FINaNCIAL Review 2010

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Directors' Report

The Directors hereby present their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2010.

Principal Activities

The principal activities of the Bank are those of development banking and related financial services.

The principal activities of the subsidiaries and associates are described in Note 10 and Note 11 respectively to the financial statements.

There have been no significant changes in the nature of the Group's and the Bank's activities during the financial year, except for that resulting from the proposed disposal of a subsidiary as disclosed in Note 13 to the financial statements.

Results

	Group RM'000	Bank RM'000
Loss from continuing operations, net of tax	(65,519)	(71,088)
Profit from discontinuing operations, net of tax	1,195	-
Loss for the year, net of tax	**(64,324)**	**(71,088)**
Loss attributable to:		
Owner of the Bank	(64,300)	(71,088)
Minority interests	(24)	-
	(64,324)	**(71,088)**

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

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

Dividends

No dividend was paid or declared by the Bank since the end of the previous financial year. The directors do not recommend the payment of dividends in respect of the current financial year.

Directors

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

- Y.Bhg. Dato' Gumuri bin Hussain (Chairman)
- Y.Bhg. Datuk Nozirah binti Bahari
- En. Zulkafli bin Abdul Karim
- Y.Bhg. Datuk Mohd Radzif bin Mohd Yunus (appointed on 1 July 2010)
- En. Khairuzzaman Muhammad (appointed on 2 February 2011)
- En. Mohd Yusof bin Hussian (resigned on 23 June 2010)
- Y.Bhg. Dato' Azmi bin Abdullah (resigned on 1 July 2010)
- Y.Bhg. Dato' Huang Sin Cheng (resigned on 14 August 2010)
- En. Izlan bin Izhab (resigned on 9 January 2011)
- Dr. Ahmad Faisal bin Zakaria (resigned on 21 March 2011)

Directors' Benefits

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

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 24 or the fixed salary of a full time employee of the Bank) by reason of a contract made by the Bank or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' Interests

None of the Directors in office at 31 December 2010 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

Other Statutory Information

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

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

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

b) At the date of this report, the Directors are not aware of any circumstances which would render:

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

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

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

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

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

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

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

Other Statutory Information (Cont'd.)

f) In the opinion of the Directors:

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

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

Significant Event

Details of the significant event of the Group and the Bank during the current financial year in relation to the proposed disposal of a subsidiary is disclosed in Note 13 to the financial statements.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2011.

Dato' Gumuri bin Hussain

Datuk Mohd Radzif bin Mohd Yunus

Kuala Lumpur, Malaysia

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

We, Dato' Gumuri bin Hussain and Datuk Mohd Radzif bin Mohd Yunus, being two of the Directors of Bank Perusahaan Kecil dan Sederhana Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 10 to 128 are drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia/Development Financial Institutions Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 24 March 2011.

Dato' Gumuri bin Hussain

Datuk Mohd Radzif bin Mohd Yunus

Kuala Lumpur, Malaysia

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

Section 73(1)(e) of the Development Financial Institutions Act, 2002

We, Dato' Gumuri bin Hussain and Datuk Mohd Radzif bin Mohd Yunus, being the Director and Managing Director respectively, primarily *responsible for the financ*ial management of Bank Perusahaan Kecil dan Sederhana Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 128 are in our opinion correct and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed at Kuala Lumpur in
the Federal Territory
on 24 March 2011

Dato' Gumuri bin Hussain

Before me,

Datuk Mohd Radzif bin Mohd Yunus

Report On The Financial Statements

We have audited the financial statements of Bank Perusahaan Kecil dan Sederhana Malaysia Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 128.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia/Development Financial Institutions guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2010 and of their financial performance and cash flows of the Group and of the Bank for the year then ended.

Report On Other Legal And Regulatory Requirements

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

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We have considered the financial statements and the auditors' reports of a subsidiary of which we have not acted as auditors, which is indicated in Note 10 to the financial statements, beingfinancial statements that have been included in the consolidated financial statements.

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

d) Theauditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other Matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Abdul Rauf bin Rashid
No. 2305/05/12(J)
Chartered Accountant

Kuala Lumpur, Malaysia
24 March 2011

Statements Of **Consolidated Financial Position**

As at 31 December 2010

	Note	As at 31 December 2010 RM'000	GROUP As at 31 December 2009 RM'000 Restated	As at 1 January 2009 RM'000 Restated
ASSETS				
Cash and short term funds	4	1,975,145	1,728,270	909,959
Deposits and placements with banks and other financial institutions	5	529,212	558,680	382,340
Available-for-sale financial investments	6	232,464	262,690	230,261
Held-to-maturity financial investments	7	70,129	80,441	50,192
Loans, advances and financing	8	3,251,861	3,497,233	3,060,343
Tax recoverable		16,313	26,275	2,774
Other assets	9	45,958	113,507	98,006
Investments in associates	11	56,243	85,624	118,344
Property, plant and equipment	12	296,361	294,454	285,751
		6,473,686	**6,647,174**	**5,137,970**
Assets of a subsidiary classified as held for sale	13	66,025	-	-
TOTAL ASSETS		**6,539,711**	**6,647,174**	**5,137,970**
LIABILITIES				
Deposits from customers	14	1,664,055	1,673,350	394,746
Term loans	15	3,507,840	3,285,954	2,997,504
Other liabilities	16	214,473	158,401	138,235
Government funds	17	357,474	360,209	359,932
		5,743,842	5,477,914	3,890,417
Liabilities of a subsidiary classified as held for sale		13 2,955	-	-
TOTAL LIABILITIES		**5,746,797**	**5,477,914**	**3,890,417**

Statements Of **Consolidated Financial Position**

As at 31 December 2010 (cont'd.)

	Note	As at 31 December 2010 RM'000	GROUP As at 31 December 2009 RM'000 Restated	As at 1 January 2009 RM'000 Restated
EQUITY				
Share capital	18	1,350,000	1,350,000	1,350,000
Accumulated losses		(570,076)	(193,787)	(114,233)
Other reserves	19	13,005	13,038	11,747
Equity attributable to owner of the Bank		792,929	1,169,251	1,247,514
Minority interests		(15)	9	39
TOTAL EQUITY		**792,914**	**1,169,260**	**1,247,553**
TOTAL LIABILITIES AND EQUITY		**6,539,711**	**6,647,174**	**5,137,970**
COMMITMENTS AND CONTINGENCIES	29	**1,351,936**	**2,282,408**	**2,320,771**

Statements Of **Financial Position**

As at 31 December 2010

	Note	As at 31 December 2010 RM'000	BANK As at 31 December 2009 RM'000 Restated	As at 1 January 2009 RM'000 Restated
ASSETS				
Cash and bank balances	4	1,974,736	1,710,729	877,005
Deposits and placements with banks and other financial institutions	5	529,212	558,680	382,340
Available-for-sale financial investments	6	232,464	247,448	192,782
Held-to-maturity financial investments	7	70,129	80,441	50,192
Loans, advances and financing	8	3,251,861	3,497,233	3,060,343
Tax recoverable		16,313	26,273	2,774
Other assets	9	45,254	104,598	88,340
Investments in subsidiaries	10	- *	67,490	129,387
Investments in associates	11	8,305	10,448	13,716
Property, plant and equipment	12	296,361	293,918	285,215
		6,424,635	**6,597,258**	**5,082,094**
Subsidiary classified as held for sale	13	63,140	-	-
TOTAL ASSETS		**6,487,775**	**6,597,258**	**5,082,094**
LIABILITIES				
Deposits from customers	14	1,664,055	1,673,350	394,746
Term loans	15	3,507,840	3,285,954	2,997,504
Other liabilities	16	206,650	142,879	122,709
Government funds	17	357,474	360,209	359,932
TOTAL LIABILITIES		**5,736,019**	**5,462,392**	**3,874,891**

* Denotes RM2.

Statements Of **Financial Position**

As at 31 December 2010 (cont'd.)

	Note	As at 31 December 2010 RM'000	BANK As at 31 December 2009 RM'000 Restated	As at 1 January 2009 RM'000 Restated
EQUITY				
Share capital	18	1,350,000	1,350,000	1,350,000
Accumulated losses		(611,249)	(228,172)	(154,544)
Other reserves	19	13,005	13,038	11,747
TOTAL EQUITY		**751,756**	**1,134,866**	**1,207,203**
TOTAL LIABILITIES AND EQUITY		**6,487,775**	**6,597,258**	**5,082,094**
COMMITMENTS AND CONTINGENCIES	29	**1,351,936**	**2,282,408**	**2,320,771**

Statements Of **Comprehensive Income**

For the financial year ended 31 December 2010

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	BANK 2010 RM'000	BANK 2009 RM'000
Interest income	20	167,384	153,280	167,384	153,280
Interest expense	21	(100,676)	(70,367)	(100,676)	(70,367)
Net interest income		**66,708**	**82,913**	**66,708**	**82,913**
Gross income from Islamic banking business	35	104,860	72,054	104,860	72,054
Other operating income	22	10,196	40,350	10,184	40,336
Net income		**181,764**	**195,317**	**181,752**	**195,303**
Other operating expenses	23	(117,620)	(125,097)	(119,133)	(125,679)
Operating profit		**64,144**	**70,220**	**62,619**	**69,624**
Allowance for impairment loss:					
- loans, advances and financing	25	(87,263)	(93,890)	(87,263)	(93,890)
- financial investments	26	(2,096)	(895)	(6,446)	(62,792)
Provision for liabilities	16(a)	(42,198)	-	(42,198)	-
		(67,413)	(24,565)	(73,288)	(87,058)
Share of loss after tax of equity accounted associated companies		(304)	(3,635)	-	-
Loss before tax expense and zakat		**(67,717)**	**(28,200)**	**(73,288)**	**(87,058)**
Tax expense	27	(2)	15,316	-	15,316
Zakat	27	2,200	(1,886)	2,200	(1,886)
Loss from continuing operation, net of tax		**(65,519)**	**(14,770)**	**(71,088)**	**(73,628)**
Profit/(loss) from discontinuing operation, net of tax	**13**	**1,195**	**(64,814)**	**-**	**-**
Loss for the year, net of tax		**(64,324)**	**(79,584)**	**(71,088)**	**(73,628)**
Other comprehensive income:					
Unrealised (loss)/gain on revaluation of available-for-sale financial investments		**(33)**	**1,291**	**(33)**	**1,291**
Other comprehensive income for the year		**(33)**	**1,291**	**(33)**	**1,291**
Total comprehensive income for the year		**(64,357)**	**(78,293)**	**(71,121)**	**(72,337)**

Statements Of **Comprehensive Income**

For the financial year ended 31 December 2010

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	BANK 2010 RM'000	BANK 2009 RM'000
Loss for the year attributable to:					
Owner of the Bank		(64,300)	(79,554)	(71,088)	(73,628)
Minority interests		(24)	(30)	-	-
		(64,324)	**(79,584)**	**(71,088)**	**(73,628)**
Total comprehensive income attributable to:					
Owner of the Bank		(64,333)	(78,263)	(71,121)	(72,337)
Minority interests		(24)	(30)	-	-
		(64,357)	**(78,293)**	**(71,121)**	**(72,337)**
Loss per share from continuing operations attributable to owner of the Bank (sen) - Basic	28	**(4.85)**	**(1.09)**	**(5.27)**	**(5.45)**
Profit/(loss) per share from discontinuing operation attributable to owner of the Bank (sen) - Basic	28	0.09	(4.80)		

Statements Of **Changes In Equity**

For the financial year ended 31 December 2010

	Attributable to Owner of the Bank						
Group	**Share capital RM'000**	**Non-distributable available-for-sale reserve RM'000**	**Distributable general reserve RM'000**	**Accumulated losses RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2009, as previously stated	1,350,000	1,633	10,114	(124,363)	1,237,384	39	1,237,423
Prior year adjustment (Note 34(a))	-	-	-	10,130	10,130	-	10,130
At 1 January 2009, as restated	1,350,000	1,633	10,114	(114,233)	1,247,514	39	1,247,553
Unrealised gain on revaluation of available-forsale financial investments	-	1,291	-	-	1,291	-	1,291
Net loss for the year	-	-	-	(79,554)	(79,554)	(30)	(79,584)
Total comprehensive income	-	1,291	-	(79,554)	(78,263)	(30)	(78,293)
At 31 December 2009, restated	**1,350,000**	**2,924**	**10,114**	**(193,787)**	**1,169,251**	**9**	**1,169,260**

Statements Of **Changes In Equity**

For the financial year ended 31 December 2010 (cont'd.)

	Attributable to Owner of the Bank						
Group	**Share capital RM'000**	**Non-distributable available-for-sale reserve RM'000**	**Distributable general reserve RM'000**	**Accumulated losses RM'000**	**Total RM'000**	**Minority interests RM'000**	**Total equity RM'000**
At 1 January 2010, as previously stated	1,350,000	2,924	10,114	(203,917)	1,159,121	9	1,159,130
Prior year adjustment (Note 34(a))	-	-	-	10,130	10,130	-	10,130
At 1 January 2010, as restated	1,350,000	2,924	10,114	(193,787)	1,169,251	9	1,169,260
Effect of adopting FRS 139 at 1 January 2010 (Note 2.2.1 (e))	-	-	-	(311,989)	(311,989)	-	(311,989)
	1,350,000	2,924	10,114	(505,776)	857,262	9	857,271
Unrealised loss on revaluation of available-for-sale financial investments	-	(33)	-	-	(33)	-	(33)
Net loss for the year	-	-	-	(64,300)	(64,300)	(24)	(64,324)
Total comprehensive income	-	(33)	-	(64,300)	(64,333)	(24)	(64,357)
At 31 December 2010	**1,350,000**	**2,891**	**10,114**	**(570,076)**	**792,929**	**(15)**	**792,914**

Statements Of **Changes In Equity**

For the financial year ended 31 December 2010 (cont'd.)

Bank	Share capital RM'000	Non-distributable available-for-sale reserve RM'000	Distributable general reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2009, as previously stated	1,350,000	1,633	10,114	(164,674)	1,197,073
Prior year adjustment (Note 34(a))	-	-	-	10,130	10,130
At 1 January 2009, as restated	1,350,000	1 ,633	10,114	(154,544)	1,207,203
Unrealised gain on revaluation of available-for-sale financial investments	-	1,291	-	-	1,291
Net loss for the year	-	-	-	(73,628)	(73,628)
Total comprehensive income	-	1 ,291	-	(73,628)	(72,337)
At 31 December 2009	1,350,000	2 ,924	10,114	(228,172)	1,134,866
At 1 January 2010, as previously stated	1,350,000	2,924	10,114	(238,302)	1,124,736
Prior year adjustment (Note 34(a))	-	-	-	10,130	10,130
At 1 January 2010, as restated	1,350,000	2 ,924	10,114	(228,172)	1,134,866
Effect of adopting FRS 139 at 1 January 2010 (Note 2.2.1 (e))	-	-	-	(311,989)	(311,989)
	1,350,000	2 ,924	10,114	(540,161)	822,877
Unrealised loss on revaluation of available-for-sale financial investments	-	(33)	-	-	(33)
Net loss for the year	-	-	-	(71,088)	(71,088)
Total comprehensive income	-	(33)	-	(71,088)	(71,121)
At 31 December 2010	**1,350,000**	**2 ,891**	**10,114**	**(611,249)**	**751,756**

Statements Of **Changes In Equity**

For the financial year ended 31 December 2010 (cont'd.)

Bank	Share capital RM'000	Non-distributable available-for-sale reserve RM'000	Distributable general reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2009, as previously stated	1,350,000	1,633	10,114	(164,674)	1,197,073
Prior year adjustment (Note 34(a))	-	-	-	10,130	10,130
At 1 January 2009, as restated	1,350,000	1 ,633	10,114	(154,544)	1,207,203
Unrealised gain on revaluation of available-for-sale financial investments	-	1,291	-	-	1,291
Net loss for the year	-	-	-	(73,628)	(73,628)
Total comprehensive income	-	1 ,291	-	(73,628)	(72,337)
At 31 December 2009	1,350,000	2 ,924	10,114	(228,172)	1,134,866
At 1 January 2010, as previously stated	1,350,000	2,924	10,114	(238,302)	1,124,736
Prior year adjustment (Note 34(a))	-	-	-	10,130	10,130
At 1 January 2010, as restated	1,350,000	2 ,924	10,114	(228,172)	1,134,866
Effect of adopting FRS 139 at 1 January 2010 (Note 2.2.1 (e))	-	-	-	(311,989)	(311,989)
	1,350,000	2 ,924	10,114	(540,161)	822,877
Unrealised loss on revaluation of available-for-sale financial investments	-	(33)	-	-	(33)
Net loss for the year	-	-	-	(71,088)	(71,088)
Total comprehensive income	-	(33)	-	(71,088)	(71,121)
At 31 December 2010	**1,350,000**	**2 ,891**	**10,114**	**(611,249)**	**751,756**

Statements Of **Cash Flows**

For the financial year ended 31 December 2010

	GROUP		BANK	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities				
Loss before tax and zakat from continuing operations	(67,717)	(28,200)	(73,288)	(87,058)
Profit/(loss) before tax from discontinuing operation (Note 13)	1,304	(64,814)	-	-
Loss before tax and zakat for the year	(66,413)	(93,014)	(73,288)	(87,058)
Adjustments for:				
Loss/(gain) on disposal of:				
- associated companies	-	(88)	-	-
- quoted investments	3,776	1,529	3,776	1,529
- unquoted investments	-	(995)	-	(995)
Writeback of allowance for impairment loss in value:				
- quoted investments	-	(1,282)	-	(1,282)
- unquoted investments	-	(920)	-	(920)
Allowance for diminution in value:				
- associated companies	-	36,346	-	1,466
- quoted investments	438	1,611	438	1,611
- unquoted investments	-	21,802	-	20
- subsidiary	-	-	4,350	61,897
Investment in associates written-off	1,658	-	1,658	-
Allowance for doubtful debts of loans, advances and financing	127,085	251,842	127,085	251,842
Write back of allowance for doubtful debts				
- loans, advances and financing	(9,798)	(113,155)	(9,798)	(113,155)
- others	-	(408)	-	(408)
Loans, advances and financing written-off	2,778	-	2,778	-
Share of loss of associates	304	6,602	-	-
Depreciation for property, plant and equipment	10,685	11,873	10,685	11,873
Gain on disposal of property, plant and equipment	(36)	(286)	(36)	(286)
Government funds writeback/(released)	8,609	(19,722)	8,609	(19,722)

Statements Of **Cash Flows**

For the financial year ended 31 December 2010 (cont'd.)

	GROUP		BANK	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities (cont'd.)				
Interest expenses	100,676	70,367	100,676	70,367
Interest income	(167,384)	(153,280)	(167,384)	(153,280)
Dividend income	(1,732)	(1,586)	(1,732)	(1,550)
Sundry debtors written-off	-	623	-	623
Operating profit before working capital changes	10,646	17,859	7,817	22,572
Changes in working capital:				
Other assets	38,283 (	17,652)	37,113	(18,861)
Loans, advances and financing	(227,586)	(558,608)	(234,552)	(558,608)
Deposits and placements with financial institutions	40,646	(176,340)	47,612	(176,340)
Deposits from customers	(9,295)	1,278,604	(9,295)	1,278,604
Other liabilities	30,225	10,721	31,886	10,725
Cash (used in)/generated from operations	(117,081)	554,584	(119,419)	558,092
Interest paid	(115,031)	(77,973)	(115,031)	(77,973)
Interest received	227,502	155,662	227,502	155,662
Tax refund	10,320	-	10,320	-
Taxation paid	-	(8,150)	-	(8,150)
Zakat paid	(1,270)	(1,800)	(1,270)	(1,800)
Net cash generated from operating activities	4,440	622,323	2,102	625,831

Statements Of **Cash Flows**

For the financial year ended 31 December 2010 (cont'd.)

	GROUP		BANK	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities				
Dividend received from investment	1,732	1,586	1,732	1,550
Increase in investment of associates	-	(12,207)	-	-
Purchase of unquoted investments	-	(105)	-	(105)
Purchase of private debt securities	-	(120,000)	-	(120,000)
Proceeds from debt financing fund	(4,371)	-	-	-
Purchase of property, plant and equipment	(18,146)	(20,291)	18,146)	(20,291)
Proceeds from disposal of property, plant and equipment	5,132	-	5,132	-
Proceeds from redemption of bond	15,152	34,329	15,152	34,329
Proceeds from disposal of investments				
- quoted investments	4,033	188	4,033	188
- unquoted investments	1,259	2,000	1,259	2,000
Proceeds from disposal of investments in an associate	1,240	2,038	484	1,772
Net cash generated from/(used in) investing activities	6,031	(112,462)	9,646	(100,557)
Cash flows from financing activities				
Drawdown of term loans	399,692	604,600	399,692	604,600
Repayment of term loans	(176,531)	(316,150)	(176,531)	(316,150)
Proceeds from government funds	29,098	20,000	29,098	20,000
Net cash generated from financing activities	252,259	308,450	252,259	308,450
Net increase in cash and cash equivalents	262,730	818,311	264,007	833,724
Cash and cash equivalents at beginning of year	1,728,270	909,959	1,710,729	877,005
Cash and cash equivalents at end of year	1,991,000	1,728,270	1,974,736	1,710,729
Cash and cash equivalents comprise:				
Cash and short term deposits of:				
- Continuing operations (Note 4)	1,975,145	1,728,270	1,974,736	1,710,729
- Discontinuing operation (Note 13)	15,855	-	-	-
	1,991,000	1,728,270	1,974,736	1,710,729

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

Notes To The **Financial Statements -**
31 December 2010

1. Corporate information

Bank Perusahaan Kecil dan Sederhana Malaysia Berhad ("SME Bank or "the Bank") is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Bank is at Aras 23, Menara SME Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur. Principal place of business is at Menara SME Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The ultimate holding company during the financial year is Minister of Finance Incorporated.

The Bank is principally engaged in development banking. There have been no significant changes in the nature of the principal activities during the financial year, except for the discontinuance of a subsidiary as disclosed in Note 13 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 24 March 2011.

2. Summary of significant accounting policies

2.1 Statement of compliance and basis of preparation

The financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standards ("FRSs") as modified by Bank Negara Malaysia/Development Financial Institutions ("BNM/DFIs") Guidelines and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Bank adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements disclosed those activities relating to Islamic Banking Business in Note 35 to the financial statements. Those activities generally refer to the granting of financing and investing activities under Shariah principles.

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

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2010, the Group and the Bank adopted the following new and amended FRSs and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 Financial Instruments: *Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements (Revised)*
- FRS 123 Borrowing Costs
- FRS 139 Financial Instruments: *Recognition and Measurement*
- Amendment 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, Joint Controlled Entity or Associates*
- Amendment to FRS 2 Share-based Payment - *Vesting Conditions and Cancellations*
- Amendment to FRS 132 Financial Instruments: *Presentation*
- Amendment to FRS 139 Financial Instruments: *Recognition and Measurement,* FRS 7 Financial Instruments: *Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives*
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*
- IC Interpretation 11 FRS 2 - *Group Treasury Share Transactions*
- IC Interpretation 12 *Service Concession Arrangements*
- 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*

FRS 4 Insurance Contracts will also be effective for annual periods beginning on or after 1 January 2010. The FRSs is, however, not applicable to the Group or the Bank.

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

2.2 Changes in accounting policies (cont'd.)

2.2.1 Effects arising from adoption of new and revised FRSs

Adoption of the above standards and interpretations as stated in Note 2.2 did not have any effect on the financial performance or position of the Group and the Bank except for those as discussed below:

(a) FRS 7 Financial Instruments: *Disclosures ("FRS 7")*

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

The Group and the Bank have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Bank's financial statements for the year ended 31 December 2010 and are disclosed in Note 33.

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

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity include only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, eithe in one single statement, or in two linked statements. The Group and the Bank have elected to present this statement as one single statement.In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 31).

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

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

2.2 Changes in accounting policies (cont'd.)

2.2.1 Effects arising from adoption of new and revised FRSs (cont'd.)

(c) Amendments to FRS 117 Leases ("FRS 117")

Prior to 1 January 2010, for all leases of land and buildings, if title is not expected to pass to the lessee by the end of the lease term, the lessee normally does not receive substantially all of the risks and rewards incidental to ownership. Hence, all leaseholdland held for own use was classified by the Group as operating lease and where necessary, the minimum lease payments or the up-front payments made were allocated between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represented prepaid lease payments and were amortised on a straight-line basis over the lease term.

The amendments to FRS 117 clarify that leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. They also clarify that the present value of the residual value of the property in a lease with a term of several decades would be negligible and accounting for the land element as a finance lease in such circumstances would be consistent with the economic position of the lessee. Hence, the adoption of the amendments to FRS 117 has resulted in certain unexpired land leases to be reclassified as finance leases. The Group has applied this change in accounting policy retrospectively and comparatives have been restated. The effect of adoption of the amended FRS 117 Leases is disclosed in Note 34(b).

(d) FRS 139 Financial Instruments: Recognition and Measurement ("FRS 139")

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, and voluntary adopted by the Group and the Bank on 1 January 2007, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting which are similar to those prescribed by FRS 139 have already been adopted by the Group and the Bank. Therefore, the adoption of FRS 139 on 1 January 2010 has resulted in the following material changes in accounting policies as follows:

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

2.2 Changes in accounting policies (cont'd.)

2.2.1 Effects arising from adoption of new and revised FRSs (cont'd.)

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

(i) Impairment of loans and advances

The adoption of FRS 139 has resulted in a change in the accounting policy relating to the assessment for impairment of financial assets, particularly loans and advances. Prior to the adoption of FRS 139, allowances for impaired loans and advances (previously referred to as non-performing loans) were computed in conformity with the Bank Negara Malaysia/Development Financial Institutions Guideline ("BNM/DFI/GP3") Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. Upon the adoption of FRS 139, the Group and the Bank assess at the end of each reporting period whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans 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 loan (an incurred 'loss event') and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated.

(i) Impairment of loans and advances (cont'd)

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

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

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

2.2 Changes in accounting policies (cont'd.)

2.2.1 Effects arising from adoption of new and revised FRSs (cont'd.)

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

(i) Impairment of loans and advances (cont'd)

In the Amendments to FRS 139 listed above, MASB has included an additional transitional arrangement for entities in the financial sector, whereby BNM may prescribe an alternative basis for collective assessment of impairment by banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans, advances and financing, net of individual impairment allowance. Subject to the written approval by BNM, banking institutions are allowed to maintain a lower collective assessment impairment allowance. The Bank has opted to maintain of at least 2% of total outstanding loans, advances and financing, net of individual impairment allowance. The collective assessment impairment allowance of the Bank as at the reporting date have been arrived at based on this transitional arrangement issued by BNM.

The changes in accounting policy above have been accounted for prospectively, in line with the transitional arrangements under para 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting the statements of comprehensive income as at the beginning of the current financial period being adjusted to opening accumulated losses. As a result of the adoption of the loans impairment basis under FRS 139 and the transitional arrangements under BNM's guidelines on Classification and Impairment Provisions for Loans/Financing, the Group and the Bank have both recognised an additional allowance of RM388,949,000 against the accumulated losses as at 1 January 2010. Any further allowances charged subsequent to the adoption of FRS139 are recognised as allowances for losses on loans, advances and financing in the profit or loss.

(ii) Classification of loans and advances as impaired

Prior to the adoption of FRS 139, loans were classified as non-performing when principal or interest or both are past due for six (6) months or more. Upon the adoption of FRS 139, loans are classified as impaired when principal, or interest or both are past due for six (6) months or more or where loans in arrears for less than six (6) months exhibit indications of credit weakness.

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

2.2 Changes in accounting policies (cont'd.)

2.2.1 Effects arising from adoption of new and revised FRSs (cont'd.)

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

(iii) Interest income recognition

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Upon adoption of FRS 139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss. This change in accounting policy has no impact to the accumulated losses of the Group and the Bank.

(e) The effects arising from adoption of FRS 139 on 1 January 2010 to the Group and the Bank are shown below.

Statements of financial position - Group and Bank	Increase/ (decrease) as at 1 January 2010 RM'000
Assets	
Loans, advances and financing	
- Individual assessment allowance	544,447
- Collective assessment allowance	153,770
- Specific allowance	(238,944)
- General allowance	(70,324)
- Interest in suspense	(43,993)
	344,956
Liabilities	
Interest payable on term loans	(540)
Government funds	(32,427)
	(32,967)
Shareholders' equity	
Accumulated losses	**311,989 ***

* Includes RM105,479,000 which relates to the Islamic banking business of the Bank.

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

2.3 Standards issued but not yet effective

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

FRSs and Interpretations	Effective date
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 2 Share-based Payment (Amended)	1 July 2010
FRS 3 Business Combinations (Revised)	1 July 2010
FRS 5 Non-current Asset Held For Sale and Discontinued Operation (Amended)	1 July 2010
FRS 127 Consolidated and Separate Financial Statements (Amended)	1 July 2010
FRS 138 Intangible Assets	1 July 2010
IC Interpretation 9 Reassessment of Embedded Derivatives Amended	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 15 Agreements for the Construction of Real Estate	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132 Classification of Right Issues	1 March 2010
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7 Improving Disclosures about Financial Instruments	1 January 2011

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127, as well as the new disclosures required under the amendment to FRS 7, the Directors expect that the adoption of the otherstandards and interpretations above will have no material impact on the financial statements in the period of initial application

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

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair value relating to previously held interest are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination of the Group's share in the fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Subsidiaries

A subsidiary is an entity over which group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Bank's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses.

2.6 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

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

2.6 Associates (cont'd.)

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment and is included as income in the determination of the Group's share of the associate's profit or loss for the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associates, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting polices are adopted for like transactions and events in similar circumstances.

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

2.7 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholder's equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transaction with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

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

2.8 Research and development costs

The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criterias are expensed when incurred.

Development cost, considered to have finite useful life, are stated at cost less any impairment losses and are amortised using the straight-line method basis over the commercial life of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each financial statements date.

2.9 Property, plant and equipment and depreciation

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

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognised such parts as individual assets with specific useful lives and depreciation respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in profit or loss as incurred.

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

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

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture and equipment	3 - 10 years
Office partition	3 years
Motor vehicles	5 years
Electrical and machinery	10 - 15 years

Freehold land has an unlimited useful life and therefore is not depreciated.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property,plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

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

2.10 Impairment of non-financial assets (cont'd.)

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss except for an asset that was previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment loss is also recognised in other comprehensive income up to the amount of the previous revaluation.

An assessment is made each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case reversal is treated as revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.11 Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not a fair value through profit or loss, directly attributable transaction costs.

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

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

2.11 Financial assets (cont'd.)

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

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

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

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(b) Loan and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loan and receivables. Subsequent to initial recognition, loan and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

(c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process. Held-to-maturity investments are classified as non-current assets, except for those having maturity dates within 12 months after the reporting date which are classified as current.

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

2.11 Financial assets (cont'd.)

(d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are designated as available for sale are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's and the Bank's right to receive payment is established.

Investment in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless there are expected to be realised within 12 months after the reporting date.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of financial asset in its entirely, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Bank commit to purchase or sell the asset.

2.12 Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

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

2.12 Impairment of financial assets (cont'd.)

(a) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Bank consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Unquoted equity securities carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

2.12 Impairment of financial assets (cont'd.)

(c) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financialdifficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For availablefor- sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short term, highly liquid investment that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

2.14 Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of obligation can be estimate reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

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

2.15 Government funds

Government funds comprise the following:

(I) To finance the purchase of property, plant and equipment. The funds received are initially recognised at their fair values in the statements of financial position as deferred income where there is reasonable assurance that the funds will be received and all attaching conditions will be complied with. Government funds that compensate the Group and the Bank for expenses incurred are recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Government funds that compensate the Group and the Bank for the cost of an asset are recognised as income on a systematic basis over the useful life of the asset.

(II) To finance loans for specific projects and utilise against credit losses and charges arising from the financing of these projects. The Government funds are recognised at the fair value of the consideration received in the statements of financial position. The interest income earned on the loans financed by the government funds and any credit losses or charges as a result of the loans defaulted are recognised and utilised against the funds.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Bank become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Bank have not designated any financial liabilities as at fair value through profit or loss.

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

2.16 Financial liabilities (cont'd.)

(b) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits from customers and loans. Other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans are recognised initially at fair value, net of transaction cost incurred, and subsequently measured at amortised cost using the effective interest method. Loans are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are recognised, and through the amortisation process. A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of qualifying asset if they are directly attributable to the acquisition, construction or production of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Bank incurred in connection with the borrowing of funds.

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

2.18 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

2.19 Leases

Finance leases, which transfer to the Group and the Bank substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the presentvalue of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charged and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rent, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group and the Bank will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on straight-line basis.

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

2.20 Discontinuing operation

A component of the Group is classified as a "discontinued operation" when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated major line of business or geographical area of operations. A component is deemed to be held for sale if its carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Upon classification as held for sale, non-current assets and disposal groups are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any differences are recognised in profit or loss.

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the revenue can be reliably measured. Revenue is measured at the fair vaue of consideration received or receivable.

(a) Interest income from loans, advances and financing

Interest income is recognised in the profit or loss for all interest bearing assets on an accrual basis, using the effective interest method.

When an account becomes impaired, interest accrued and recognised as income prior to the date the loan is classified as impaired is reversed out of income and set-off against the accrued interest receivables amount in the statement of financial position. Thereafter, interest on impaired loans shall be recognised as income on a cash basis.

Revolving credit and term loan accounts are deemed to be impaired where repayments are in arrears for more than three (3) months and six (6) months respectively from the first day of default or after the maturity date. The policy on interest recognition on non-performing loans is in conformity with the Guidelines on Financial Reporting for Licensed Institutions issued by Bank Negara Malaysia.

Interest expense on borrowings of the Group and the Bank are recognised on an accrual basis.

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

2.21 Revenue (cont'd.)

(b) Interest income from deposits and other placement of funds
Interest income is recognised using the effective interest method

(c) Dividend income
Dividend income is recognised when the Group's and the Bank's right to receive payment are established.

(d) Fee income
Fee income from bank guarantee arrangement and letter of credit is recognised on an accrual basis.

(e) Rental income
Rental income is accounted for straight-line basis over the term of the lease. The aggregate cost of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.22 Income taxes

(a) Current tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(b) Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose.

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

2.22 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax liabilities are recognised for all temporary differences, except;

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not r everse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date andreduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

2.23 Zakat

This represents business zakat. It is an obligatory amount payable by the Group and the Bank to comply with the principles of Shariah. Zakat is computed 2.5% on assets and liabilities eligible for zakat, as determined using the adjusted growth method.

2.24 Foreign currency

(a) Functional and presentation currency

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

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Nonmonetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non- monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

All foreign currency losses out of the foreign currency loans are underwritten by the Government of Malaysia. Accordingly, these loans are carried as amount recoverable in the statement of financial position. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

2.25 Share capital and share issuance expenses

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

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

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

2.26 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 Judgements made in applying accounting policies

In the process of applying the Bank's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant use of judgement and estimates are as follows :

(a) Going concern

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

(b) Income and deferred taxes

The Group and the Bank are subject to income taxes and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

3. Significant accounting judgements and estimates (cont'd.)

3.2 Key sources of estimation uncertainty

(a) Allowance for losses on loans, advances and financing

The Group and the Bank review the doubtful loans, advances and financing at each reporting date to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgement is required in the identification of impaired loans, and the estimation of realisable amount from impaired loans when determining the level of allowance required.

Prior to the adoption of FRS 139, allowances for impaired loans and advances were computed in conformity with the BNM/DFI/GP3 Guidelines on Classification of Non- Performing Loans and Provision for Substandard, Bad and Doubtful debts. Upon the adoption of FRS139, the Bank assesses at the end of each reporting period whether there is objective evidence that a loan is impaired. Loans and advances that are individually significant are assessed individually. Those not individually significant are grouped together based on similar credit risks and assessed as a portfolio.

The amendments to FRS139 also include additional transitional arrangement for entities in the banking sector, whereby BNM may prescribe the use of an alternative basis for collective assessment of impairment for banking institutions. This transitional arrangement is prescribed in BNM's guidelines on Classification and Impairment Provision for Loan/Financing, whereby banking institutions are required to maintain collective impairment provisions of at a minimum of 1.5% of total outstanding loans/financing, net of total individual allowance. The Bank has opted to maintain of at least 2% of total outstanding loans, advances and financing, net of total individual impairment allowances and identifiable incurred losses in the collective allowance pool.

(b) Impairment assessment of available-for-sale investment

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

(c) Fair value estimation of available-for-sale financial investments

The fair value of securities that are not traded in an active market are determined using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices and independent dealer quotes for similar securities and discounted cash flow method.

4. Cash and short term funds

	Group 2010 RM'000	2009 RM'000	Bank 2010 RM'000	2009 RM'000
Cash at banks and on hand	37,691	43,242	37,282	25,701
Short term deposits maturing within three months:				
- Licensed banks	1 ,252,657	571,625 1	,252,657	571,625
- Other financial institutions	684,797	1,113,403	684,797	1,113,403
	1 ,975,145	**1,728,270**	**1 ,974,736**	**1,710,729**

Cash at banks is placed in non-interest bearing accounts. Short-term deposit placements are made between one day to three months depending on the Group's and the Bank's cash requirements, and earn interest at the respective short-term deposit rates. The weighted average effective interest rate for the Group and the Bank is 3.15% (2009: 2.41%) per annum.

5. Deposits and placements with banks and other financial institutions

	Group and Bank 2010 RM'000	2009 RM'000
Licensed banks	342,751	251,798
Other financial institutions	186,461	306,882
	529,212	**558,680**
The maturity structure of deposits and placements are as follows:		
Three months to six months	184,926	452,451
Six months to one year	344,286	106,229
	529,212	**558,680**

The weighted average effective interest rate for deposits and placements with banks and other financial institutions is 3.45% (2009: 3.00%) per annum.

6. Available-For-Sale Financial Investments

	Group		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
At fair value			
Money market instruments:			
Malaysian Government Securities	71,981	72,450	29,752
Private debt securities	141,707	145,927	130,858
	213,688	218,377	160,610
Quoted securities:			
Shares	6,279	15,524	18,625
Total at fair value	219,967	233,901	179,235
At cost			
Unquoted securities:			
Shares	12,497	20,707	21,579
Other:			
Debt financing fund	-	37,202	36,785
Allowance for impairment of debt financing fund	-	(29,120)	(7,338)
	-	8,082	29,447
Total at cost	12,497	28,789	51,026
Total available-for-sale financial investments	**232,464**	**262,690**	**230,261**

	Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
At fair value			
Money market instruments:			
Malaysian Government Securities	71,981	72,450	29,752
Private debt securities	141,707	145,927	130,858
	213,688	218,377	160,610
Quoted securities:			
Shares	6,279	15,524	18,625
Total at fair value	219,967	233,901	179,235
At cost			
Unquoted shares	12,497	13,547	13,547
Total available-for-sale financial investments	**232,464**	**247,448**	**192,782**

6. Available-For-Sale Financial Investments (cont'd.)

The maturity structure of available-for-sale money market instruments are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Within one year	20,054	15,049	61,573
More than one year to three years	45,521	116,895	39,257
More than three years to five years	137,913	71,810	51,748
More than five years	10,200	14,623	8,032
	213,688	**218,377**	**160,610**

7. Held-To-Maturity Financial Investments

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
At amortised cost			
Money market instruments:			
Cagamas bonds	10,036	30,111	30,192
Malaysian government investment issues	30,057	30,069	-
	40,093	**60,180**	**30,192**
Unquoted securities:			
Private debt securities	30,036	20,261	20,000
Total held-to-maturity financial investments	**70,129**	**80,441**	**50,192**

The maturity structure of held-to-maturity money market instruments and private debt securities are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Within one year	15,095	20,015	34,110
More than one year to three years	30,057	15,240	-
More than three years to five years	10,054	40,134	10,618
More than five years	14,923	5,052	5,464
	70,129	**80,441**	**50,192**

7. Held-To-Maturity Financial Investments (Cont'd.)

The indicative market value of held-to-maturity money market instruments are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Cagamas bonds	10,074	30,441	30,290
Malaysian Government Investment Issues	30,514	30,084	-
Private debt securities	31,101	20,870	21,327

8. Loans, Advances And Financing

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Term loans			
- Hire purchase	235,217	233,196	241,893
- Leasing	244,716	205,078	144,759
- Other term loans	3,180,178	3 ,011,857	2,500,218
Revolving credits	276,314	359,126	337,857
Staff loans	42,362	41,237	39,024
Less: Interest-in-suspense	-	(43,993)	(32,827)
Gross loans, advances and financing	3,978,787	3 ,806,501	3,230,924
Less: Allowance for impaired loans, advances and financing			
- Individual assessment allowance	(623,058)	-	-
- Collective assessment allowance	(103,868)	-	-
- Specific allowance	-	(238,944)	(108,924)
- General allowance	-	(70,324)	(61,657)
Net loans, advances and financing	3,251,861	3 ,497,233	3,060,343

Included in loans, advances and financing are gross loans, advances and financing of RM117,018,000 (31 December 2009: RM116,857,000; 1 January 2009: RM118,414,000) financed by the Government funds. The treatment of the income earned and credit losses incurred for these loans, advances and financing are as disclosed in Note 2.15.

8. Loans, Advances And Financing (cont'd.)

(i) The maturity structure of gross loans, advances and financing are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Within one year	230,201	352,253	388,899
More than one year to three years	573,153	490,421	193,470
More than three years to five years	898,975	908,328	444,125
More than five years	2,276,458	2 ,055,499	2,204,430
	3,978,787	3 ,806,501	3,230,924

(ii) Gross loans, advances and financing analysed by type of customers are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Domestic business enterprise	3,936,425	3 ,765,264	3,191,900
Individual	42,362	41,237	39,024
	3,978,787	3 ,806,501	3,230,924

(iii) Gross loans, advances and financing analysed by industry are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Agriculture, forestry and fishing	26,845	23,694	27,517
Constructions	226,027	276,519	251,550
Community, social and personal services	495,461	426,251	443,658
Electricity, gas and water supply	22,585	22,088	24,381
Financial, insurance, real estate and business services	272,031	206,009	272,125
Import, export, wholesale, retail trade, restaurants and hotels	1,406,675	1 ,274,474	1,127,894
Manufacturing	959,833	992,836	560,519
Mining and quaryying	20,428	24,955	22,895
Transportation and communication	506,540	518,438	461,361
Others	42,362	41,237	39,024
	3,978,787	3 ,806,501	3,230,924

8. Loans, Advances And Financing (cont'd.)

(iv) Gross loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Fixed rate			
- Staff loan/financing	42,362	41,237	39,024
- Hire purchase receivables	277,805	222,337	370,381
- Other term loans/financing	2,859,356	2 ,781,554	2,333,357
Variable rate			
- Term loans/financing (base lending rate plus)	799,264	761,373	488,162
	3,978,787	3,806,501	3,230,924

(v) Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	Group and Bank	
	2010 RM'000	2009 RM'000
At 1 January		
- as previously stated	452,289	251,153
- effect of adopting FRS 139 on 1 January 2010	664,599	-
At 1 January, as restated	1,116,888	251,153
Impaired during the year	355,216	288,916
Reclassified as non-impaired	(65,295)	(87,780)
Amount written-offs	(91,355)	-
At 31 December	1,315,454	452,289
Net impaired loans as % of net loans,advances and financing at 31 December 2010 (excluding staff loans)	21.6%	
Net impaired loans as % of net loans, advances and financing as at 1 January 2010, restated for the effect of adopting FRS 139 (excluding staff loans)	16.6%	

8. Loans, Advances And Financing (cont'd.)

(vi) Impaired loans, advances and financing analysed by industry are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Agriculture, forestry and fishing	350	32	25
Constructions	58,979	33,221	32,162
Education, health and others	130,824	49,839	56,714
Electricity, gas and water supply	13,004	1,287	335
Financial, insurance, real estate and business services	32,858	29,095	12,416
Import, export, wholesale, retail trade, restaurants and hotels	543,436	73,135	72,860
Manufacturing	441,661	215,257	24,549
Mining and quarrying	5,598	2,899	2,084
Transportation and communication	88,744	47,524	50,008
	1,315,454	452,289	251,153

(vii) Movements in the allowance for impaired loans, advances and financing are as follows:

	Group and Bank	
	2010 RM'000	2009 RM'000
Individual assessment allowance		
At 1 January		
- as previously stated	-	-
- effect of adopting FRS 139 on 1 January 2010	544,447	-
At 1 January, as restated	544,447	-
Amount written-offs	(48,474)	-
Allowance made during the year	127,085	-
At 31 December	623,058	-

8. Loans, Advances And Financing (cont'd.)

(vii) Movements in the allowance for impaired loans, advances and financing are as follows: (cont'd.)

	Group and Bank	
	2010	2009
	RM'000	RM'000
Collective assessment allowance		
At 1 January		
- as previously stated	-	-
- effect of adopting FRS 139 on 1 January 2010	153,770	-
At 1 January, as restated	153,770	-
Amount written-offs	(40,104)	-
Writeback of allowance during the year	(9,798)	-
At 31 December	103,868	-

	Group and Bank	
	2010	2009
	RM'000	RM'000
Specific allowance		
At 1 January		
- as previously stated	238,944	108,924
- effect of adopting FRS 139 on 1 January 2010	(238,944)	-
At 1 January, as restated	-	108,924
Allowance made during the year	-	223,892
Amount written back in respect of recoveries	-	(93,872)
At 31 December	-	238,944

	Group and Bank	
	2010	2009
	RM'000	RM'000
General allowance		
At 1 January		
- as previously stated	70,324	61,657
- effect of adopting FRS 139 on 1 January 2010	(70,324)	-
At 1 January, as restated	-	61,657
Allowance made during the year	-	27,950
Amount written back	-	(19,283)
At 31 December	-	70,324

9. Other assets

	Group		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Trade receivables	-	77	77
Development cost for the intellectual properties	-	2,093	2,093
Other receivables and prepayments	30,734	42,864	84,981
Amount due from a Government - linked body (Note a)	-	60,000	-
Interest receivables	15,224	8,473	10,855
	45,958	113,507	98,006

	Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Amount due from subsidiaries (Note b)	3,243	3,243	3,243
Less: Allowance for bad and doubtful debts	(3,243)	(3,243)	(3,243)
	-	-	-
Other receivables and prepayments	30,030	36,125	77,485
Amount due from a Government linked body (Note a)	-	60,000	-
Interest receivable	15,224	8,473	10,855
	45,254	104,598	88,340

Note a: This relates to amount due from a Government-linked body amounting to RM60 million under the Tabung Pembangunan Pengangkutan Awam ("TPPA"). The amount is unsecured, interest free and has no terms of repayment.

During the current financial year, an agreement was entered into between the Bank and the Ministry of Finance ("MoF") for the settlement of the amount on behalf of the Government-linked body.

Note b: The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

10. Investments in subsidiaries

	Group and Bank	
	2010 RM'000	2009 RM'000
Unquoted shares		
At cost		
At 1 January	162,000	162,000
Transferred to held for sale (Note 13)	(162,000)	-
At 31 December	- *	162,000
Accumulated impairment losses		
At 1 January	(94,510)	(32,613)
Charge for the year	(4,350)	(61,897)
Transferred to held for sale (Note 13)	98,860	-
At 31 December	-	(94,510)
Carrying amount		
At 1 January	67,490	129,387
At 31 December	- *	67,490

* Denotes RM2

The subsidiaries, all of which incorporated in Malaysia, are as follows:

Name of company	Principal activities	Effective ownership interest (%)	
		2010	2009
Held by the Bank:			
BI Nelayan Malaysia Sdn. Bhd.	Dormant	100	100
BI Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
BI Technical Consultancy Services Sdn. Bhd.*	Under liquidation	93	93
BI Technology & Engineering Centre Sdn. Bhd.*	Under liquidation	100	100
BI Walden Ventures ke Lima Sdn. Bhd.	Dormant	100	100
Golden Prominent Sdn. Bhd.	Dormant	100	100
Guardmont Industries Sdn. Bhd.	Dormant	100	100

10. Investments in subsidiaries (cont'd)

Name of company	Principal activities	Effective ownership interest (%) 2010	2009
Malaysian Technology Investments (L) Bhd	Dormant	100	100
Metro Maple Sdn. Bhd.	Dormant	100	100
Metro Prominent Sdn. Bhd.	Dormant	100	100
SME Growth Acceleration Fund Sdn. Bhd. ("SMEGAF") ***	Venture capital fund	100	100
Held through a subsidiary, SMEGAF			
Profound Vaccine Sdn. Bhd.**	Bio-technology	93	93

* In members' voluntary liquidation.
** Audited by a firm other than Ernst & Young.
*** Classified as discontinuing operation during the current financial year (Note 13)

11. Investments in associates

	GROUP 2010 RM'000	GROUP 2009 RM'000	BANK 2010 RM'000	BANK 2009 RM'000
At cost:				
Quoted shares in Malaysia	1,903	1,903	1,903	1,903
Unquoted shares in Malaysia	64,383	94,809	7,576	13,334
	66,286	96,712	9,479	15,237
Share of post-acquisition reserves	42,983	43,343	-	-
	109,269	140,055	9,479	15,237
Less: Accumulated impairment losses	(53,026)	(54,431)	(1,174)	(4,789)
	56,243	85,624	8,305	10,448
Fair value of investment in a quoted associate for which there is a published price quotation	33,741	9,692	33,741	29,692

10. Investments in subsidiaries associates (cont'd)

Name of company	Principal activities	Effective percentage of ownership 2010 %	2009 %
Held through a subsidiary, SMEGAF (discontinuing operation - Note 13): (cont'd.)			
Nano C Sdn. Bhd.	Research and development services	26	26
Nature's Own Brand Sdn. Bhd.	Trading of food products	26	26
NCM Global Sdn. Bhd.	Engineering services	26	26
Orea Technologies Sdn. Bhd.	Development of information technology security	26	26
Paximej (M) Sdn. Bhd.	Event management	26	26
Sal's Food Industries Sdn. Bhd.	Manufacturing of food and beverage products	26	26
Schiffs & Industries Technic Sdn. Bhd.	Manufacturing of fuel treatment system for marine	26	26
Serene Quest Marine Sdn. Bhd.	Oil and gas services industries	26	26
Simfoni Maya Sdn. Bhd.	Electronic and digital advertising	26	26
Sutrasegi Sdn. Bhd.	Manufacturing of foam rubber product	26	26
Swift Application Sdn. Bhd.	ICT- Product and services	26	26
Wellad Communications Sdn. Bhd.	Advertising agents and creative designer	26	26

* In members' voluntary liquidation.

** Although the Group holds less than 20% ownership interest and voting control in Metrod Malaysia Bhd., the Group has the ability to exercise significant influence through both its significant shareholding and its nominee's participation on the Board of Directors.

12. Property, Plant And Equipment

Group 2010	Freehold land RM'000	Long term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Office partition RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2010	3,588	40,781	2 57,095	23,520	21,728	4,037	5,461	15,724	371,934
Reclassifications	-	-	-	(725)	204	-	646	(125)	-
Additions	6,979	-	-	3,402	304	21	1,493	5,947	18,146
Disposal/written-offs	-	-	-	-	-	(145)	-	(5,018)	(5,163)
At 31 December 2010	10,567	40,781	257,095	26,197	22,236	3,913	7,600	16,528	384,917
Accumulated depreciation									
At 1 January 2010	-	7,819	29,902	16,613	18,630	2,761	1,755	-	77,480
Reclassification	-	-	-	20	-	-	(20)	-	-
Charge for the year	-	794	5,213	2,334	406	393	1,545	-	10,685
Disposal/written-offs	-	-	-	-	-	(145)	-	-	(145)
At 31 December 2010	-	8,613	35,115	18,967	19,036	3,009	3,280	-	88,020
Net carrying amount	**10,567**	**32,168**	**221,980**	**7,230**	**3,200**	**904**	**4,320**	**16,528**	**296,897**
The net carrying amount is represented by assets held by:									
Continuing operations	10,567	32,168	2 21,980	6,744	3,152	904	4,318	16,528	296,361
Discontinuing operation (Note 13)	-	-	-	486	48	-	2	-	536
	10,567	**32,168 2**	**21,980**	**7,230**	**3,200**	**904**	**4,320**	**16,528**	**296,897**

12. Property, Plant And Equipment (cont'd.)

Group 2010	Freehold land RM'000	Long term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Office partition RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2009	3,588	40,781	257,095	19,052	38,821	3,526	5,436	689	368,988
Transfers from a fellow subsidiary	-	-	-	3,684	26	-	-	166	3,876
Transfers to a fellow subsidiary	-	-	- (	1,938)	(17,917)	-	-	-	(19,855)
Additions	-	-	-	2,748	798	794	25	14,869	19,234
Disposal/written-offs	-	-	-	(26)	- (	283)	-	-	(309)
At 31 December 2009	3,588	40,781	257,095	23,520	21,728	4,037	5,461	15,724	371,934
Accumulated depreciation									
At 1 January 2009	-	7,025	25,465	12,821	34,361	2,616	949	-	83,237
Charge for the year	-	794	4,437	5,578	2,186	428	806	-	14,229
Transfers to a fellow subsidiary	-	-	-	(1,778)	(17,917)	-	-	-	(19,695)
Disposal/written-offs	-	-	-	(8)	-	(283)	-	-	(291)
At 31 December 2009	-	7,819	29,902	16,613	18,630	2,761	1,755	-	77,480
Net carrying amount	**3,588**	**32,962**	**227,193**	**6,907**	**3,098**	**1,276**	**3,706**	**15,724**	**294,454**

12. Property, Plant And Equipment (cont'd.)

Group 2010	Freehold land RM'000	Long term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Office partition RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2010	3,588	40,781	257,095	23,033	21,680	4,037	5,459	15,724	371,397
Reclassifications	-	-	-	(566)	(51)	-	583	34	-
Additions	6,979	-	-	3,244	560	21	1,555	5,787	18,146
Disposal/written-offs	-	-	-	-	-	(145)	- (	5,018)	(5,163)
At 31 December 2010	10,567	40,781	257,095	25,711	22,189	3,913	7,597	16,527	384,380
Accumulated depreciation									
At 1 January 2010	-	7,819	29,902	16,612	18,630	2,761	1,755	-	77,479
Reclassifications	-	-	-	20	-	-	(20)	-	-
Charge for the year	-	794	5,213	2,334	407	393	1,544	-	10,685
Disposal/written-offs	-	-	-	-	-	(145)	-	-	(145)
At 31 December 2010	-	8,613	35,115	18,966	19,037	3,009	3,279	-	88,019
Net carrying amount	**10,567**	**32,168**	**221,980**	**6,745**	**3,152**	**904**	**4,318**	**16,527**	**296,361**

12. Property, Plant And Equipment (cont'd.)

Group 2010	Freehold land RM'000	Long term leasehold land RM'000	Building RM'000	Furniture and equipment RM'000	Office partition RM'000	Motor vehicles RM'000	Electrical and machinery RM'000	Work-in progress RM'000	Total RM'000
Cost									
At 1 January 2009	3,588	40,781	257,095	20,897	38,797	3,526	5,434	689	370,807
Transfers from a fellow subsidiary	-	- -		1,352	2	-	-	166	1,520
Transfers to a fellow subsidiary	-	-	-	(1,938)	(17,917)	-	-	-	(19,855)
Additions	-	-	-	2,748	798	794	25	14,869	19,234
Disposal/written-offs	-	-	-	(26)	-	(283)	-	-	(309)
At 31 December 2009	3,588	40,781	257,095	23,033	21,680	4,037	5,459	15,724	371,397
Accumulated depreciation									
At 1 January 2009	-	7,025	25,465	15,152	34,385	2,616	949	-	85,592
Charge for the year	-	794	4,437	3,246	2,162	428	806	-	11,873
Transfers to a fellow subsidiary	-	-	-	(1,778)	(17,917)	-	-	-	(19,695)
Disposal/written-offs	-	-	-	(8)	-	(283)	-	-	(291)
At 31 December 2009	-	7,819	29,902	16,612	18,630	2,761	1,755	-	77,479
Net carrying amount	**3,588**	**32,962**	**227,193**	**6,421**	**3,050**	**1,276**	**3,704**	**15,724**	**293,918**

Included in depreciation charge during the year of the Group and the Bank is depreciation charge set off against Government Funds amounting to RM3,015,000 (2009:RM3,145,000), recognised as part of Government Funds in other income as disclosed in Note 17(a).

13. Assets / Liabilities Of A Subsidiary Classified As Held For Sale

On 15 December 2010, the Bank has accepted the offer fromBank Pembangunan Malaysia Berhad, to purchase its wholly owned subsidiary, SME GAF, for a consideration of RM63.14 million. The proposed disposal of the subsidiary is expected to complete in 2011. As at 31 December 2010, the assets andliabilities of SME GAF have been presented in the statements of financial position as "Assets of a subsidiary classified as held for sale" and "Liabilities of a subsidiary classified as held for sale" and its results are presented separately on the statements of comprehensive income as "Profit from discontinuing operation, net of tax".

Statements of financial position disclosures

The major classes of assets and liabilities of SME GAF classified as held for sale as at the statements of financial position date are as follows:

Group	2010 RM'000
Assets:	
Cash and bank balances	15,855
Receivables	3,900
Investment in associates	26,123
Available-for-sale financial investments	19,611
Property, plant and equipment (Note 12)	536
	66,025
Liabilities:	
Payables	**2,955**

Company	RM'000
Investment in subsidiary	
At cost	
At 1 January 2010 -	
Transferred from investment in subsidiaries (Note 10)	**162,000**
At 31 December 2010	**162,000**
Accumulated impairment losses	
At 1 January 2010	
Transferred from investment in subsidiaries (Note 10)	**(98,860)**
At 31 December 2010	**(98,860)**
Net carrying amount	**63,140**

13. Assets / Liabilities Of A Subsidiary Classified As Held For Sale (cont'd.)

Statements of comprehensive income disclosures

The results of SME GAF for the years ended 31 December are as follows:

	Group	
	2010 RM'000	2009 RM'000
Revenue	642	431
Other income	4,773	130
Operating and administrative expenses	(4,056) (	5,149)
Impairment allowances	-	(57,260)
Operating profit/(loss)	1,359	(61,848)
Share of loss of associated companies	(55)	(2,966)
Profit/(loss) before tax	1,304	(64,814)
Tax expense	(109)	-
Profit/(loss), net of tax	1,195	(64,814)

Statements of cash flow disclosures

	Group	
	2010 RM'000	2009 RM'000
Operating cash inflows/(outflows)	2,326	(62,859)
Investing cash (outflows)/inflows	(3,560)	49,765
Net cash outflows	(1,234)	(13,094)

14. Deposit from customers

	Group	
	2010 RM'000	2009 RM'000
Fixed deposits and negotiable instruments of deposits less than one year	1 ,664,055	1,673,350

(i) The deposits are sourced from the following types of customer

	Group	
	2010 RM'000	2009 RM'000
Government and statutory bodies	987,836	769,156
Business enterprises	616,219	854,194
Others	60,000	50,000
	1 ,664,055	1,673,350

14. Deposit from customers (cont'd.)

(ii) The deposits maturity structure are as follows:

	Group and Bank	
	2010	2009
	RM'000	RM'000
Less than three months	1,206,407	1,136,651
Three months to six months	114,941	432,031
Six months to one year	342,707	104,668
	1,664,055	1,673,350

15. Terms Loans

		Group and Bank		
		As at 31 December 2010	As at 31 December 2009	As at 1 January 2009
	Note	RM'000	RM'000	RM'000
Term loans - unsecured	(a)	3,498,565	3,267,408	2,969,555
Financing from Government		9,275	18,546	27,949
		3,507,840	3,285,954	2,997,504
The maturity structure of the term loans are as follows:				
Within twelve months		119,004	91,803	133,862
More than twelve months		3,388,836	3,194,151	2,863,642
		3,507,840	3,285,954	2,997,504

(a) The unsecured term loans are sourced from the following types of loans:

		Group and Bank		
		As at 31 December 2010	As at 31 December 2009	As at 1 January 2009
	Note	RM'000	RM'000	RM'000
Loans from:				
- Government of Malaysia	(i)	1,597,608	1,561,583	1,186,235
- Japan Bank of International Corporation	(ii)	132,671	162,080	494,559
- Other financial institutions	(iii)	1,768,286	1,543,745	1,288,761
		3,498,565	3,267,408	2,969,555

15. Term loans (cont'd.)

(i) Loans from Government of Malaysia

The results of SME GAF for the years ended 31 December are as follows:

	Principal amount due		
Year	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
2010	-	13,246	26,659
2011	7,738	7,738	12,027
Due after 2012	1,589,870	1,540,599	1,147,549
	1,597,608	1,561,583	1,186,235

Interest on the loans from Government of Malaysia is charged at rates of 0% to 4% (2009: 0% to 4%) per annum during the year.

(ii) Loans from the Japan Bank of International Corporation ("JBIC")

Included in loans from JBIC are as follows:

(a) Loan of ¥5,716,228,574 (approximately RM205,041,118) principal repayable over a period of 19 years commencing 20 December 1995, after a grace period of 6years. As at 31 December 2010, the principal balance of the loan stood atRM18,669,949 (31 December 2009: RM24,592,963; 1 January 2009: RM30,570,269). The loan will mature on 20 December 2013.

(b) Loan of ¥4,660,000,000 (approximately RM167,154,200) principal repayable over a period of 18 years commencing 20 May 2002, after a grace period of 7 years. As at 31 December 2010, the principal balance of the loan stood at RM41,595,440 (31 December 2009: RM47,979,050; 1 January 2009: RM54,442,943). The loan will mature on 20 May 2017.

(c) Loans for Asean-Japan Development Fund (AJDF) and Small and Medium Industry Promotion Program (SMIPP) amounting to RM33,222,000 and RM39,183,300 respectively (31 December 2009: RM44,296,000 and RM45,211,500 respectively; 1 January 2009: RM55,370,000 and RM51,239,700 respectively) which are repayable in semi-annual instalments of Ringgit Malaysia equivalent of ¥281,921,000 and Ringgit Malaysia equivalent of ¥125,945,000 each commencing from December 1995 and May 1999 respectively

These loans are guaranteed by the Government of Malaysia.

The interest rates on long term loans/Japan International Co-operation Agency ("JICA") ranges from 3.0% to 3.5% (2009: 3.0% to 3.5%) per annum during the year.

15. Terms Loans (cont'd.)

(iii) Loans from other institutions

Included in the loans from other institutions are from Bank Negara Malaysia ("BNM"),Credit Guarantee Corporation (M) Berhad ("CGC") and Employee Provident Fund ("EPF") amounting to RM969,044,943 (2009: RM962,095,642), RM515,810 (2009: RM31,649,616) and RM800,000,000 (2009: RM 250,000,000), respectively. Interest on the loans are charged at rates of 0.50 % to 5.23% (2009: 0.50% to 5.23%) per annum.

16. Other liabilities

	Group		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Other payables, provisions and accruals	112,601	110,344	105,591
Interest payables	50,839	33,282	8,379
Provision for liabilities - legal claims (Note a)	42,198	-	-
Amount due to a fellow subsidiary	7,795	10,265	22,615
Provision for zakat	1,040	4,510	1,650
	214,473	158,401	138,235

	Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Other payables, provisions and accruals	112,573	105,087 9	4,362
Interest payables	50,839	33,282	23,923
Provision for liabilities (Note a)	42,198	-	-
Provision for zakat	1,040	4,510	4,424
	206,650	142,879	122,709

(a) Provision for liabilities

The Bank was served with writs of summons from customers on the disputes arising from its banking activities. The outcome of the cases depends on the pending legal proceedings. Based on legal advice, the Bank has made a provision of RM42,198,000 for the potential claims in the current financial year.

17. Government funds

	Note	Group and Bank 2010 RM'000	2009 RM'000
To finance:			
Purchase of property, plant and equipment	(a)	151,043	129,255
Loans, advances and financing	(b)	206,431	230,954
		357,474	360,209

(a) To finance the purchase of property, plant and equipment:

2010	Nursery Factory Scheme RM'000	Nursery Factory Scheme (RMK8) RM'000	Nursery Factory Scheme (RMK9) RM'000	Total RM'000
At 1 January	101,277	11,516	16,462	129,255
Fund disbursed during the year	-	-	29,100	29,100
Utilised to offset depreciation charge for the year	(137)	(2,491)	(387)	(3,015)
Utilised to offset expenses	-	-	(4,297)	(4,297)
At 31 December	101,140	9,025	40,878	151,043
2009				
At 1 January	102,016	13,638	7,160 1	22,814
Fund disbursed during the year	-	-	15,000	15,000
Utilised to offset depreciation charge for the year	(124)	(2,897)	(124)	(3,145)
Utilised to offset expenses	(615)	775	(5,574)	(5,414)
At 31 December	101,277	11,516	16,462	129,255

17. Government funds (cont'd.)

(b) To finance loans:

Group and Bank 2010	Soft Loan Scheme RM'000	Tabung Usahawan Pahang RM'000	Tabung Inkubator Pertanian Kelantan RM'000	Tabung Usahawan Siswazah (TUS) RM'000	Dana Usahawan Negeri Terengganu RM'000	SPEDI RM'000	Balance c/f RM'000
At 1 January, previously stated	41,259	379	2,990	35,304	18,952	970	99,854
Effect of adopting FRS 139 (Note 2.2.1 (e))	(4,422)	(91)	(321)	(5,391)	(7,159)	30	(17,354)
At 1 January 2010	36,837	288	2,669	29,913	11,793	1,000	82,500
Write-offs	(200)	-	-	(3,396)	(216)	-	(3,812)
Allowance made during the year	-	-	-	-	303)	-	(303)
Write back of allowance	-	-	-	2,879	-	-	2,879
Hibah	-	-	-	-	(40)	-	(40)
At 31 December	36,637	288	2,669	29,396	11,234	1,000	8

17. Government funds (cont'd.)

(b) To finance loans: (cont'd.)

2010	Balance b/f RM'000	Program dan Skim Usahawan Batik RM'000	Soft Loan Scheme (SMA) RM'000	Skim Pembangunan Ekonomi Desa-Islamic RM'000	Perusahaan Kapal Tradisional - Grant RM'000	Program dan Skim Usahawan Kraf RM'000	Total RM'000
At 1 January, previously stated	99,854	4,476	44,172	74,602	3,000	4,850	230,954
Effect of adopting FRS 139 (Note 2.2.1 (e))	(17,354)	(179)	(7,430)	(7,392)	-	(72)	(32,427)
At 1 January 2010	82,500	4,297	36,742	67,210	3,000	4,778	198,527
Write-offs	(3,812)	(355)	(259)	(13,287)	-	(177)	(17,890)
Allowance made during the year	(303)	-	(4,131)	-	-	-	(4,434)
Write back of allowance	2,879	455	-	27,068	-	128	30,530
Expenses	-	-	-	(218)	-	-	(218)
Hibah / Muqasah	(40)	-	-	(44)	-	-	(84)
At 31 December	81,224	4,397	32,352	80,729	3,000	4,729	206,431

17. Government funds (cont'd.)

(b) To finance loans:

Group and Bank 2010 RM'000	Soft Loan Scheme RM'000	Tabung Usahawan Pahang RM'000	Tabung Inkubator Pertanian Kelantan RM'000	Tabung Usahawan Siswazah (TUS) RM'000	Dana Usahawan Negeri Terengganu RM'000	SPEDI RM'000	Balance c/f
At 1 January	41,259	379	2,990	37,162	19,090	970	101,850
Allowance made during the year	-	-	- (	1,876)	(138)	-	(2,014)
Write back of allowance	-	-	-	18	-	-	18
At 31 December	41,259	3 79	2,990	35,304	18,952	970	99,854

	Balance b/f RM'000	Program dan Skim Usahawan Batik RM'000	Soft Loan Scheme (SMA) RM'000	Skim Pembangunan Ekonomi Desa-Islamic RM'000	Skim Perusahaan Kapal Traditional - Grant RM'000	Program dan Skim Usahawan Kraf Grant RM'000	Total RM'000
At 1 January	101,850	4,870	44,908	77,554	3,000	4,936	237,118
Fund utilised during the year	-	-	-	5,000	-	-	5,000
Allowance made during the year	(2,014)	(418)	(736)	(7,806)	-	(88)	(11,062)
Write back of allowance	18	2 4	-	89	-	2	133
Recoveries	-	-	-	42			42
Expenses	-	-	-	(244)	-	-	(244)
Muqasah	-	-	-	(33)	-	-	(33)
At 31 December	99,854	4,476	44,172	74,602	3,000	4,850	230,954

18. Share capital

	Number of ordinary shares of RM1 each		Amount	
	2010 Unit '000	2009 Unit '000	2010 RM'000	2009 RM'000
Authorised:				
At 1January / 31 December	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:				
At 1 January / 31 December	1 ,350,000	1,350,000	1,350,000	1,350,000

19. Other reserves

Group and Bank	Non distributable available-for-sale reserve RM'000	Distributable general reserve RM'000	Total RM'000
At 1 January 2009	1 ,633	10,114	11,747
Movement in revaluation reserve of available-for-sale financial investments	1,291	-	1,291
At 31 December 2009	2,924	10,114	13,038
At 1 January 2010	2,924	10,114	13,038
Movement in revaluation reserve of available-for-sale financial investments	(33)	-	(33)
At 31 December 2010	2,891	10,114	13,005

20. Interest income

	GROUP		BANK	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Interest income from:				
Loans, advances and financing				
- interest income on unimpaired loans, advances and financing	74,681	98,592	74,681	98,592
- interest income on impaired loans, advances and financing	8,617	6,864	8,617	6,864
Deposits and placements with banks and other financial institutions	71,742	36,982	71,742	36,982
Available-for-sale financial investments	7,430	9,586	7,430	9,586
Held-to-maturity financial investments	4,914	1,256	4,914	1,256
	167,384	153,280	167,384	153,280

21. Interest expense

	Group and BANK	
	2010 RM'000	2009 RM'000
Deposits from customers	39,357	22,419
Term loans	61,308	47,886
Others	11	62
	100,676	70,367

22. Other operating income

	Group		Bank	
	2010 Unit '000	2009 Unit '000	2010 RM'000	2009 RM'000
Fee income	3,454	7,975	3,442	7,961
Income from available-for-sale financial investments:				
- loss on disposal of quoted investments	(3,776)	(1,529)	(3,776)	(1,529)
- (loss)/gain on disposal ofunquoted investments	(210)	995	(210)	995
- gross dividend income from quoted investments	116	203	116	203
- gross dividend income from unquoted investments	519	-	519	-
	(3,351)	(331)	(3,351)	(331)
Investment in associates:				
- gross dividend income	1,097	1,383	1,097	1,347
- gain on disposal	-	88	-	-
	1,097	1,471	1,097	1,347
Other income:				
Rental income	1,489	955	1,489	955
Gain on disposal of property, plant and equipment	155	286	155	286
(Write back)/release of government funds	(8,609)	19,722	(8,609)	19,722
Others	15,961	10,272	15,961	10,396
	8,996	31,235	8,996	31,359
Total other operating income	10,196	40,350	10,184	40,336

23. Other operating expenses

		Group		Bank	
	Note	2010 Unit '000	2009 Unit '000	2010 RM'000	2009 RM'000
Personnel expenses	(i)	68,786	72,717	68,786	72,717
Establishment related expenses	(ii)	21,300	32,757	21,300	30,401
Promotion and marketing expenses	(iii)	2,112	1,223	2,112	1,223
Administration and general expenses	(iv)	25,422	18,400	26,935	21,338
		117,620	125,097	119,133	125,679

23. Other operating expenses (cont'd)

	GROUP		BANK	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
(i) Personnel expenses				
Salaries, allowances and bonuses	37,944	56,257	37,944	56,257
Provision for mutual separation and early retirement schemes	15,986	-	15,986	-
Social security cost	521	508	521	508
Contribution to Employee Provident Fund	6,283	9,483	6,283	9,483
Other staff related expenses	8,052	6,469	8,052	6,469
	68,786	72,717	68,786	72,717
(ii) Establishment related expenses				
Depreciation of property, plant and equipment	10,685	14,229	10,685	11,873
Rental of premises	1,125	986	1,125	986
Repairs and maintenance of property, plant and equipment	9,490	17,542	9,490	17,542
	21,300	32,757	21,300	30,401
(iii) Promotion and marketing expenses				
Advertisement and publicity	2,112	1,223	2,112	1,223
(iv) Administration and general expenses				
Administrative expenses	8,011	7,175	7,998	7,772
Auditors' remuneration				
- Statutory audit	267	252	250	235
- Review engagements	196	20	196	20
General expenses	16,948	10,330	18,491	12,688
Sundry debtors written-off	-	623	-	623
	25,422	18,400	26,935	21,338

24. Directors' remuneration

The details of remuneration receivable by directors of the Bank during the year are as follows:

	Group and Bank	
	2010 RM'000	2009 RM'000
(a) Directors of the Bank		
Executive director/ managing director:		
Salaries and other emoluments	1,089	910
Defined contribution plan	166	154
Total	1,255	1,064
Non-executive directors:		
Fees	284	329
Total directors' remuneration of the Bank	1,539	1,393
(b) Directors of the subsidiaries		
Non-executive directors:		
Fees - discontinuing operation (Note 13)	41	57

The number of directors of the Group and the Bank whose total remuneration fell within the following bands are analysed below:

	Group and Bank	
	2010 RM'000	2009 RM'000
Number of executive director:		
RM1,050,001 to RM1,100,000	-	1*
RM800,001 to RM850,000	1*	-
RM400,001 to RM450,000	1	-

* Relates to the former executive director of the Bank who resigned on 23 June 2010.

Number of non-executive directors:		
RM50,001 to RM100,000	1	2
RM1 to RM50,000	6	6
	7	8

25. Allowance for impairment on loans, advances and financing

	Group and Bank	
	2010 RM'000	2009 RM'000
Allowance for impaired/non-performing loans, advances and financing made during the year:		
- Individual assessment allowance	127,085	-
- Specific provisions	-	223,892
- General provisions	-	27,950
	127,085	251,842
Write back/recoveries of allowance for impaired/non-performing loans, advances and financing made during the year:		
- Collective assessment allowance	(9,798)	-
- Specific provisions	-	(93,872)
- General provisions	-	(19,283)
	(9,798)	(113,155)
Loans, advances and financing written-off	2,778	-
Recoveries from bad loans, advances and financing written-off	(32,802)	(44,797)
Total allowance for impairment on loans, advances and financing	87,263	93,890

26. Allowance for impairment on financial investments

	Group		Bank	
	2010 Unit '000	2009 Unit '000	2010 RM'000	2009 RM'000
Allowance for diminution in value:				
- subsidiaries	-	-	4,350	61,897
- associates	-	1,466	-	1,466
- quoted investments	438	1,611	438	1,611
- unquoted investments	-	20	-	20
Investment in associates written-offs	1,658	-	1,658	-
Write back of allowance for impairment losses:				
- quoted investments	-	(1,282)	-	(1,282)
- unquoted investments	-	(920)	-	(920)
	2,096	895	6,446	62,792

27. Tax expense and zakat

	Group		Bank	
	2010 RM '000	2009 RM '000	2010 RM'000	2009 RM'000
Income tax:				
Continuing operations:				
Tax expense for the year	2	-	-	-
Overprovision in prior year	-	(15,316)	-	(15,316)
	2	(15,316)	-	(15,316)
Discontinuing operation:				
Tax expense for the year (Note 13)	109	-	-	-
Total income tax	111	(15,316)	-	(15,316)
Zakat:				
Zakat for the year	976	1,886	976	1,886
Overprovision of zakat in prior year	(3,176)	-	(3,176)	-
	(2,200)	1,886	(2,200)	1,886
Total tax expense and zakat for the year	(2,089)	(13,430)	(2,200)	(13,430)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2009: 25%) of the estimated assessable loss for the year.

The reconciliation between tax expense and accounting loss of the Group and Bank multiplied by the applicable corporate tax rate are as follows:

27. Tax expense and zakat (cont'd)

	Group		Bank	
	2010 RM '000	2009 RM '000	2010 RM'000	2009 RM'000
Loss before tax and zakat from:				
- continuing operations	(67,717)	(28,200)	(73,288)	(87,058)
- discontinuing operation (Note 13)	1,304	(64,814)	-	-
	(66,413)	(93,014)	(73,288)	(87,058)
Income tax at 25% (2009: 25%)	(16,603)	(23,254)	(18,322)	(21,765)
Non-deductible expenses	39,182	41,786	43,221	41,198
Tax exempt income	(401)	(382)	(401)	(382)
Change in unrecognised temporary differences	(22,371)	(21,785)	(24,498)	(19,051)
Effects of share of associates' post-tax loss included in group's loss before taxation	304	3,635	-	-
Overprovision of tax expenses in prior year	-	(15,316)	-	(15,316)
Total tax expense	**111**	**(15,316)**	**-**	**(15,316)**

27. Tax expense and zakat (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Group and Bank	
	2010 RM'000	2009 RM'000
Deductible temporary differences		
- Collective assessment allowance	103,868	-
- General allowance	-	70,324
Unused tax losses carried forward (Note a)	125,194	78,372
Unabsorbed capital allowances	130,827	86,101
	359,889	234,797

(a) The availability of unused tax losses for offsetting against future taxable profits subject to no substantial changes in shareholdings of those in the Bank under the Income Tax Act, 1967 and guidelines issued by the authority.

28. Loss per share

Basic loss per share amounts are calculated by dividing loss for the year from net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the loss and share data used in the computation of basic loss per share for the years ended 31 December:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loss from continuing operations attributable to owner of the Bank, net of tax	(65,519)	(14,770)	(71,088)	(73,628)

	Group	
	2010 RM'000	2009 RM'000
Profit/(loss) from discontinuing operation attributable to owner of the Bank, net of tax	1,195	(64,814)

	Group and Bank	
	2010 Units ('000)	2009 Units ('000)
Number of ordinary shares for basic loss per share computation	1 ,350,000	1,350,000

27. Loss per share (cont'd)

(a) Continuing operations

Basic loss per share amounts are calculated by dividing loss for the year from continuing operations, net of tax, attributable to the owner of the Bank by the weighted average number of ordinary shares outstanding during the financial year. Deferred tax assets have not been recognised in respect of the following items:

(b) Discontinuing operation

Basic loss per share amounts are calculated by dividing loss for the year from continuing operations, net of tax, attributable to the owner of the Bank by the weighted average number of ordinary shares outstanding during the financial year. Deferred tax assets have not been recognised in respect of the following items:

29. Commitments and contingencies

(i) Loans, advances and financing related commitments and contingencies of the Group and the Bank are as follows:

	Group and Bank	
	2010 RM'000	2009 RM'000
Direct credit substitutes	166,828	289,477
Transaction-related contingent items	133,180	160,582
Irrevocable commitments to extend credit:		
- maturity exceeding one year	177,182	240,087
- maturity not exceeding one year	858,908	1,578,756
	1 ,336,098	2,268,902

(ii) Capital expenditure commitments of the Group and the Bank are as follows:

	Group and Bank	
	2010 RM'000	2009 RM'000
Approved and contracted for:		
Property, plant and equipment	15,302	9,461
IT system	536	4,045
	15,838	13,506
Total commitments and contingencies	1,351,936	2,282,408

30. Related party transactions

(a) The significant transaction of the Group and the Bank with its related parties are as follows:

	2010 RM'000	2009 RM'000
Provision of IT services from a fellow subsidiary	545	426
Property, plant and equipment transferred to fellow subsidiary	-	160
Property, plant and equipment transferred from a fellow subsidiary	-	1,520

(b) Compensation of key management personnel

The compensation of key management personnel other than to the directors of the Bank as disclosed in Note 24 is as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries and other emoluments	6,915	3,555	6,915	3,555
Bonus	-	764	-	764
Defined contribution plan	1,161	705	1,161	705
	8,076	5,024	8,076	5,024

31. Capital adequacy

Capital management

Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and able to provide cushion for any potential losses. In line with this objective, the Bank views capital position as an important key barometer of financial health.

31. Capital adequacy (cont'd.)

Regulatory capital

In order to support its mandated roles, the Bank must have strong and adequate capital to support its business activities on an on-going basis. In lieu to this, Bank Negara Malaysia has imposed several regulatory capital requirements whereby, the Bank must have an absolute minimum capital of RM300,000,000 and a minimum Risk Weighted Capital Ratio ('RWCR') of 8% at all times. The minimum capital funds refer to paid-up capital and reserves as defined in Section 3 of Development Financial Institution Act 2002.

The following table set forth capital resources and capital adequacy for the Bank as at reporting date:

	Bank	
	2010 RM'000	2009 RM'000
Tier I Capital		
Paid-up share capital	1,350,000	1,350,000
Accumulated losses	(611,249)	(228,172)
Other reserves	13,005	13,038
Total Tier I capital	751,756	1,134,866
Tier II Capital		
Collective allowance for loans, advances and financing *	66,279	-
General allowance	-	70,324
Government funds	357,474	360,209
Total Tier II capital	423,753	430,533
Total capital	1,175,509	1,565,399
Less:		
Investment in subsidiaries	(63,140)	(67,490)
Total capital base	1,112,369	1,497,909

* The eligible amount for Tier II Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

31. Capital adequacy (cont'd.)

Capital Management (contd.)

Regulatory capital (contd.)

Breakdown of risk-weighted assets in the various categories of risk-weights:

	Bank	
	2010 RM'000	2009 RM'000
10%	1,004	3,000
20%	505,120	493,445
50%	64,149	79,503
100%	3,888,759	4,269,700
	4,459,032	4,845,648
Core capital ratio	16.86%	23.42%
Risk-weighted capital ratio	24.95%	30.91%

Capital monitoring

The Bank's capital is closely monitored and actively managed. Beside the regulatory capital requirement of 8%, the Bank sets an internal capital limit that would act as a trigger to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. The absolute capital shall be maintained based on the amount allocated under the Economic Capital Allocation. Internal capital limit and regulatory capital requirement shall be closely monitored regularly reviewed and reported to Management and Board of Directors

32. Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

32. Fair value of financial instruments (cont'd.)

Loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as a going concern.

The on-balance sheet financial assets and financial liabilities of the Group and the Bank whose fair values are required to be disclosed in accordance with FRS132 comprise all its assets and liabilities with the exception of investments in subsidiaries, investments in associated companies, property, plant and equipment, prepaid land lease payment, government funds and provision for current and deferred taxation.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the balance sheets, except for the following financial assets and liabilities:

	Group		Bank	
	Carrying amount	Fair value	Carrying amount	Fair value
2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets:				
Financial investments:				
Available-for-sale				
- Unquoted shares, at cost*	12,497	12,497	12,497	12,497
- Held-to-maturity, at cost	70,129	71,689	70,129	71,689
Loans, advances and financing	3,251,861	2,638,816	3,251,861	2,638,816
Financial liabilities:				
Term loans	3,251,861	2,702,552	3 ,507,840	2,702,552

32. Fair value of financial instruments (cont'd.)

2009	Group Carrying amount RM'000	Fair value RM'000	Bank Carrying amount RM'000	Fair value RM'000
Financial assets:				
Financial investments:				
Available-for-sale				
- Unquoted shares, at cost*	20,707	20,707	13,547	13,547
Held-to-maturity, at cost	50,192	81,395	50,192	81,395
Loans, advances and financing	3,497,233	3,091,696	3,497,233	3,091,696
Financial liabilities:				
Term loans	3,285,954	1,193,384	3,285,954	1,193,384

* Available-for-sale unquoted shares are stated at their carrying amounts as their fair value cannot be reliably measured in view that they do not have a quoted price in an active market, the range of reasonable fair value estimates is significant and the probabilities of various estimates cannot be reliably measured.

The methods and assumptions used in estimating the fair values of other financial instruments are as follows:

(a) Cash and bank balances, deposits and placements with banks and other financial institutions, and deposits from customers.

The carrying amount approximates fair value due to the relatively short maturity of these financial instruments.

(b) Quoted equity instruments and quoted government bonds

The fair value is determined directly by reference to their published market bid price at the reporting date.

32. Fair value of financial instruments (cont'd.)

(c) Loans, advances and financing

The fair values of variable and fixed rate loans with remaining maturity of less than one year are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at balance sheet date offered for similar loans to new borrowers with similar credit profiles, where applicable. For impaired loans, the fair values are deemed to approximate the carrying values, net of allowances for bad and doubtful debts and financing.

(d) Term loans

The fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the reporting date obtained for similar loans with similar maturities, where applicable.

33. Financial risk management objectives and policies

The Group's financial risk management policies seek to enhance shareholder value. The Group focuses on the enterprise wide risk exposure, which include credit risk, market price risk, liquidity risk, interest rate risk, foreign currency risk and operation risk and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management structure

The Board of Directors responsibles for the overall risk management approach and for approving the risk management strategies and principles. Separate independent bodies have been formed and are responsible in assisting the Board in managing and monitoring risks, as defined below:

(a) Board Risk Committee

The Board Risk Committee has the overall responsibilities for the development of the risk strategies and implementing principles, frameworks, policies and limits. The Risk Committee responsibles for managing risk decisions and monitoring risk levels.

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

(b) Banking Risk Management

The Banking Risk Management is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. Banking Risk Management is also responsible for monitoring compliance with risk principles, policies and limits across the Bank. The function ensures the completeness of risk measurement and reporting.

(c) Treasury

Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

(d) Internal Audit

The Internal Audit function provides an on-going focus on the internal control systems and periodic reviews of the risk management processes. It also reviews compliance with approved policies, as well as applicable laws and regulations.

Internal Audit also evaluates the independence and overall effectiveness of the risk management systems. Internal Audit's assessment on the adequacy of internal controls will involve understanding, documenting, evaluating and testing the Bank's internal control system and follow-up on corrective actions and review of management's action to address material weaknesses.

(e) Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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

(e) Risk measurement and reporting systems (cont'd.)

Information compiled from all the businesses is examined and processed in order to analyse, control and identify risks on a timely basis. This information is presented to various committee at management level before submitting to the Board Risk Committee ("BRMC") and Board of Directors. The report includes aggregate credit exposure, limit exceptions, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry and customer risks takes place. Senior Management Committee ("SMC") assesses the appropriateness of the provision for credit losses on a monthly basis. The BRMC receives a comprehensive risk report which is designed to provide all the necessary information to assess and conclude on the risks of the Bank on monthly basis. A weekly report is prepared on liquidity to be issued to the members of the SMC.

The main areas of financial risks faced by the Group are set out as follows:

(a) Credit risk

Credit risk is the potential loss arising from customers or counterparties failing to meet their financial contractual obligations. Management of credit risk is principally through lending directions and policies, which are instituted based on prevailing business and economic conditions. Credit processes are also structured to ensure adherence of credit policies and to establish impartiality in loan origination, approval, documentation, disbursement and settlement.

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

(a) Credit risk (cont'd.)

The Bank's Risk Management Department manages and reviews asset quality, reviews concentration limits, according to various categories such as customer, economic segment and product types and monitors credit portfolio risk. Industry risk is also evaluated and monitored as dynamic changes in the economic environment has a direct impact on the Bank's assets quality.

The internal credit risk rating system has been established to measure the credit worthiness of each customer. The primary objectives are to provide a consistent approach in risk grading of the Bank's borrowers.

Internal single customer limits are regularly monitored to minimise the risk of overconcentration. The overall risk management is subjected to an on-going process for review and enhancement.

Credit reviews on loan applications before being approved by the approving authorities are conducted. Various Credit Committees have been established to review all loans to be submitted for the approval of the respective committees and Board of Directors of the Bank and subsidiaries. The respective credit committees have approving authority up to a specified limit.

(i) Credit exposure

The credit risk exposure of the Group and the Bank at the reporting date are as folows:

	Group 2010 RM'000	Bank 2010 RM'000
On balance sheet:		
Cash and short term funds	1,975,145	1,974,736
Deposits and placements with banks and other financial institutions	529,212	529,212
Available-for-sale financial investments	232,464	232,464
Held-to-maturity financial investments	70,129	70,129
Loans, advances and financing	3,251,861	3,251,861
Others	-	8,473
	6,058,811	6,066,875
Other assets not subject to credit risk	480,900	420,900
	6,539,711	6,487,775
Off balance sheet:		
Commitments (Note 29)	1,336,098	1,336,098
	7,875,809	7,823,873

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

(a) Credit risk (cont'd.)

(iI) Gross loans, advances and financing are rated based on internal rating by the Bank:

2010 Risk rating category	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000
Highest safety	14,541	12,831	22,099	49,471
Moderate safety	1,527,207	858,169	838,262	3,223,638
High risk	185,544	86,412	305,383	577,339
Non-rated	62,112	7,769	58,458	128,339
	1,789,404	965,181	1,224,202	3,978,787

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly. The RAM and MARC equivalent grades are relevant only for certain of the exposures in each risk rating class.

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

(a) Credit risk (cont'd.)

(iII) The folllowing table set out the credit risk concentration by industry sectors (gross balances):

Group 2010	Short-term funds, and placements with financial institutions RM'000	Available-for-sale financial investments RM'000	Held-to-maturity financial investments RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments RM'000
Government -	213,688	40,093	-	-	253,781	-	
Agriculture, forestry and fishing	-	-	-	26,845	-	26,845	-
Constructions -	-	-	226,027	-	226,027	-	
Community, social and personal services	-	-	-	495,461	-	495,461	-
Electricity, gas and water supply	-	-	-	22,585	-	22,585	-
Financial, insurance, real estate and business services	2,504,357	18,776	30,036	272,031	-	2,825,200	-
Import, export, wholesale and retail trade and restaurant and hotels	-	-	-	1,406,675	-	1,406,675	-
Manufacturing -	-	-	959,833	-	959,833	-	
Mining and quarrying	-	-	-	20,428	-	20,428	-
Transportation and communication	-	-	-	506,540	-	506,540	-
Others	-	-	-	42,362	-	42,362	1,336,098
Gross total	2,504,357	232,464	70,129	3,978,787	-	6,785,737	1,336,098
Less: Allowances for impairment	-	-	-	(726,926)	-	(726,926)	-
	2,504,357	232,464	70,129	3,251,861	-	6,058,811	1,336,098
Other assets not subject to credit risk	-	-	-	-	480,900	480,900	-
	2,504,357	232,464 7	0,129	3,251,861	480,900	6,539,711	1,336,098

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

(a) Credit risk (cont'd.)

(iII) The folllowing table set out the credit risk concentration by industry sectors (gross balances):

Bank 2010	Short-term funds, and placements with financial institutions RM'000	Available-for-sale financial investments RM'000	Held-to-maturity financial investments RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments RM'000
Government	-	213,688	40,093	-	-	253,781	-
Agriculture, forestry and fishing	-	-	-	26,845	-	26,845	-
Constructions	-	-	-	226,027	-	226,027	-
Community, social and personal services	-	-	-	495,461	-	495,461	-
Electricity, gas and water supply	-	-	-	22,585	-	22,585	-
Financial, insurance, real estate and business services	2,503,948	18,776	30,036	272,031	8,473	2,833,264	-
Import, export, wholesale and retail trade and restaurant and hotels	-	-	-	1,406,675	-	1,406,675	-
Manufacturing	-	-	-	959,833	-	959,833	-
Mining and quarrying	-	-	-	20,428	-	20,428	-
Transportation and communication	-	-	-	506,540	-	506,540	-
Others	-	-	-	42,362	-	42,362	1,336,098
Gross total	2,503,948	232,464	70,129	3,978,787	8,473	6,793,801	1,336,098
Less: Allowances for impairment	-	-	-	(726,926)	-	(726,926)	-
	2,503,948	232,464	70,129	3,251,861	8,473	6,066,875	1,336,098
Other assets not subject to credit risk	-	-	-	-	4 20,900	420,900	-
	2,503,948	232,464	70,129	3,251,861	4 29,373	6,487,775	1,336,098

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

(a) Credit risk (cont'd.)

(iv) Analysis of loans, advances and financing that are past due but not impaired and impaired based on the Group and Bank's is as follows:

Group and Bank		Past due but not impaired			Past due	
2010	Up to 1 month RM'000	1 month RM'000	>2 - 3 months RM'000	>3 - 6 months RM'000	and impaired RM'000	Total RM'000
Term loans						
- Hire purchase	107,940	41,817	16,039	5,732	63,689	235,217
- Leasing	162,386	22,199	20,952	5,503	33,676	244,716
- Other term loans	1,360,440	423,441	317,299	93,278	1,028,082	3,222,540
Revolving credits	158,638	7,067	7,924	3,930	98,755	276,314
	1,789,404	494,524	362,214	108,443	1,224,202	3,978,787

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

(a) Credit risk (cont'd.)

(v) Collateral and credit enhancement

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

The main types of collateral obtained are charges over real estate properties, inventory, trade receivables, CGC guarantees and corporate guarantees.

Management monitor the market value of collateral and ascertain the market value of collateral obtained during its review for the adequacy of impairment losses.

(vi) Collateral and credit enhancement for loans, advances and financing

Collateral represents the asset pledged by a customer and/or a third party on behalf of the customer, in whole or in part, to secure a credit exposure and/or potential credit exposure with the Bank.

The Group and the Bank shall consider accepting the collateral based on its marketability, measurability, stability, transferability, speed in realising the collateral value, enforceability and free from encumbrances. The collateral types and amounts held by the Group and the Bank are as follows:

2010 Group and Bank	Secured RM'000	Unsecured RM'000	Total RM'000	Estimated fair value of collateral RM'000
Past due but not impaired	773,548	191,633	965,181	1,072,039
Impaired	733,336	490,866	1,224,202	638,700
	1,506,884	682,499	2,189,383	1,710,739

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

(a) Credit risk (cont'd.)

(vii) Restructured loans

Restructured loans refers to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. The gross and net total of restructured loans held by the Group and the Bank at the reporting date stood at RM663,592,237 and RM557,341,413, respectively.

(viii) Credit quality for treasury credit risk exposures

The table below shows treasury credit risk exposures by the current counterparties' rating:

Group and Bank
Financial investments:

	Rating agency	Credit Rating	Nominal Value 2010 (RM'000)
Corporate bonds	RAM	AAA	75,000
Corporate bonds	MARC	AA+	15,000
Corporate bonds	RAM	AA1	50,000
Malaysian Government Bonds	N/A	Government guarantee	105,000
Government Guarante Bonds	N/A	Government guarantee	40,000
Total			285,000

Deposits and placements with banks and other financial institutions:

Rating for Counterparty	Total Principal Outstanding 2010 RM'000
AAA	429,979
AA	888,810
A	1,086,477
NR	61,400
Total	**2,466,666**

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

(a) Credit risk (cont'd.)

(ix) Impairment assessment

For accounting purposes, the Group and Bank use an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed.

The main considerations for the loan impairment assessment include:

(a) whether any payments of principal or interest are overdue by more than 180 days; or
(b) whether there are any known difficulties in the cash flows of counterparties; or
(c) when there has been requests for a rescheduling or restructuring of loan by the counterparty;or
(d) when there has been an infringement of the original terms of the contract.

The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance to a counterparty on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen. The realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Allowances are evaluated separately.

In particular, for loans, advances and financing classified as impaired but which are not individually assessed for impairment, the Bank undertakes an assessment on the adequacy of provisions for such loans, advances and financing. The Bank provides additional collective impairment provisions for these loans, advances and financing where the amount provided under the transitional provision is inadequate.

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

(a) Credit risk (cont'd.)

(x) Commitment and guarantees

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. The table below shows the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment.

	2010 RM'000
Financial guarantees, Corporate Guarantee Schemes, Letters of Credit and others	166,828
Performance guarantees	133,180
Undisbursed commitments	1,036,090
	1,336,098

(b) Market risk

(i) Foreign exchange risk

The Group and the Bank are not subject to foreign exchange gain or loss on fluctuation of Japanese Yen ("JPY") exchange rate due to the foreign exchange gain or loss on settlement of the JPY term loans is compensated by the Government of Malaysia.

The financial liability of the Group and the Bank that are not denominated in its functional currency and guranteed by the Government of Malaysia is as follows:

Functional currency of non-functional the Group and Bank	**Financial liabilities held in RM'000**
Term loans - Japanese Yen (JPY)	132,671

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

(b) Market risk (cont'd.)

(ii) Interest rate risk

Interest rate risk is the impact to earnings and economic value of the Group and the Bank due to fluctuations in interest rates.

Interest rate exposure arises from the differences in the maturities and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the Board.

The Group and the Bank may be exposed to a loss in earnings due to the interest rates structure of the statement of financial position arising from interest rates and yield curves changes. The sensitivity to interest rates arises from the mismatches in the reprising rates, cash flows and other characteristic of the assets and their corresponding liability funding. The Group and the Bank manages its interest rate risk exposure through the use of fixed/floating rate debts and financial instruments.

The table below show the Group's and the Bank's interest income sensitivity based on possible parallel shift in interest rate.

	Group and Bank Impact on profit or loss RM'000
Floating rate loans, advances and financing	
+ 50 basis points	2,791
- 50 basis points	(2,791)
Investment securities	
+ 50 basis points	1,425
- 50 basis points	(1,425)

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

The table below summarises the Group's and Bank's exposure to interest rate risk. The table indicates effective average interest rates at the reporting date and the periods in which the financial instruments reprice or mature, whichever is earlier.

	Non-trading book							
Group 2010	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**	**Effective interest rate %**
Assets								
Cash and short term funds	917,694	1,057,451	-	-	-	-	1,975,145	3.15
Deposits and placements with bank and other financial institutions	-	-	529,212	-	-	-	529,212	3.45
Available-for-sale financial investments	-	44,307	9,123	135,000	15,000	19,034	232,464	4.23
Held-to-maturity financial investments	-	-	10,129	40,000	20,000	-	70,129	4.26
Loans, advances and financing	2 1,129	1 1,285	82,790	1,247,002	1,889,655	-	3,251,861	2.10 - 9.50
Tax recoverable	-	-	-	-	-	16,313	16,313	
Other assets	3,797	5 ,066	6 ,361	-	-	23,663	38,887	3.77
Investments in associates	-	-	-	-	-	56,243	56,243	
Property, plant and equipment	-	-	-	-	-	296,361	296,361	
	942,620	1,118,	109 647,615	1,422,002	1,924,655	411,614	6,466,615	
Assets of a subsidiary classified as held for sale	-	-	-	-	-	66,025	66,025	
Total assets	942,620	1,118,109	647,615	1,422,002	1,924,655	477,639	6,532,640	

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	Non-trading book							
Group 2010 (cont'd.)	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**	**Effective interest rate %**
Liabilities and shareholder's equity								
Deposits from customers	431,857	774,551	457,647	-	-	-	1,664,055	3.18
Term loans	-	-	117,730	1,616,278	1,773,832	-	3,507,840	2.48
Other liabilities	-	9,293	4,145	27,187	-	166,777	207,402	
Government funds	-	-	-	-	-	357,474	357,474	
	431,857	783,844	579,522	1,643,465	1,773,832	524,251	5,736,771	
Liability of a subsidiary classified as held for sale	-	-	-	-	-	2,955	2,955	
Total liabilities	431,857	783,844	579,522	1,643,465	1,773,832	527,206	5,739,726	
Share capital	-	-	-	-	-	1,350,000	1,350,000	
Accumulated losses	-	-	-	-	-	(570,076)	(570,076)	
Other reserves	-	-	-	-	-	13,005	13,005	
Minority interest	-	-	-	-	-	(15)	(15)	
Total equity	-	-	-	-	-	792,914	792,914	
Total liabilities and shareholder's equity	431,857	783,844	579,522	1,643,465	1,773,832	1,320,120	6,532,640	
On-balance sheet interest sensitivity gap	510,763	334,265	68,093	(221,463)	150,823	(842,481)		
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,351,936		
Total interest sensitivity gap	510,763	334,265	68,093	(221,463)	150,823			

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	Non-trading book							
Bank 2010	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**	**Effective interest rate %**
Cash and short term funds	917,285	1,057,451	-	-	-	-	1,974,73	6 3.15
Deposits and placements with bank and other financial institutions	-	-	529,212	-	-	-	529,212	3.45
Available-for-sale financial investments	-	4 4,307	19,123	135,000	15,000	19,034	232,464	4 .23
Held-to-maturity financial investments	-	-	10,129	40,000	20,000	-	70,129	4 .26
Loans, advances and financing	21,129	11,285	82,790	1,247,002	1,889,655	-	3,251,861	2.10 - 9.50
Tax recoverable	-	-	-	-	-	16,313	16,313	
Other assets	3,797	5 ,066	6 ,361	-	-	30,030	45,254	3.77
Investments in subsidiaries	-	-	-	-	-	- *	- *	
Investments in associates	-	-	-	-	-	8,305	8,305	
Property, plant and equipment	-	-	-	-	-	296,361	296,361	
	942,211	1,118,109	647,615	1,422,002	1,924,655	370,043	6,424,635	
Subsidiary classified as held for sale	-	-	-	-	-	63,140	63,140	
Total assets	942,211	1,118,109	647,615	1,422,002	1,924,655	433,183	6,487,775	

* Denotes RM2

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	Non-trading book							
Bank 2010 (cont'd.)	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**	**Effective interest rate %**
Liabilities and shareholder's equity								
Deposits from customers	431,857	774,551	457,647	-	-	-	1,664,055	3.18
Term loans	-	-	117,730	1,616,278	1,773,832	-	3,507,840	2.48
Other liabilities	-	9,293	15,047	16,285	-	166,025	206,650	
Government funds	-	-	-	-	-	357,474	357,474	
Total liabilities	431,857	783,844	590,424	1,632,563	1,773,832	523,499	5,736,019	
Share capital	-	-	-	-	-	1,350,000	1,350,000	
Accumulated losses	-	-	-	-	-	(611,249)	(611,249)	
Other reserves	-	-	-	-	-	13,005	13,005	
Total equity	-	-	-	-	-	751,756	751,756	
Total liabilities and shareholder's equity	431,857	783,844	590,424	1,632,563	1,773,832	1,275,255	6,487,775	
On-balance sheet interest sensitivity gap	510,354	334,265	57,191	(210,561)	150,823	(842,072)		
Off-balance sheet interest sensitivity gap	-	-	-	-	-	1,351,936		
Total interest sensitivity gap	510,354	334,265	57,191	(210,561)	150,823			

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	Non-trading book							
Group 2009	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**	**Effective interest rate %**
Assets								
Cash and short term funds	1,019,394	665,634	-	-	-	43,242	1,728,270	2.00
Deposits and placements with bank and other financial institutions	-	-	558,680	-	-	-	558,680	2.00
Available-for-sale financial investments	-	10,000	8,377	175,000	25,000	44,313	262,690	4.00
Held-to-maturity financial investments	-	-	20,015	55,374	5,052	-	80,441	4.20
Loans, advances and financing	169,029	50,006	91,981	1,398,749	1,787,468	-	3,497,233	3.75 -12.00
Tax recoverable	-	-	-	-	-	26,275	26,275	
Other assets	-	-	-	8,473	-	105,034	113,507	3.25
Investments in associates	-	-	-	-	-	85,624	85,624	
Property, plant and equipment	-	-	-	-	-	294,454	294,454	
Total assets	1,188,423	725,640	679,053	1,637,596	1,817,520	598,942	6,647,174	

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	Non-trading book							
Group 2009 (cont'd.)	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**	**Effective interest rate %**
Liabilities and shareholder's equity								
Deposits from customers	557,979	578,672	536,699	-	-	-	1,673,350	2.34
Term loans	24,781	8,919	57,791	1,132,241	2,062,222	-	3,285,954	2.23
Other liabilities	865	4,349	9,446	2,265	16,357	125,119	158,401	2.23
Government funds	-	-	-	-	-	360,209	360,209	
Total liabilities	583,625	591,940	603,936	1,134,506	2,078,579	485,328	5,477,914	
Share capital	-	-	-	-	-	1,350,000	1,350,000	
Accumulated losses	-	-	-	-	-	(193,787)	(193,787)	
Other reserves	-	-	-	-	-	13,038	13,038	
Minority interest	-	-	-	-	-	9	9	
Total equity	-	-	-	-	-	1,169,260	1,169,260	
Total liabilities and shareholder's equity	583,625	591,940	603,936	1,134,506	2,078,579	1,654,588	6,647,174	
On-balance sheet interest sensitivity gap	604,798	133,700	75,117	503,090	(261,059)	1,055,646)		
Off-balance sheet interest sensitivity gap	-	-	-	-	-	2,282,408		
Total interest sensitivity gap	604,798	133,700	75,117	503,090	(261,059			

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	Non-trading book							
Bank 2009	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**	**Effective interest rate %**
Assets								
Cash and short term funds	1,019,394	665,634	-	-	-	25,701	1,710,729	2.41
Deposits and placements with bank and other financial institutions	-	-	558,680	-	-	-	558,680	2.41
Available-for-sale financial investments	-	10,000	8,377	175,000	25,000	29,071	247,448	4.00
Held-to-maturity financial investments	-	-	20,015	55,374	5,052	-	80,441	4.20
Loans, advances and financing	169,029	50,006	91,981	1,398,749	1,787,468	-	3,497,233	3.75 - 12.00
Tax recoverable	-	-	-	-	-	26,273	26,273	
Other assets	-	-	8,473	-	-	96,125	104,598	3.25
Investments in subsidiaries	-	-	-	-	-	67,490	67,490	
Investments in associates	-	-	-	-	-	10,448	10,448	
Property, plant and equipment	-	-	-	-	-	293,918	293,918	
Total assets	1,188,423	725,640	687,526	1,629,123	1,817,520	549,026	6,597,258	

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

	Non-trading book							
Bank 2009 (cont'd.)	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Total RM'000**	**Effective interest rate %**
Liabilities and shareholder's equity								
Deposits from customers	557,979	578,672	536,699	-	-	-	1,673,350	2.34
Term loans	24,781	8,919	57,791	1,132,241	2,062,222	-	3,285,954	2.23
Other liabilities	865	4,349	9,446	2,265	16,357	109,597	142,879	
Government funds	-	-	-	-	-	360,209	360,209	
Total liabilities	583,625	591,940	603,936	1,134,506	2,078,579	469,806	5,462,392	
Share capital	-	-	-	-	-	1,350,000	1,350,000	
Accumulated losses	-	-	-	-	-	(228,172)	(228,172)	
Other reserves	-	-	-	-	-	13,038	13,038	
Total equity	-	-	-	-	-	1,134,866	1,134,866	

(b) Market risk (cont'd.)

(ii) Interest rate risk (cont'd.)

Bank 2009 (cont'd.)	Non-trading book							
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000	Effective interest rate %
Total liabilities and shareholder's equity	583,625	591,940	603,936	1,134,506	2,078,579	1,604,672	6,597,258	
On-balance sheet interest sensitivity gap	604,798	133,700	83,590	494,617	(261,059)	(1,055,646)		
Off-balance sheet interest sensitivity gap	-	-	-	-	-	2,282,408		
Total interest sensitivity gap	604,798	133,700	83,590	494,617	(261,059)			

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet its current and future payment obligations associated with financial obligations when they fall due. The liquidity and cash flow risks are managed by maintaining a diversity of funding sources and spreading debt repayments over a range of maturities.

The Bank manages its liquidity requirement on a day-to-day basis to ensure that funds are readily available for its operational needs, withdrawals of deposits and repayments to fund providers. The Bank may raise funds locally through government-to-government arrangements or direct negotiations. Other sources of funding through the capital market are being explored on an on-going basis to ensure a diversity of funding source.

(c) Liquidity risk (cont'd.)

The following table shows the maturity analysis of the Group's assets and liabilities based on undiscounted repayment obligations:

	Non-trading book						
Group **2010**	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short term funds	917,694	1,057,451	-	-	-	-	1,975,145
Deposits and placements with banks and other financial institutions	-	-	529,212	-	-	-	529,212
Available-for-sale financial investments	-	44,307	19,123	135,000	15,000	20,213	233,643
Held-to-maturity financial investments	-	- 1	0,205	40,000	20,000	-	70,205
Loans, advances and financing	21,129	11,285	82,790	1,247,002	1,879,416	- 3	,241,622
Tax recoverable	-	-	-	-	-	16,313	16,313
Other assets	3,797	5,066	6,361	-	-	23,824	39,048
Investments in associates	-	-	-	-	-	56,243	56,243
Property, plant and equipment	-	-	-	-	-	296,361	296,361
	942,620	1,118,109	647,691	1,422,002	1,914,416	412,954	6,457,792
Assets of a subsidiary classified as held-for-sale	-	-	-	-	-	63,394	63,394
Total undiscounted financial assets	942,620	1,118,109	647,691	1,422,002	1,914,416	476,348	6,521,186

(c) Liquidity risk (cont'd.)

Group	Non-trading book						
2010	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-specific maturity RM'000	Total RM'000
Liabilities							
Deposits from customers	431,857	774,551	457,647	-	-	-	1,664,055
Term loans	-	-	117,730	1,616,278	1,773,832	-	3,507,840
Other liabilities	-	9,293	15,047	27,187	-	172,534	224,061
Government funds	-	-	-	-	-	357,474	357,474
	431,857	783,844	590,424	1,643,465	1,773,832	530,008	5,753,430
Liabilities of a subsidiary classified as heldfor-sale	-	-	-	-	-	2,955	2,955
Total undiscounted financial liabilities	431,857	783,844	590,424	1,643,465	1,773,832	532,963	5,756,385
Net maturity mismatches	510,763	334,265	57,267	(221,463)	140,584	(56,615)	764,801

(c) Liquidity risk (cont'd.)

The following table shows the maturity analysis of the Bank's assets and liabilities based on undiscounted repayment obligations

	Non-trading book						
Bank **2010**	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Assets							
Cash and short term funds	917,285	1,057,451	-	-	-	-	1,974,736
Deposits and placements with banks and other financial institutions	-	-	529,212	-	-	-	529,212
Available-for-sale financial investments	-	44,307	19,123	135,000	15,000	20,213	233,643
Held-to-maturity financial investments	-	-	10,205	40,000	20,000	-	70,205
Loans, advances and financing	2 1,129 1	1,285 8	6,207	1 ,247,002	1 ,879,416	-	3,245,039
Tax recoverable	-	-	-	-	-	16,313	16,313
Other assets	3,797	5,066	6,361	-	-	30,189	45,413
Investments in associates	-	-	-	-	-	8,305	8,305
Property, plant and equipment	-	-	-	-	-	296,361	296,361
	942,211	1,118,109	651,108	1,422,002	1,914,416	371,381	6,419,227
Subsidiary classified as held-for-sale	-	-	-	-	-	63,140	63,140
Total undiscounted financial assets	942,211	1,118,109	651,108	1,422,002	1,914,416	371,381	6,419,227

(c) Liquidity risk (cont'd.)

	Non-trading book						
Bank 2010	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**>1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-specific maturity RM'000**	**Total RM'000**
Liabilities							
Deposits from customers	431,857	774,551	457,647	-	-	-	1,664,055
Term loans	-	-	117,730	1,616,278	1,773,832	-	3,507,840
Other liabilities	-	9,293	15,047	27,187	-	171,781	223,308
Government funds	-	-	-	-	-	357,474	357,474
Total undiscounted financial liabilities	431,857	783,844	590,424	1,643,465	1,773,832	529,255	5,752,677
Net maturity mismatches	510,354	334,265	60,684	(221,463)	140,584	(157,874)	666,550

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 29. These have been incorporated in the net off-balance sheet position for year ended 31 December 2010. The total outstanding contractual amounts of these items do not represent future cash requirements since the Bank expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

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

(d) Operational risk

Operational risk, which inherent in all business activities, is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Operational Risk Management ("ORM") takes place in a day-to-day basis at each business unit level. The Bank mitigates its operational risk by having comprehensive internal controls, conduct risk assessments through Risk Control Self Assessment ("RCSA"), fraud and loss analysis, system and procedures, which are reviewed regularly and subjected to periodical audits by Internal Auditors.

34. Prior year adjustment and comparatives

Prior year adjustment

(a) Adjustment arising from differences in Islamic financing balances

Loans, advances and financing and accumulated losses as at the beginning of the current and previous financial years have been restated as a result of adjustment of the difference of RM10,130,000 in Islamic financing balances arising from data migration in prior years.
The effects on the opening balances on loans, advances and financing and accumulated losses in the prior and current year are disclosed in Note 34 (d) below.

Comparatives

(b) Amendments to FRS 117 Leases

The entire prepaid land lease payment of the Group and the Bank has been reclassified to property, plant and equipment as a result of restrospective adoption of Amendments to FRS 117 Leases as disclosed in Note 2.2.1(c). The effects on the opening balances on property, plant and equipment and prepaid land lease payment in the prior and current year are disclosed in Note 34 (f) below.

(c) Other comparatives

Certain other comparatives have been reclassified to conform with the current year's presentation. The effects on the opening balances on the affected line items in the statements of financial position in the prior and current year are disclosed in Note 34 (f) below.

(d) Effects of prior year adjustment

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	20009 RM'000
Statements of changes in equity				
At 1 January, as previously stated	(203,917)	(124,363)	(238,302)	(164,674)
Prior year adjustment	10,130	10,130	10,130	10,130
At 1 January, as restated	(193,787)	(114,233)	(228,172)	(154,544)

34. Prior year adjustment and comparatives (cont'd.)

(e) Restatement of comparatives due to prior year adjustment

	Note	As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
As at 1 January 2009				
Group				
Loans, advances and financing	34 (a)	3,050,213	10,130	3,060,343
Accumulated losses	34 (a)	(124,363)	10,130	(114,233)
Bank				
Loans, advances and financing	34 (a)	3,487,103	10,130	3,497,233
Accumulated losses	34 (a)	(164,674)	10,130	(154,544)
As at 31 December 2009				
Group				
Loans, advances and financing	34 (a)	3,241,731	10,130	3,251,861
Accumulated losses	34 (a)	(238,302)	10,130	(228,172)
Bank				
Loans, advances and financing	34 (a)	3,241,731	10,130	3,251,861
Accumulated losses	34 (a)	(238,302)	10,130	(228,172)

34. Prior year adjustment and comparatives (cont'd.)

(f) Restatement of comparatives due to reclassification

	Note	As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
As at 1 January 2009				
Group				
Property, plant and equipment	34 (b)	251,995	33,756	285,751
Prepaid land lease payment	34 (b)	33,756	(33,756)	-
Securities portfolio	34 (c)	343,131	(343,131)	-
Available-for-sale financial investments	34 (c)	-	230,261	230,261
Held-to-maturity financial investments	34 (c)	-	50,192	50,192
Tax recoverable	34 (c)	-	2,774	2,774
Other assets	34 (c)	100,780	(2,774)	98,006
Term loans	34 (c)	2 ,697,504	300,000 2	,997,504
Other liabilities	34 (c)	438,235	(300,000)	138,235
Bank				
Property, plant and equipment	34 (b)	251,459	33,756	285,215
Prepaid land lease payment	34 (b)	33,756	(33,756)	-
Securities portfolio	34 (c)	242,974	(242,974)	-
Available-for-sale financial investments	34 (c)	-	192,782	192,782
Held-to-maturity financial investments	34 (c)	-	50,192	50,192
Tax recoverable	34 (c)	-	2,774	2,774
Other assets	34 (c)	91,114	(2,774)	88,340
Term loans	34 (c)	2 ,697,504	300,000	2,997,504
Other liabilities	34 (c)	422,709	(300,000)	122,709

34. Prior year adjustment and comparatives (cont'd.)

(f) Restatement of comparatives due to reclassification

	Note	As previously stated RM'000	Prior year adjustment RM'000	As restated RM'000
As at 31 December 2009				
Group				
Property, plant and equipment	34 (b)	261,492	32,962	294,454
Prepaid land lease payment	34 (b)	32,962	(32,962)	-
Securities portfolio 3	4 (c)	343,131	(343,131)	-
Available-for-sale financial investments	34 (c)	-	262,690	262,690
Held-to-maturity financial investments	34 (c)	-	80,441	80,441
Tax recoverable	34 (c)	-	26,275	26,275
Other assets	34 (c)	139,782	(26,275)	113,507
Term loans	34 (c)	2,985,954	300,000	3,285,954
Other liabilities	34 (c)	458,401	(300,000)	158,401
Bank				
Property, plant and equipment	34 (b)	260,956	32,962	293,918
Prepaid land lease payment	34 (b)	32,962	(32,962)	-
Securities portfolio	34 (c)	327,889	(327,889)	-
Available-for-sale financial investments	34 (c)	- 2	47,448	247,448
Held-to-maturity financial investments	34 (c)	-	80,441	80,441
Tax recoverable	34 (c)	-	26,273	26,273
Other assets	34 (c)	130,871	(26,273)	104,598
Term loans	34 (c)	2,985,954	300,000	3,285,954
Other liabilities	34 (c)	442,879	(300,000)	142,879

35. Islamic banking business

The state of affairs as at 31 December 2010 and results for the financial year then ended under the Islamic Banking business of the Bank and included in the Group and the Bank financial statements are summarised as follows:

Statements of financial position
As at 31 December 2010

		Group and Bank		
	Note	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000 Restated	As at 1 January 2009 RM'000 Restated
Assets				
Cash and short-term funds	(a)	156,673	83,480	159,270
Deposits and placements with financial institutions		366	1,766	38,831
Advances and financing	(b)	1,497,256	1,420,241	1,053,513
Other assets	(c)	6,677	4,096	12,440
Property and equipment		210,051	195,628	196,618
Total assets		1,871,023	1,705,211	1,460,672
Liabilities				
Other liabilities	d)	507,732	254,327	22,886
Long term financing		721,822	716,300	577,607
Government funds		194,794	220,754	346,628
Total liabilities		1,424,348	1,191,381	947,121
Islamic general fund		446,675	513,830	513,551
Total liabilities and Islamic banking funds		1,871,023	1,705,211	1,460,672
Commitments	(j)	191,579	344,374	1,130,092

35. Islamic banking business (cont'd.)

Statements of comprehensive income
For the financial year ended 31 December 2010

	Note	Group and Bank As at 31 December 2010 RM'000	As at 1 January 2010 RM'000
Income from Islamic banking business	(e)	136,038	89,020
Profit expense attributable to Islamic banking business	(f)	(31,178)	(16,966)
Gross income from Islamic banking business		104,860	72,054
Other operating expenses	(g)	(55,073)	(56,072)
Net income		49,787	15,982
Allowance for impairment on advances and financing	(h)	(13,663)	(13,817)
Profit before zakat		36,124	2,165
Zakat	(i)	2,200	(1,886)
Profit after zakat, representing total comprehensive income for the year		38,324	279

Statements of changes of Islamic General Funds
For the financial year ended 31 December 2010

	Capital funds RM'000	Accumulated losses RM'000	Total RM'000
Group and Bank			
At 1 January 2009, as previously stated	550,564	(47,143)	503,421
Prior year adjustment (Note 34(a))	-	10,130	10,130
At 1 January 2009, as restated	550,564	(37,013)	513,551
Total comprehensive income for the year	-	279	279
At 31 December 2009	550,564	(36,734)	513,830
At 1 January 2010, as previously stated	550,564	(46,864)	503,700
Prior year adjustment (Note 34(a))	-	10,130	10,130
At 1 January 2010, as restated	550,564	(36,734)	513,830
Effect of adopting FRS 139 (Note 2.2.1 (e))	-	(105,479)	(105,479)
	550,564	(142,213)	408,351
Total comprehensive income for the year	-	38,324	38,324
At 31 December 2010	550,564	(103,889)	446,675

35. Islamic banking business (cont'd.)

Statements of cash flows
For the financial year ended 31 December 2010

	Group and Bank	
	2010 RM'000	2009 RM'000
Cash flows from operating activities		
Profit before zakat	36,124	2,165
Adjustments for:		
Allowance for impairment on advances and financing	26,967	27,333
Write back of allowance for impairment on advances and financing	(13,304)	(13,516)
Depreciation of property and equipment	4,726	5,780
Operating profit before working capital changes	54,513	21,762
Changes in working capital:		
Other assets	(396)	9,938
Other liabilities	242,997	158,600
Deposits and placements with financial institutions	1,400	(37,065)
Advances and financing	(184,464)	(364,757)
Cash generated from/(used in) operations	114,050	(211,522)
Zakat paid	(1,270)	(1,886)
Net cash generated from/(used in) operating activities	112,780	(213,408)
Cash flow from investing activities		
Purchase of assets	(19,149)	-
Net cash used in investing activities	(19,149)	-

35. Islamic banking business (cont'd.)

Statements of cash flows
For the financial year ended 31 December 2010 (cont'd.)

	Group and Bank	
	2010	2009
	RM'000	RM'000
Cash flows from financing activities		
Government funds released	(25,960)	(1,075)
Drawdown from long-term advances	5,522	138,693
Net cash (used in)/generated from financing activities	(20,438)	137,618
Net increase/(decrease) in cash and cash equivalents	73,193	(75,790)
Cash and cash equivalents at beginning of year	83,480	159,270
Cash and cash equivalents at end of year	156,673	83,480

Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents represent the following items in the statements of financial position:

	Group and Bank	
	2010	2009
	RM'000	RM'000
Cash and short term funds	156,673	83,480

(a) Cash and short-term funds

	Group and Bank	
	2010	2009
	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	22,380	16,628
Money at call and deposit placements maturing within three months	134,293	66,852
	156,673	83,480

35. Islamic banking business (cont'd.)

Notes to the financial statements for the financial year ended 31 December 2010

(b) Advances and financing

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Bai Bithaman Ajil	934,444	846,880	684,452
Ijarah	511,880	203,725	137,089
Murabahah	8,454	14,091	10,256
Bai' Dayn	25,810 5	2,922	45,570
Istisna	157,695	172,847	112,757
Ijarah Thumma Al-Bai	90,656	211,610	208,662
Murabahah Dayn	73,963	74,255	70,683
Mali	58,931	80,592	71,548
Maluk	3,887	5,538	8,134
Bai' Inah - Personal Micro Financing	89	66	-
Staff financing	32,784	30,148	36,876
Others	-	10,130	11,124
	1,898,593	1,702,804	1,397,151
Less: unearned income	(150,473)	(164,611)	(268,949)
Income-in-suspense	-	(16,138)	(8,565)
Gross advances and financing	1,748,120	1,522,055	1,119,637
Less: allowance for impairment on advances and financing			
- Individual assessment allowance	(201,350)	-	-
- Collective assessment allowance	(49,514)	-	-
- Specific allowance	-	(73,317)	(44,672)
- General allowance	-	(28,497)	(21,452)
Advances and financing	1,497,256	1,420,241	1,053,513

35. Islamic banking business (cont'd.)

Notes to the financial statements for the financial year ended 31 December 2010 (cont'd.)

(b) Advances and financing (cont'd.)

The maturity profile of the gross advances and financing are as follows:

	Group and Bank		
	As at 31 December 2010 RM'000	As at 31 December 2009 RM'000	As at 1 January 2009 RM'000
Maturity within one year	294,976	303,513 4	7,983
More than one year to three years	299,294	211,332	14,260
More than three years to five years	427,338	208,273	159,654
More than five years	726,512	798,937	897,740
	1,748,120	1,522,055	1,119,637

(c) Other assets

	Group and Bank	
	2010 RM'000	2009 RM'000
Income receivables	215	109
Other receivables	6,462	3,987
	6,677	4,096

(d) Other liabilities

	Group and Bank	
	2010 RM'000	2009 RM'000
Other payables	484,773	236,080
Accrued profit on long term advances financing	22,959	18,247
	507,732	254,327

35. Islamic banking business (cont'd.)

Notes to the financial statements for the financial year ended 31 December 2010 (cont'd.)

(e) Income from Islamic banking business

	Group and Bank	
	2010	2009
	RM'000	RM'000
Income from advances and financing:		
- Bai Bithaman Ajil	45,803	38,972
- Ijarah	12,310	6,895
- Murabahah	345	404
- Dayn	1,808	2,168
- Istisna	-	5,116
- Ijarah Thuma Al-Bai	9,713	10,310
- Murabahah Dayn	2,651	3,258
- Mali	4,126	3,834
- Maluk	275	309
- Others	43,141	-
	120,172	71,266
Mudharabah placements	2,743	2,807
Other income	13,123	14,947
	136,038	89,020

(f) Profit expense for Islamic banking business

	Group and Bank	
	2010	2009
	RM'000	RM'000
Profit expense for financing of Islamic banking business	31,178	16,966

(g) Other operating expenses

	Group and Bank	
	2010	2009
	RM'000	RM'000
Personnel expenses	36,962	26,422
Administration expenses	8,457	25,013
General expenses	9,654	4,637
	55,073	56,072

Included in the administration expenses above is depreciation charge for the year for property and equipment of RM4,726,000 (2009: RM5,780,000).

35. Islamic banking business (cont'd.)

Notes to the financial statements for the financial year ended 31 December 2010 (cont'd.)

(h) Allowance for impairment on advances and financing

	Group and Bank	
	2010	2009
	RM'000	RM'000
Allowance for advances and financing:		
- Individual assessment allowance	43,246	-
- Collective assessment allowance	(16,279)	-
- Specific allowance	-	27,333
Recoveries	(13,304)	(13,516)
	13,663	13,817

(i) Zakat

	Group and Bank	
	2010	2009
	RM'000	RM'000
Zakat for the year	976	1,886
Overprovision of zakat expense in prior year	(3,176)	-
	(2,200)	1,886

(j) Commitments

	Group and Bank	
	2010	2009
	RM'000	RM'000
Commitment - Financial guarantees	191,579	344,374

Other than the above, the Group and the Bank does not have contingencies under Islamic banking business.

35. Islamic banking business (cont'd.)

Notes to the financial statements for the financial year ended 31 December 2010 (cont'd.)

Prior year adjustment

The presentation and classification of items on the face of statement of financial position of the Group and the Bank's Islamic banking business in the current year financial statements have been consistent with the previous financial year except for the following prior year adjustments:

	Note	Previously stated RM'000	Prior year adjustments RM'000	Restated RM'000
Statements of financial position				
As at 31 December 2009				
Advances and financing	34(a)	1,410,111	10,130	1,420,241
Property and equipment	34(b)	162,666	32,962	195,628
Prepaid land lease payment	34(b)	32,962	(32,962)	-
Islamic general fund	34(a)	507,317	10,130	517,447
As at 1 January 2009 (Note 2.2.1(b))				
Advances and financing *	34(a)	1,043,383	10,130	1,053,513
Property and equipment	34(b)	162,862	33,756	196,618
Prepaid land lease payment	34(b)	33,756	(33,756)	-
Islamic general fund	34(a)	503,421	10,130	513,551

* For restated advances and financing comparative, the Bank has disclosed the note at the beginning of the earliest comparative period.