AmIslamic Bank Berhad

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

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

(In Ringgit Malaysia)

Company No. 295576–U

AmIslamic Bank Berhad
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

	Note	30 September 2010 RM'000	31 March 2010 RM'000
ASSETS			
Cash and short-term funds		3,423,542	3,886,453
Deposits and placements with banks and other financial institutions		770,000	150,000
Derivative financial assets		3,613	3,461
Financial assets held-for-trading	A8	822,122	350,934
Financial investments available-for-sale	A9	439,705	907,930
Financing and advances	A10	12,230,296	11,758,678
Other assets	A11	82,892	81,626
Statutory deposit with Bank Negara Malaysia	A12	28,079	32,079
Deferred tax asset		74,527	41,500
Property and equipment		751	317
Intangible assets		362	449
TOTAL ASSETS		17,875,889	17,213,427
LIABILITIES AND EQUITY			
Deposits and placements of banks and other financial institutions	A13	1,415,360	1,485,750
Derivative financial liabilities		3,609	3,458
Deposits from customers	A14	12,936,103	13,398,040
Term funding		550,000	-
Bills and acceptances payable		852,395	394,986
Subordinated Sukuk Musyarakah		400,000	400,000
Other liabilities	A15	303,483	191,820
Provision for zakat		1,225	1,226
Total Liabilities		16,462,175	15,875,280
Share capital		403,038	403,038
Reserves		1,010,676	935,109
Equity attributable to equity holder of the Bank		1,413,714	1,338,147
TOTAL LIABILITIES AND EQUITY		17,875,889	17,213,427
OFF-BALANCE SHEET EXPOSURE	A27 (e)	5,331,679	4,117,941
NET ASSETS PER SHARE (RM)		3.51	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 SEPTEMBER 2010

		Individual Quarter		Cumulative Quarter	
		30 September 2010	30 September 2009	30 September 2010	30 September 2009
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	A16	252,227	222,920	508,866	435,939
Income derived from investment of shareholder's funds	A17	44,840	35,347	79,080	68,082
Allowances for impairment on financing and advances	A18	(38,395)	(24,323)	(68,264)	(45,304)
Impairment writeback/ (loss) on financial investments		(2,727)	(4,298)	1,491	(4,298)
(Provision)/writeback of provision for commitments and contingencies		(1,269)	13,042	(1,214)	12,871
Transfer from/(to) profit equalisation reserve		29,541	1,799	17,819	(275)
Total distributable income		284,217	244,487	537,778	467,015
Income attributable to the depositors	A19	(113,938)	(87,167)	(209,593)	(167,363)
Total net income		170,279	157,320	328,185	299,652
Other operating expenses	A20	(69,148)	(62,224)	(144,849)	(119,826)
Finance cost		(5,513)	(5,739)	(11,981)	(10,526)
Profit before zakat and taxation		**95,618**	**89,357**	**171,355**	**169,300**
Zakat		(207)	(497)	(400)	(819)
Taxation		(24,233)	(23,460)	(43,874)	(44,245)
Profit for the period		**71,178**	**65,400**	**127,081**	**124,236**
Earnings per share (sen)	A21	**17.66**	**16.23**	**31.53**	**30.82**

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.

AmIslamic Bank Berhad
(Incorporated in Malaysia)

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

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Profit for the period	71,178	65,400	127,081	124,236
Other comprehensive income/ (loss):				
Net change in revaluation of financial investments available-for-sale	3,448	(9,924)	3,571	(10,964)
Income tax relating to the components of other comprehensive income	(865)	2,217	(896)	2,742
Other comprehensive income/ (loss)for the period, net of tax	2,583	(7,707)	2,675	(8,222)
Total comprehensive income for the period	73,761	57,693	129,756	116,014

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 SEPTEMBER 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	-	-	-	-	124,236	124,236
Other comprehensive loss	-	-	-	(8,222)	-	(8,222)
Total comprehensive (loss)/income for the period	-	-	-	(8,222)	124,236	116,014
Transfer to statutory reserve	-	-	62,118	-	(62,118)	-
Dividends	-	-	-	-	(100,000)	(100,000)
At 30 September 2009	403,038	534,068	230,891	684	130,888	1,299,569
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	-	-	-	-	127,081	127,081
Other comprehensive income	-	-	-	2,675	-	2,675
Total comprehensive income for the period	-	-	-	2,675	127,081	129,756
Transfer to statutory reserve	-	-	31,770	-	(31,770)	-
At 30 September 2010	403,038	534,068	296,939	(616)	180,285	1,413,714

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

	30 September 2010 RM'000	30 September 2009 RM'000
Profit before zakat and taxation	171,355	169,300
Adjustments for non-cash items	64,220	49,545
Operating profit before working capital changes	235,575	218,845
Changes in working capital:		
Net changes in operating assets	(1,710,808)	(1,549,462)
Net changes in operating liabilities	543,090	1,688,565
Taxes paid	(11,475)	(5)
Zakat paid	(401)	-
Net cash (used in)/generated from operating activities	(944,019)	357,943
Net cash generated from investing activities	481,108	97,734
Net (decrease)/increase in cash and cash equivalents	(462,911)	455,677
Cash and cash equivalents at beginning of the period	3,886,453	3,217,910
Cash and cash equivalents at end of the period	3,423,542	3,673,587

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.

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 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 has 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
v. IC Interpretation 13 Customer Loyalty Programmes

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 ("EPR") is applied instead. EPR 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 Reserves 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 available-for-sale reserve 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 15 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

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

Amendment to IC Interpretation 15 Agreements for the Construction of Real Estate

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 and period.

A4. Unusual Items

There were no unusual items during the current financial quarter and period.

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 and period ended 30 September 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 and period.

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 and period.

A7. Dividends

No dividend on ordinary shares has been paid by the Bank during the current financial period.

In respect of the financial period ended 30 September 2010, the directors propose an interim single tier dividend of 9.9% on 403,038,000 ordinary shares, amounting to RM39,900,762.

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A8. Financial Assets Held-for-trading

	30 September 2010 RM'000	31 March 2010 RM'000
At fair value		
Money Market Securities:		
Malaysian Government Investment Certificates	191,320	189,911
Islamic Treasury Bills	423	39,141
Sukuk Bank Negara Malaysia	-	14,990
Bank Negara Malaysia Monetary Notes	253,077	48,716
	444,820	292,758
Unquoted securities:		
Private Debt Securities	377,302	58,176
Total financial assets held-for-trading	822,122	350,934

A9. Financial Investments Available-for-sale

	30 September 2010 RM'000	31 March 2010 RM'000
At fair value		
Money Market Securities:		
Malaysian Government Investment Certificates	75,983	76,005
Negotiable Instruments of Deposit	148,979	577,330
	224,962	653,335
Quoted securities:		
Unit Trusts	10,000	-
Unquoted securities:		
Private Debt Securities	207,470	258,813
Total	442,432	912,148
Less: Accumulated impairment losses	(2,727)	(4,218)
Total financial investments available-for-sale	439,705	907,930

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 September 2010, the nominal values of GIC holdings maintained for SRR purposes amount to RM75.26 million (31 March 2010: RM75.26 million).

A10. Financing and Advances

By type of financing **At amortised cost:**	**30 September 2010 RM'000**	**31 March 2010 RM'000**
Cash lines	318,592	252,506
Term financing		
- House financing	908,700	772,823
- Hire-purchase receivables	8,561,948	7,947,593
- Other financing *	5,384,807	4,751,206
Cards receivables	296,601	292,842
Bills receivables	5,605	-
Trust receipts	60,450	70,239
Claims on customers under acceptance credit	964,453	917,819
Revolving credit	1,017,864	771,311
Total	17,519,020	15,776,339
Unearned income	(3,839,364)	(3,422,336)
	13,679,656	12,354,003
Less: Islamic financing sold to Cagamas Berhad	(1,103,729)	(345,738)
Gross financing and advances	12,575,927	12,008,265
Allowances for impairment on financing and advances		
- Collective allowance	(334,782)	-
- Individual allowance	(10,849)	-
- General allowance	-	(184,803)
- Specific allowance	-	(64,784)
Net financing and advances	12,230,296	11,758,678

* Included in other financing is financing amounting to RM287,515,000 (31 March 2010: RM210,619,000) which is exempted from collective allowance/general allowance by Bank Negara Malaysia.

A10a. By geographical distribution

	30 September 2010 RM'000	**31 March 2010 RM'000**
Domestic	12,575,927	12,008,265

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A10. Financing and Advances (continued)

A10b. By contract

	30 September 2010 RM'000	31 March 2010 RM'000
Bai' Bithaman Ajil	1,973,395	1,260,664
Ijarah/Al-Ijarah Thumma Al-Bai'	5,979,917	6,271,747
Murabahah	1,246,764	1,033,047
Other Islamic contracts	3,375,851	3,442,807
Gross financing and advances	12,575,927	12,008,265

A10c. By type of customer

	30 September 2010 RM'000	31 March 2010 RM'000
Domestic non-bank financial institutions	58,013	58,012
Domestic business enterprises		
- Small medium enterprises	1,398,406	1,150,197
- Others	2,750,585	2,063,244
Government and statutory bodies	322,770	210,619
Individuals	8,038,980	8,519,544
Other domestic entities	1,933	2,078
Foreign entities	5,240	4,571
Gross financing and advances	12,575,927	12,008,265

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A10. Financing and Advances (continued)

A10d. By profit rate sensitivity

	30 September 2010 RM'000	31 March 2010 RM'000
Fixed rate		
- House financing	313,085	325,779
- Hire purchase receivables	5,979,917	6,271,747
- Other financing	4,434,446	4,360,448
Variable rate		
- Base financing rate plus	343,975	83,079
- Cost plus	1,504,504	967,212
Gross financing and advances	12,575,927	12,008,265

A10e. By sector

	30 September 2010 RM'000	31 March 2010 RM'000
Primary agriculture	134,588	112,353
Mining and quarrying	16,089	12,746
Manufacturing	1,324,077	948,257
Electricity, gas and water	214,427	203,262
Construction	482,990	311,351
Wholesale, retail trade, restaurant and hotel	556,460	478,520
Transport, storage and communication	377,843	299,988
Finance, insurance, real estate and business activities	614,960	496,301
Education and health	459,183	318,030
Household	9,147,786	8,869,853
of which:		
- purchase of residential properties	409,350	377,089
- purchase of transport vehicles	6,569,898	6,143,134
- others	2,168,538	2,349,630
Others	351,253	303,342
Less: Islamic financing sold to Cagamas Berhad	(1,103,729)	(345,738)
Gross financing and advances	12,575,927	12,008,265

A10. Financing and Advances (continued)

A10f. By residual contractual maturity

	30 September 2010 RM'000	31 March 2010 RM'000
Maturing within one year	2,216,426	1,982,230
One year to three years	1,040,679	804,687
Three years to five years	2,253,728	2,074,631
Over five years	7,065,094	7,146,717
Gross financing and advances	12,575,927	12,008,265

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

	30 September 2010 RM'000	31 March 2010 RM'000
Collective Allowance		
Balance at beginning of period/year		
- as previously stated	-	-
- effect of adopting FRS 139	287,844	-
Balance at beginning of period/year (restated)	287,844	-
Allowance made during the period/year	91,040	-
Amount written off	(44,102)	
Balance at end of period/year	334,782	-
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	2.50%	-
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	9,741	-
Balance at end of period/year	10,849	-

A10. Financing and Advances (continued)

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

	30 September 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

A10. Financing and Advances (continued)

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

	30 September 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	123,972	155,135
Reclassified as non-impaired	(51,027)	(54,810)
Amount recovered	(16,581)	(21,151)
Amount written off	(44,102)	(136,579)
Balance at end of period/year	204,156	182,232
Gross financing and advances	12,575,927	12,008,265
Add: Islamic financing sold to Cagamas Berhad	1,103,729	345,738
Gross financing and advances (including Islamic financing sold to Cagamas Berhad)	13,679,656	12,354,003
Ratio of gross impaired financing and advances to total financing and advances (including Islamic financing sold to Cagamas Berhad) - net	1.49%	1.48%

A10i. Impaired financing and advances by geographical distribution

	30 September 2010 RM'000	31 March 2010 RM'000
Domestic	204,156	182,232

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A10. Financing and Advances (continued)

A10j. Impaired financing and advances by sector

	30 September 2010 RM'000	31 March 2010 RM'000
Primary agriculture	522	497
Mining and quarrying	21	20
Manufacturing	16,431	9,358
Electricity, gas and water	53	68
Construction	5,078	4,492
Wholesale, retail trade, restaurant and hotel	22,890	8,677
Transport, storage and communication	1,069	839
Finance, insurance, real estate and business activities	3,404	1,250
Education and health	1,937	539
Household	152,695	156,492
of which:		
- purchase of residential properties	28,699	37,872
- purchase of transport vehicles	108,269	104,474
- others	15,727	14,146
Others	56	-
Impaired financing and advances	204,156	182,232

A11. Other Assets

	30 September 2010 RM'000	31 March 2010 RM'000
Other receivables and prepayments	10,757	18,578
Profit receivable	14,585	9,528
Deferred charges	57,550	53,520
	82,892	81,626

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 September 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 September 2010 RM'000	31 March 2010 RM'000
Non-Mudharabah		
Licensed Islamic banks	-	289,762
Licensed banks	842,050	450,363
Licensed investment banks	133,437	123,224
Other financial institutions	43,815	48,159
Bank Negara Malaysia	15,820	2,823
	1,035,122	914,331
Mudharabah		
Licensed investment banks	100	152
Other financial institutions	380,138	571,267
	380,238	571,419
	1,415,360	1,485,750

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A14. Deposits from Customers

	30 September 2010 RM'000	31 March 2010 RM'000
(i) By type of deposit:		
Non-Mudharabah		
Demand deposits	922,125	903,437
Savings deposits	1,210,081	1,146,174
Negotiable instruments of deposits	64,206	155,782
Other deposits	5,138	9,544
	2,201,550	2,214,937
Mudharabah		
Demand deposits	7,796	7,322
Savings deposits	8,656	8,239
General investment deposits	10,604,539	11,088,972
Structured deposits	113,562	78,570
	10,734,553	11,183,103
	12,936,103	13,398,040

	30 September 2010 RM'000	31 March 2010 RM'000
(ii) By type of customers:		
Government and other statutory bodies	4,773,677	4,745,630
Business enterprises	5,543,741	6,163,798
Individuals	2,308,301	2,171,919
Others	310,384	316,693
	12,936,103	13,398,040

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

	30 September 2010 RM'000	31 March 2010 RM'000
Due within six months	9,695,261	10,616,372
Six months to one year	623,623	411,653
One year to three years	252,685	232,968
Three years to five years	210,738	62,331
	10,782,307	11,323,324

A15. Other Liabilities

	30 September 2010 RM'000	31 March 2010 RM'000
Profit payable	64,460	48,910
Other creditors and accruals	83,220	73,441
Lease deposits and advance rentals	12,719	10,355
Profit equalisation reserve	31,478	49,298
Amount due to related companies	42,744	2,428
Provision for commitments and contingencies	13,552	337
Provision for taxation	55,310	7,051
	303,483	191,820

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

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Income derived from investment of:				
- General investment deposits	170,402	169,133	352,777	310,244
- Other deposits	81,825	53,787	156,089	125,695
	252,227	222,920	508,866	435,939

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

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Income derived from investment of general investment deposits				
Finance income and hibah:				
Financing and advances				
- Financing income	137,850	141,850	293,549	263,308
- Financing income on impaired financing	66	-	113	-
Financial assets held-for-trading	3,681	1,694	5,606	3,284
Money at call and deposits with financial institutions	20,785	17,783	36,877	29,384
Total finance income and hibah	162,382	161,327	336,145	295,976
Other operating income:				
Fee and commission income:				
- Commission	1,390	1,486	2,765	2,769
- Other fee income	4,587	5,673	10,220	10,790
Net gain from sale of financial assets held-for-trading	1,450	657	2,487	1,144
Gain/(loss) on revaluation of financial assets held-for-trading	656	(9)	1,257	(417)
Foreign exchange	(63)	(2)	(97)	(13)
Others	-	1	-	(5)
Total other operating income	8,020	7,806	16,632	14,268
Total	170,402	169,133	352,777	310,244

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

	Individual Quarter		Cumulative Quarter	
	30 Sep 2010 RM'000	30 Sep 2009 RM'000	30 Sep 2010 RM'000	30 Sep 2009 RM'000
Income derived from investment of other deposits				
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income	66,483	44,785	129,883	106,679
- Financing income on impaired financing	31	-	50	-
Financial assets held-for-trading	1,697	520	2,481	1,330
Money at call and deposits with financial institutions	9,763	5,993	16,316	11,905
Total finance income and hibah	77,974	51,298	148,730	119,914
<u>Other operating income:</u>				
Fee and commission income:				
- Commission	663	469	1,224	1,122
- Other fee income	2,228	1,763	4,522	4,371
Net gain from sale of financial assets held-for-trading	678	216	1,100	464
Gain/(loss) on revaluation of financial assets held-for-trading	311	38	556	(169)
Foreign exchange	(29)	1	(43)	(5)
Others	-	2	-	(2)
Total other operating income	3,851	2,489	7,359	5,781
Total	81,825	53,787	156,089	125,695

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A17. Income Derived From Investment of Shareholder's Funds

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Financing income	32,597	23,461	53,820	45,957
Financial assets held-for-trading	-	72	-	361
Financial investments available-for-sale	4,337	5,500	10,969	11,070
Money at call and deposits with financial institutions	-	3,343	-	5,129
Total finance income and hibah	36,934	32,376	64,789	62,517
<u>Other operating income:</u>				
Fee and commission income:				
- Commission	1,238	241	2,325	483
- Other fee income	3,571	921	5,909	1,883
Net gain from sale of financial assets held-for-trading	-	105	-	200
Net gain from sale of financial investments available-for-sale	3,097	1,725	6,057	3,075
Loss on revaluation of financial assets held-for-trading	-	(22)	-	(73)
Foreign exchange	-	1	-	(2)
Others	-	-	-	(1)
Total other operating income	7,906	2,971	14,291	5,565
Total	44,840	35,347	79,080	68,082

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A18. Allowances for Impairment on Financing and Advances

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Allowance for impaired financing and advances:				
Individual allowance (net)	10,397	-	9,741	-
Collective allowance	51,101	-	91,040	-
Specific allowance				
- made in the financial period	-	36,792	-	79,300
- written back	-	(10,693)	-	(22,410)
General allowance	-	6,281	-	6,277
Bad debts and financing recovered - net	(23,103)	(8,057)	(32,517)	(17,863)
	38,395	24,323	68,264	45,304

A19. Income Attributable to The Depositors

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Deposit from customers				
- Mudharabah fund	78,844	53,475	146,030	107,907
- Non-Mudharabah fund	6,402	8,842	13,086	15,557
	85,246	62,317	159,116	123,464
Deposits and placements of banks and other financial institutions				
- Mudharabah fund	2,002	14,361	4,123	16,806
- Non-Mudharabah fund	13,699	3,963	22,214	10,576
	15,701	18,324	26,337	27,382
Others	12,991	6,526	24,140	16,517
Total	113,938	87,167	209,593	167,363

A20. Other Operating Expenses

	Individual Quarter		Cumulative Quarter	
	30 September 2010 RM'000	30 September 2009 RM'000	30 September 2010 RM'000	30 September 2009 RM'000
Personnel costs				
– Salaries, allowances and bonuses	1,571	1,021	3,239	2,028
– Shares and options granted under Executives' Share Scheme	181	-	229	-
– Others	412	272	787	553
Establishment costs				
– Depreciation	50	33	89	67
– Amortisation of intangible assets	43	41	86	81
– Rental	186	158	370	321
– Cleaning, maintenance and security	13	6	23	11
– Computerisation cost	20	4	22	6
– Others	11	9	22	13
Marketing and communication expenses				
– Communication, advertising and marketing	723	1,508	2,018	3,021
– Others	19	15	36	31
Administration and general expenses	787	782	1,414	1,612
Service transfer pricing expense	65,132	58,375	136,514	112,082
	69,148	62,224	144,849	119,826

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 September 2010	30 September 2009	30 September 2010	30 September 2009
Net profit attributable to equity holder of the Bank (RM'000)	71,178	65,400	127,081	124,236
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)	**17.66**	**16.23**	**31.53**	**30.82**

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A22. Business Segment Analysis

30 September 2010	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Total operating revenue	282,558	35,609	28,034	18,647	223,098	587,946
Income	236,114	29,115	13,344	17,436	70,363	366,372
Other operating expenses	(103,068)	(12,336)	(320)	(1,354)	(27,771)	(144,849)
Profit before provision	133,046	16,779	13,024	16,082	42,592	221,523
Provision - (charge)/writeback	(49,602)	(12,007)	(2,057)	4,273	9,225	(50,168)
Profit before zakat and taxation	83,444	4,772	10,967	20,355	51,817	171,355
Zakat and taxation	(20,861)	(1,193)	(2,741)	(5,089)	(14,390)	(44,274)
Profit for the period	62,583	3,579	8,226	15,266	37,427	127,081

Other information

Cost to income ratio	43.7%	42.4%	2.4%	7.8%	39.5%	39.5%
Net financing and advances	9,663,855	2,596,584	1,157,983	-	(1,188,126)	12,230,296
Impaired financing and advances	169,435	27,609	-	-	7,112	204,156
Deposits	4,635,628	597,933	890,268	113,662	8,113,972	14,351,463

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

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A22. Business Segment Analysis (continued)

30 September 2009	Retail Banking RM'000	Business Banking RM'000	Corporate and Institutional Banking RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Total operating revenue	304,638	26,756	1,914	10,733	159,980	504,021
Income	241,934	23,886	1,834	9,906	48,572	326,132
Other operating expenses	(87,810)	(7,840)	(121)	(1,899)	(22,156)	(119,826)
Profit before provision	154,124	16,046	1,713	8,007	26,416	206,306
Provision - (charge)/writeback	(38,575)	(9,213)	(946)	8,572	3,156	(37,006)
Profit before zakat and taxation	115,549	6,833	767	16,579	29,572	169,300
Zakat and taxation	(28,888)	(1,708)	(191)	(4,145)	(10,132)	(45,064)
Profit for the period	86,661	5,125	576	12,434	19,440	124,236
Other information						
Cost to income ratio	36.3%	32.8%	6.6%	19.2%	45.6%	36.7%
Net financing and advances	8,954,383	1,959,137	208,023	-	(358,879)	10,762,664
Impaired financing and advances	208,520	20,112	-	-	11,416	240,048
Deposits	5,713,969	501,892	11,205	80,180	7,158,270	13,465,516

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

A23a. Performance Review for the Period ended 30 September 2010

The Bank recorded a Profit before zakat and taxation ("Pre-tax profit") of RM171.4 million for the period ended 30 September 2010 compared to RM169.3 million for the corresponding period in the previous year.

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

Increase in other operating expenses was in tandem with the expanding business volume and higher income attributable to the depositors was consistent with the increase in overnight policy rate during the financial period.

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.

A23b. Prospects for 31 March 2011

The Malaysian economy is expected to remain resilient for 2010 spearheaded by domestic economic activities, private consumption and trade surplus. Nevertheless, recent indicators around the region point to slight moderation of growth on the economic front, while uncertainties still abound in the global economic recovery. AMMB Holdings Berhad and its subsidiaries ("AHB Group") projects a gross domestic product (“GDP”) growth of circa +7.0% for third quarter 2010, and a GDP expansion of circa +8.0% for the full year 2010. The recently unveiled Economic Transformation Programme with the vision to transform Malaysia into a high income nation will encourage higher private investments and spur medium to long term economic growth.

The Malaysian banking environment will benefit from an improving economy, with potential for better lending growth and capital market activities. Overnight policy rate (“OPR”) had remained unchanged at 2.75% as Bank Negara Malaysia opines that the current level is accommodative and supportive of growth. The new Basel III update pronouncement in September 2010 has accorded a longer transition period. However, most Malaysian banks should be able to comply with it much earlier. Domestic banks are expected to face greater competitive pressures as the financial sector progressively liberalises and with new entrants to the industry. AHB Group will continue to strengthen its competitive position via leveraging on its strategic partner, the Australia And New Zealand Banking Group (“ANZ”).

A23b. Prospects for 31 March 2011 (continued)

AHB Group's Medium Term Aspirations ("MTA") is to be Malaysia's Preferred Banking Group with International Connectivity as measured by customer satisfaction, sound financial performances and well diversified and sustainable growth. Our aspirations centre on developing a well diversified business portfolio to deliver sustainable growth via its universal banking platform and best-in-class key enablers, implementation of customer centric business models and expansion of international connectivity in collaboration with ANZ. The strategic priorities for the current financial year will continue to deliver a more rebalanced portfolio of assets and liabilities, whilst diversifying its revenue streams to deliver good profit growth. Concerted efforts will be placed to accelerate growth in non-interest income and low-cost deposits. In addition, AHB Group continually enhances its customer service and develops comprehensive banking solutions to deliver greater value proposition.

A24. 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).

A25. 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.

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 ("in the money"), the Bank has credit exposure against the counterparty; if it is negative, ("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 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 forex 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 (for example, 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

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 September 2010	31 March 2010
<u>Before deducting proposed dividend:</u>		
Core capital ratio	10.04%	10.53%
Risk-weighted capital ratio	15.01%	15.29%
<u>After deducting proposed dividend:</u>		
Core capital ratio	9.75%	10.53%
Risk-weighted capital ratio	14.71%	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 September 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	296,939	265,169
Retained earnings	180,285	133,719
	1,414,330	1,335,994
Less: Deferred tax asset	(74,326)	(42,218)
Total Tier I capital	1,340,004	1,293,776
Tier II capital		
Subordinated Sukuk Musyarakah	400,000	400,000
Collective/general allowance *	262,831	184,803
Total Tier II capital	662,831	584,803
Capital base	2,002,835	1,878,579

* Excludes collective allowance on impaired financing restricted from Tier II capital of the Bank of RM71,951,000 as at 30 September 2010.

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

	30 September 2010 RM'000	31 March 2010 RM'000
Credit risk	11,795,050	10,740,202
Market risk	382,662	456,330
Operational risk	1,162,511	1,090,009
Total risk-weighted assets	13,340,223	12,286,541

A27. Capital Adequacy (continued)

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

30 September 2010
Exposure Class

		Gross Exposures RM'000		Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks	3,553,046		3,553,046	-	-
	Public Sector Entities	-		-	-	-
	Banks, Development Financial Institutions ("DFI") and Multilateral Development Bank ("MDBs")	1,172,244		1,172,244	234,449	18,756
	Corporates	3,952,127		3,916,838	3,821,820	305,745
	Regulatory Retail	8,040,647		8,033,794	5,999,937	479,995
	Residential Mortgages	202,080		202,032	79,007	6,321
	Other Assets	81,188		81,188	77,696	6,216
	Defaulted Exposures	288,921		264,102	330,435	26,435
	Total for On- Balance Sheet Exposures	17,290,253		17,223,244	10,543,344	843,468
	Off-Balance Sheet Exposures					
	Over-the-counter ("OTC") Derivatives	12,621		12,621	2,524	202
	Off balance sheet exposures other than OTC derivatives or credit derivatives	1,531,772		1,531,547	1,249,182	99,935
	Total for Off- Balance Sheet Exposures	1,544,393		1,544,168	1,251,706	100,137
	Total On and Off- Balance Sheet Exposures	18,834,646		18,767,412	11,795,050	943,605
2.	**Large Exposures Risk Requirement**	-		-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Profit Rate Risk					
	- General profit rate risk	1,068,900	50,571		257,334	20,587
	- Specific profit rate risk	1,068,900	50,571		124,867	9,989
	Foreign Currency Risk	461	-		461	37
	Total	2,138,261	101,142		382,662	30,613
4.	Operational Risk				1,162,511	93,001
5.	Total RWA and Capital Requirements				13,340,223	1,067,219

A27. Capital Adequacy (continued)

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

31 March 2010
Exposure Class

		Gross Exposures RM'000		Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
1.	***Credit Risk***					
	On-Balance Sheet Exposures					
	Sovereigns/Central Banks	3,968,110		3,968,110	-	-
	Public Sector Entities	29,831		29,831	5,966	477
	Banks, Development Financial Institutions ("DFI") and Multilateral Development Bank ("MDBs")	718,459		718,459	143,731	11,499
	Corporates	3,418,971		3,367,269	3,179,488	254,359
	Regulatory Retail	8,330,738		8,325,365	6,243,317	499,465
	Residential Mortgages	198,113		198,060	79,736	6,379
	Other Assets	94,806		94,806	91,253	7,300
	Defaulted Exposures	274,924		259,821	365,502	29,240
	Total for On- Balance Sheet Exposures	17,033,952		16,961,721	10,108,993	808,719
	Off-Balance Sheet Exposures					
	Over-the-counter ("OTC") Derivatives	9,501		9,501	1,900	152
	Off balance sheet exposures other than OTC derivatives or credit derivatives	737,060		737,060	629,309	50,345
	Total for Off- Balance Sheet Exposures	746,561		746,561	631,209	50,497
	Total On and Off- Balance Sheet Exposures	17,780,513		17,708,282	10,740,202	859,216
2.	**Large Exposures Risk Requirement**	-		-	-	-
3.	***Market Risk***	Long Position	Short Position			
	Profit Rate Risk					
	- General profit rate risk	1,047,739	106,263		301,642	24,131
	- Specific profit rate risk	1,047,739	106,263		154,688	12,375
	Total	2,095,478	212,526		456,330	36,506
4.	Operational Risk				1,090,009	87,201
5.	Total RWA and Capital Requirements				12,286,541	982,923

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

A27. Capital Adequacy (continued)

(d) The breakdown of credit risk exposures by risk weights are as follows:

30 September 2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Private Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,553,046	-	-	-	-	-	-	-	3,487	3,556,533	-
20%	-	-	1,184,865	-	162,738	-	-	-	5	1,347,608	269,521
35%	-	-	-	-	-	-	146,726	-	-	146,726	51,354
50%	-	-	501	-	12,114	-	55,305	-	-	67,920	33,961
75%	-	-	-	-	-	9,208,346	-	-	-	9,208,346	6,906,260
100%	-	-	-	-	4,164,649	-	10,584	-	77,696	4,252,929	4,252,928
150%	-	-	-	-	115,253	70,516	-	1,581	-	187,350	281,026
Average Risk Weight											
Total	3,553,046	-	1,185,366	-	4,454,754	9,278,862	212,615	1,581	81,188	18,767,412	11,795,050
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

A27. Capital Adequacy (continued)

(d) The breakdown of credit risk exposures by risk weights are as follows (continued):

31 March 2010

Risk Weights	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns and Central Banks	Public Sector Entities	Banks, DFIs and MDBs	Insurance Companies, Securities Firms and Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	3,968,110	-	-	-	-	-	-	-	3,549	3,971,659	-
20%	-	29,831	727,831	-	209,137	-	-	-	5	966,804	193,361
35%	-	-	-	-	-	-	128,622	-	-	128,622	45,018
50%	-	-	1,129	-	44,250	10,808	69,457	-	-	125,644	62,822
75%	-	-	-	-	-	8,761,036	-	-	-	8,761,036	6,570,777
100%	-	-	-	303	3,409,241	12,841	13,463	-	91,252	3,527,100	3,527,099
150%	-	-	-	-	137,421	87,086	-	2,910	-	227,417	341,125
Average Risk Weight											
Total	3,968,110	29,831	728,960	303	3,800,049	8,871,771	211,542	2,910	94,806	17,708,282	10,740,202
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	

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A27. Capital Adequacy (continued)

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

30 September 2010	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Contingent Liabilities				
Direct credit substitutes	232,673		232,673	232,673
Certain transaction-related contingent items	250,464		125,232	125,807
Short term self liquidating trade-related contingencies	98,130		19,626	19,630
Islamic financing sold to Cagamas Berhad with recourse	1,057,840		1,057,840	798,578
Obligations under underwriting agreements	227,500		-	-
Others	21,112		-	-
	1,887,719		1,435,371	1,176,688
Commitments				
Irrevocable commitments to extend credit maturing :				
- less than one year	2,524,036		-	-
- more than one year	238,784		9,712	7,772
Unutilised credit card lines	430,918		86,188	64,472
Sell and buy back agreements	25,008		501	250
	3,218,746		96,401	72,494
Derivative Financial Instruments				
Equity and commodity related contracts:				
Options				
- Over one year to five years	225,214	3,613	12,621	2,524
	225,214	3,613	12,621	2,524
Total	5,331,679	3,613	1,544,393	1,251,706

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A27. Commitments and Contingencies (continued)

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

31 March 2010	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts 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				
Equity and commodity related contracts:				
Options				
- Over one year to five years	75,500	3,461	9,501	1,900
	75,500	3,461	9,501	1,900
Total	4,117,941	3,461	746,561	631,209

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A28. Credit Exposures Arising From Credit Transactions With Connected Parties

	30 September 2010	31 March 2010
Outstanding credit exposures with connected parties (RM'000)	33,001	30,541
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	0.23%	0.23%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.03%	0.14%

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

A29. Change in Accounting Policies and 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.