	31 March 2010 RM'000
Other receivables and prepayments	7,674	18,578
Profit receivable	9,421	9,528
Deferred charges	55,676	53,520
	72,771	81,626

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A12. Statutory Deposit with Bank Negara Malaysia

The non-profit bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities. As at 30 June 2010, a total of RM75.26 million (31 March 2010: RM75.26 million) nominal value of Government Investment Certificates, classified as financial investments available for-sale, was used for Statutory Reserve Requirement purposes, as mentioned in Note A9.

A13. Deposits and Placements of Banks and Other Financial Institutions

	30 June 2010 RM'000	31 March 2010 RM'000
Non-Mudharabah		
Licensed Islamic banks	-	289,762
Licensed banks	1,395,319	450,363
Licensed investment banks	128,273	123,224
Other financial institutions	43,655	48,159
Bank Negara Malaysia	7,566	2,823
	1,574,813	914,331
Mudharabah		
Licensed investment banks	100	152
Other financial institutions	275,652	571,267
	275,752	571,419
	1,850,565	1,485,750

A14. Deposits from Customers

	30 June 2010 RM'000	31 March 2010 RM'000
(i) By type of deposit:		
Non-Mudharabah		
Demand deposits	857,975	903,437
Savings deposits	1,173,190	1,146,174
Negotiable instruments of deposits	114,323	155,782
Other deposits	7,508	9,544
	2,152,996	2,214,937
Mudharabah		
Demand deposits	7,996	7,322
Savings deposits	7,927	8,239
General investment deposits	11,043,641	11,088,972
Structured deposits	78,470	78,570
	11,138,034	11,183,103
	13,291,030	13,398,040

(ii) By type of customers:

	30 June 2010 RM'000	31 March 2010 RM'000
Government and other statutory bodies	5,013,589	4,745,630
Business enterprises	5,767,012	6,163,798
Individuals	2,199,290	2,171,919
Others	311,139	316,693
	13,291,030	13,398,040

(iii) The maturity structure of negotiable instruments of deposits, general investment deposits and structured deposits are as follows:

	30 June 2010 RM'000	31 March 2010 RM'000
Due within six months	10,352,329	10,616,372
Six months to one year	502,132	411,653
One year to three years	262,679	232,968
Three years to five years	119,294	62,331
	11,236,434	11,323,324

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A15. Other Liabilities

	30 June 2010 RM'000	31 March 2010 RM'000
Profit payable	44,264	48,910
Other creditors and accruals	66,707	73,441
Lease deposits and advance rentals	12,000	10,355
Profit equalisation reserve	61,020	49,298
Amount due to related companies	60,040	2,428
Provision for commitments and contingencies	12,282	337
Provision for taxation	20,955	7,051
	277,268	191,820

A16. Income Derived From Investment of Depositors' Funds and Others

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Income derived from investment of:				
- General investment deposits	182,375	141,111	182,375	141,111
- Other deposits	74,264	71,908	74,264	71,908
	256,639	213,019	256,639	213,019

A16. Income Derived From Investment of Depositors' Funds and Others (continued)

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Income derived from investment of general investment deposits				
Finance income and hibah:				
Financing and advances				
- Financing income	155,699	121,458	155,699	121,458
- Financing income on impaired financing	47	-	47	-
Financial assets held-for-trading	1,925	1,590	1,925	1,590
Money at call and deposits with financial institutions	16,092	11,601	16,092	11,601
Total finance income and hibah	173,763	134,649	173,763	134,649
Other operating income:				
Fee and commission income:				
- Commission	1,375	1,283	1,375	1,283
- Other fee income	5,633	5,117	5,633	5,117
Net gain from sale of financial assets held-for-trading	1,037	487	1,037	487
Gain/(loss) on revaluation of financial assets held-for-trading	601	(408)	601	(408)
Foreign exchange	(34)	(11)	(34)	(11)
Others	-	(6)	-	(6)
Total other operating income	8,612	6,462	8,612	6,462
Total	182,375	141,111	182,375	141,111

A16. Income Derived From Investment of Depositors' Funds and Others (continued)

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Income derived from investment of other deposits				
Finance income and hibah:				
Financing and advances				
- Financing income	63,400	61,894	63,400	61,894
- Financing income on impaired financing	19	-	19	-
Financial assets held-for-trading	784	810	784	810
Money at call and deposits with financial institutions	6,553	5,912	6,553	5,912
Total finance income and hibah	70,756	68,616	70,756	68,616
Other operating income:				
Fee and commission income:				
- Commission	561	653	561	653
- Other fee income	2,294	2,608	2,294	2,608
Net gain from sale of financial assets held-for-trading	422	248	422	248
Gain/(loss) on revaluation of financial assets held-for-trading	245	(207)	245	(207)
Foreign exchange	(14)	(6)	(14)	(6)
Others	-	(4)	-	(4)
Total other operating income	3,508	3,292	3,508	3,292
Total	74,264	71,908	74,264	71,908

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A17. Income Derived From Investment of Shareholder's Funds

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	**30 June 2009 RM'000**	**30 June 2010 RM'000**	**30 June 2009 RM'000**
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income	21,223	22,496	21,223	22,496
Financial assets held-for-trading	-	289	-	289
Financial investments available-for-sale	6,632	5,570	6,632	5,570
Money at call and deposits with financial institutions	-	1,786	-	1,786
Total finance income and hibah	27,855	30,141	27,855	30,141
<u>Other operating income:</u>				
Fee and commission income:				
- Commission	1,087	242	1,087	242
- Other fee income	2,338	962	2,338	962
Net gain from sale of financial assets held-for-trading	-	95	-	95
Net gain from sale of financial investments available-for-sale	2,960	1,350	2,960	1,350
Gain/(loss) on revaluation of financial assets held-for-trading	-	(51)	-	(51)
Foreign exchange	-	(3)	-	(3)
Others	-	(1)	-	(1)
Total other operating income	6,385	2,594	6,385	2,594
Total	34,240	32,735	34,240	32,735

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A18. Allowances for Impairment on Financing and Advances

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Allowance for impaired financing and advances:				
Individual allowance (net)	(656)	-	(656)	-
Collective allowance	39,939	-	39,939	-
Specific allowance				
- made in the financial period	-	42,508	-	42,508
- written back	-	(11,717)	-	(11,717)
General allowance	-	(4)	-	(4)
Bad debts and financing recovered - net	(9,414)	(9,806)	(9,414)	(9,806)
	29,869	20,981	29,869	20,981

A19. Income Attributable to The Depositors

	Individual Quarter		Cumulative Quarter	
	30 June 2010 RM'000	30 June 2009 RM'000	30 June 2010 RM'000	30 June 2009 RM'000
Deposit from customers				
- Mudharabah fund	67,186	54,432	67,186	54,432
- Non-Mudharabah fund	6,684	6,715	6,684	6,715
	73,870	61,147	73,870	61,147
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	2,121	2,445	2,121	2,445
- Non-Mudharabah fund	8,515	6,613	8,515	6,613
	10,636	9,058	10,636	9,058
Others	11,149	9,991	11,149	9,991
Total	95,655	80,196	95,655	80,196

A20. Other Operating Expenses

	Individual Quarter 30 June 2010 RM'000	Individual Quarter 30 June 2009 RM'000	Cumulative Quarter 30 June 2010 RM'000	Cumulative Quarter 30 June 2009 RM'000
Personnel costs				
– Salaries, allowances and bonuses	1,668	1,007	1,668	1,007
– Shares and options granted under Executives' Share Scheme	48	-	48	-
– Others	375	281	375	281
Establishment costs				
– Depreciation	39	34	39	34
– Amortisation of intangible assets	43	40	43	40
– Rental	184	163	184	163
– Cleaning, maintenance and security	10	5	10	5
– Computerisation cost	2	2	2	2
– Others	11	4	11	4
Marketing and communication expenses				
– Communication, advertising and marketing	1,295	1,513	1,295	1,513
– Others	17	16	17	16
Administration and general expenses	627	830	627	830
Service transfer pricing expense	71,382	53,707	71,382	53,707
	75,701	57,602	75,701	57,602

A21. Earnings Per Share (EPS)

Basic/Diluted

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

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

	Individual Quarter		**Cumulative Quarter**	
	30 June 2010	**30 June 2009**	**30 June 2010**	**30 June 2009**
Net profit attributable to equity holder of the Bank (RM'000)	55,903	58,836	55,903	58,836
Number of ordinary shares at beginning/end of period representing weighted average number of ordinary shares in issue ('000)	403,038	403,038	403,038	403,038
Basic/Diluted earnings per share (sen)	**13.87**	**14.60**	**13.87**	**14.60**

A22a. Performance Review for the Period ended 30 June 2010

The Bank recorded a Profit before zakat and taxation ("Pre-tax profit") of RM75.7 million for the period ended 30 June 2010 compared to RM79.9 million for the corresponding period in the previous year.

The decrease in Pre-tax profit is mainly attributable to increase in other operating expenses, income attributable to the depositors, allowances for impairment on financing and advances as well as higher transfer to profit equalisation reserve. These were partially mitigated by higher financing income driven by strong growth in financing and advances.

A22a. Performance Review for the Period ended 30 June 2010 (continued)

Increase in other operating expenses was in tandem with the expanding business operations and higher income attributable to the depositors was consistent with the recent increase in overnight policy rate and increase in deposits.

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

A22b. Prospects for 31 March 2011

Recent positive indicators around the region point to greater optimism and an emerging recovery on the economic front, but potential volatility continues to linger. The 10th Malaysia Plan (2011 – 2015) recently announced by the government should provide opportunity for accelerating domestic economic growth. For 2010, current consensus view projects a GDP expansion of circa +8.0%. AMMB Holdings Berhad and its subsidiaries ("AHB Group") will keep abreast with the progress of economic developments and continue to position its business for economic recovery domestically and regionally via leveraging on its strategic partner in banking, Australia and New Zealand Banking Group (“ANZ”).

The Malaysian banking operating environment is likely to benefit from the economic recovery, with higher lending growth and increase capital market activity. However, Malaysian banks are expected to face greater competitive pressures as the financial sector progressively liberalises and with new entrants to the industry.

AHB Group remains focused on executing to its Medium Term Aspirations (“MTA”) to position itself as Malaysia’s Preferred Banking Group with International Connectivity. AHB Group’s strategic aspirations centre on developing a well diversified business portfolio to deliver sustainable growth via its universal banking group platform and best-in-class key enablers, implementing customer centric business models and expanding regional connectivity in collaboration with ANZ. AHB Group will continue to accelerate growth in non-interest income and low-cost deposits, maintain high vigilance on asset quality, risk disciplines and cost management, as well as explore potential tactical in-fill acquisitions.

A23. Valuation of Property and Equipment

The Bank's property and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses (if any).

A24. Events Subsequent To Balance Sheet Date

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

A25. Commitments and Contingencies

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. The commitments and contingencies are not secured against the Bank's assets.

The commitments and contingencies of the Bank are as follows:

30 June 2010	**Principal Amount RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Assets RM'000**
Contingent Liabilities			
Direct credit substitutes	207,822	207,822	207,822
Certain transaction-related contingent items	143,474	71,737	71,737
Short term self liquidating trade-related contingencies	136,636	27,327	27,327
Islamic financing sold to Cagamas Berhad with recourse	1,100,729	1,100,746	830,539
Obligations under underwriting agreements	227,500	-	-
Others	6,260	-	-
	1,822,421	1,407,632	1,137,425
Commitments			
Irrevocable commitments to extend credit maturing :			
- less than one year	2,636,137	-	-
- more than one year	201,412	46,714	44,095
Unutilised credit card lines	428,129	85,626	64,048
Sell and buy back agreements	267,995	3,614	2,265
	3,533,673	135,954	110,408
Derivative Financial Instruments			
Commodity related contracts:			
- Over one year to five years	149,826	8,592	1,718
	149,826	8,592	1,718
Total	5,505,920	1,552,178	1,249,551

A25. Commitments and Contingencies (continued)

31 March 2010	**Principal Amount RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Assets RM'000**
Contingent Liabilities			
Direct credit substitutes	184,794	184,794	184,794
Certain transaction-related contingent items	130,228	65,114	65,772
Short term self liquidating trade-related contingencies	90,357	18,071	18,372
Islamic financing sold to Cagamas Berhad with recourse	335,852	335,852	253,809
Obligations under underwriting agreements	391,000	-	-
Others	8,424	-	-
	1,140,655	603,831	522,747
Commitments			
Irrevocable commitments to extend credit maturing :			
- less than one year	1,987,102	-	-
- more than one year	160,507	37,415	33,823
Unutilised credit card lines	447,639	89,528	66,953
Sell and buy back agreements	306,538	6,286	5,786
	2,901,786	133,229	106,562
Derivative Financial Instruments			
Commodity related contracts:			
- Over one year to five years	75,500	9,501	1,900
	75,500	9,501	1,900
Total	4,117,941	746,561	631,209

A26. Risk Management Policy on Financial Derivatives

Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. The Bank’s involvement in financial derivatives is limited to options.

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

Risk associated with financial derivatives

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

General disclosure for derivatives and counterparty credit risk

Market related credit risk is present in market instruments (derivatives), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Bank’s exposure. The markets covered by this treatment include profit rates, foreign exchange, credit default swaps and equities.

For counterparty credit risk, the general approach is to calculate the exposure as the sum of the mark-to-market value of the exposure, plus the sum of the notional principal multiplied by the potential credit risk exposure (“PCRE”) factor for the exposure.

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Bank has credit exposure against the counterparty; if it is negative, i.e. out of the money, the value used in calculation is zero.

- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

A26. Risk Management Policy on Financial Derivatives (continued)

General disclosure for derivatives and counterparty credit risk (continued)

Exposure to the counterparty risk is governed by setting a credit limit to manage such exposure. This limit is governed under the Bank Risk Appetite Framework approved by the Board.

Other than credit limit setting, the Bank's primary tool to mitigate counterparty credit risk by having collateral arrangement with the counterparty. Standard market documentation governs the amount of collateral required and the re-margining frequency between counterparties. Some of the standard market documentation has link between the amount of collateral required and external ratings, as well as minimum transfer amounts. This means that if the Bank's or a counterparty's external rating were downgraded, the Bank or the counterparty would likely to be required to place additional collateral. The amount required to be placed would depend upon the underlying instruments and the state of the markets, so would be different at each re-margining interval.

Liquidity risk of derivatives

Two types of liquidity risk are associated with derivatives: market liquidity risk and funding risk.

Market liquidity risk arises when a position cannot be sold or closed out quickly or risk be eliminated by entering into an offsetting position. In general, an over-the counter ("OTC") market tends to offer less liquidity than an exchange market due to the customized nature of some OTC contracts. OTC contracts include foreign exchange contracts, cross currency swaps, profit rate swaps and FX options while interest rate futures, equity futures and equity options are examples of exchange traded derivatives. The liquidity risk of a position can be estimated by the notional amount of contracts held and the market value of the contract position. Both the OTC and exchange markets have liquid and illiquid contracts.

Funding risk is the risk of derivative activities placing an adverse funding and cash flow pressure on the Bank, arising from the need to post collateral (i.e. like a margin call due to mark-to-market valuations) to compensate for an existing out of the money position (Note: if collateral isn't posted, the counterparty can close out their position and claim such mark-to-market loss from the Bank. This would also result in the Bank no longer being hedged).

Generally, the Bank measures and monitors funding risk through the cash flow gap analysis according to specified time interval. The Bank's access to deposits and funding markets is dependent on its credit rating. A downgrading in the credit rating could adversely affect its access to liquidity, as well as the competitive position, and could increase the cost of funding.

The primary objective of funding risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due under normal market condition and on contingency basis.

A26. Risk Management Policy on Financial Derivatives (continued)

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

(i) Fair value hedge

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

A26. Risk Management Policy on Financial Derivatives (continued)

Derivative Financial Instruments and Hedge Accounting (continued)

(ii) Cash flow hedge

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

A27. Capital Adequacy

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

	30 June 2010	**31 March 2010**
Core capital ratio	9.61%	10.53%
Risk-weighted capital ratio	15.05%	15.29%

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

A27. Capital Adequacy (continued)

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

	30 June 2010 RM'000	31 March 2010 RM'000
Tier I capital		
Paid-up ordinary share capital	403,038	403,038
Share premium	534,068	534,068
Statutory reserve	265,169	265,169
Retained earnings	84,974	133,719
	1,287,249	1,335,994
Less: Deferred tax asset	(42,218)	(42,218)
Total Tier I capital	1,245,031	1,293,776
Tier II capital		
Subordinated Sukuk Musyarakah	400,000	400,000
Collective allowance	304,918	184,803
Total Tier II capital	704,918	584,803
Capital base	1,949,949	1,878,579

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

	30 June 2010 RM'000	31 March 2010 RM'000
Credit risk	11,554,846	10,740,202
Market risk	270,165	456,330
Operational risk	1,128,580	1,090,009
Total risk-weighted assets	12,953,591	12,286,541

A28. Restatement of Comparatives

(a) FRS 101 Presentation of Financial Statements

Following the adoption of FRS 101 (revised), all non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are no longer presented in the statement of changes in equity.

(b) FRS 7 Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period results in more extensive disclosures of financial instruments in the annual financial statements. The standard also requires disclosure of the statement of financial position, income statement and statement of comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Bank, as the current presentation is already made by categories of financial assets and liabilities.