financial statements 2010

DIRECTORS' REPORT

Directors' report

The Directors have pleasure in submitting 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 Bank is principally engaged to undertake infrastructure project financing and to carry out the functions of a development bank focusing on maritime, advanced manufacturing industries, high technology and export oriented industries. The principal activities of the subsidiary companies are as disclosed in Note 39 to the financial statements.

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

Results

	Group RM'000	Bank RM'000
Profit for the year	424,431	385,351
Attributable to:		
Equity holders of the Bank	420,864	385,351
Minority interests	3,567	-
	424,431	385,351

There were no material transfers to or from reserves or provisions during the 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

Final tax exempt dividend on 3,078,724,049 ordinary shares, amounting to RM100,000,000 (3.25 sen net per ordinary share), in respect of the financial year ended 31 December 2009 was declared on 24 February 2010 and approved for payment on 26 May 2010.

The dividend has been accrued and accounted for in equity as an appropriation of retained profit during the financial year.

Dividends (contd.)

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2010, of 3.25% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM100,000,000 (3.25 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2011.

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:

Datuk Dr. Abdul Samad bin Hj Alias	
Dato' Mohd Zafer bin Mohd Hashim	
Siti Zauyah binti Md Desa	
Zainul Rahim bin Mohd Zain	(appointed on 8 March 2010)
A Ghani bin Ishak	(appointed on 26 March 2010)
Tan Sri Faizah binti Mohd Tahir	(appointed on 1 June 2010)
Dato' Dr. Syed Jaafar bin Syed Aznan	(appointed on 1 June 2010)
Datuk Idris bin Abdullah @ Das Murthy	(appointed on 1 December 2010)
Rosli bin Abdullah	(appointed on 3 January 2011)
Mohd Zarif Mohd Zaman	(term ended on 10 March 2010)
Dato' Ab. Halim bin Mohyiddin	(term ended on 29 July 2010)
Syed Hussain bin Syed Hamzah	(term ended on 5 October 2010)

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 a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 29 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' interest

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

Rating by external rating agencies

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Received
RAM Rating	25 November 2010	Issue rating on RM7 billion Conventional Medium-Term Notes Programme and Islamic Murabahah Medium-Term Notes Programme	AAA
MARC Rating	1 July 2010	Financial Institution rating	AAA
RAM Rating	25 November 2010	Financial Institution rating	AAA

Business outlook

The financial landscape is expected to continue to be challenging as the external environment is expected to remain uncertain in the coming year despite recovery in the global economy. The Bank will continue to facilitate to deliver growth in private sector investment of over 12% per annum to bring the economic to developed status by 2020, as per Economic Transformation Programme roadmap. The Bank will continue to support development of the main engine of economy i.e. Public-Private Partnership (PPP) by financing relevant initiatives identified by the Government. The Bank will enhance effective management of its liquidity and funding gaps, in order to achieve stability, mitigate risks and optimize funding cost.

Other statutory information

(a) Before the statements of financial position and income statements 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 values 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.

Other statutory information (contd.)

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

(i) which would render 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 the values attributed to current assets in the financial statements of the Group and of the Bank misleading;

(ii) 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; and

(iii) 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.

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

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

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

(d) In the opinion of the Directors:

(i) no contingent liability 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 its 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 which this report is made.

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 25 February 2011.

Datuk Dr. Abdul Samad bin Hj Alias

Dato' Mohd Zafer bin Mohd Hashim

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

Persuant To Section 169(15) Of The Companies Act, 1965

We, Datuk Dr. Abdul Samad bin Hj Alias and Dato' Mohd Zafer bin Mohd Hashim, being two of the Directors of Bank Pembangunan Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 80 to 222 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 of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 February 2011.

Datuk Dr. Abdul Samad bin Hj Alias

Dato' Mohd Zafer bin Mohd Hashim

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

Persuant To Section 169(15) Of The Companies Act, 1965
Section 73(1)(e) Of The Development Financial Institutions Act, 2002

We, Rosli bin Abdulllah and Dato' Mohd Zafer bin Mohd Hashim, the Director and President/ Managing Director, respectively, of the Bank who are primarily responsible for the financial management of Bank Pembangunan Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 80 to 222 are, to the best of our knowledge and belief, 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 25 February 2011.

Rosli bin Abdullah

Dato' Mohd Zafer bin Mohd Hashim

Before me,

PESURUHJAYA SUMPAH
W.490
S. ARULSAMY
MALAYSIA

16 - Tingkat Bawah Jalan Pudu
55100 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

To The Members Of Bank Pembangunan Malaysia Berhad (Incorporated In Malaysia)

Report on the financial statements

We have audited the financial statements of Bank Pembangunan Malaysia Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow 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 80 to 222.

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

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

Opinion

In our opinion, the financial statements have been properly 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 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 are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

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

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

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

Kuala Lumpur, Malaysia
25 February 2011

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2010

		Group		Bank	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Assets					
Cash and short term deposits	3	3,832,993	1,782,493	3,084,990	1,069,687
Deposits and placements with financial institutions	4	238,302	256,600	238,256	256,554
Financial investments - available-for-sale ("AFS")	5	1,852,455	2,183,841	1,846,263	2,180,905
Financial investments - held-to-maturity	6	265,124	423,032	265,102	423,032
Loans, advances and financing	7	21,435,096	20,027,407	21,321,719	19,894,198
Deferred tax assets	15	139,224	-	139,224	-
Other assets	8	1,472,846	1,796,433	1,291,252	1,687,897
Investments in subsidiaries	9	-	-	930,296	930,296
Interest in associates	10	-	978	-	-
Interest in jointly controlled entities	11	211,303	177,992	-	-
Property, plant and equipment	12	562,309	738,049	123,497	131,654
Prepaid land leases	13	3,801	3,911	3,801	3,911
Investment properties	14	17,468	17,866	8,090	8,267
		30,030,921	27,408,602	29,252,490	26,586,401
Asset classified as held for sale	40	-	79,402	-	-
Total assets		30,030,921	27,488,004	29,252,490	26,586,401
Liabilities					
Deposits from customers	16	7,457,626	8,232,906	7,457,626	8,232,906
Other liabilities	17	250,744	190,592	147,637	79,253
Redeemable notes	18	4,491,287	1,990,325	4,491,287	1,990,325
Term loans	19	9,901,658	8,613,109	9,614,892	8,246,901
Infrastructure support fund	20	380,294	715,882	380,294	715,882
Deferred income	21	292,208	152,232	292,208	152,232
Deferred tax liabilities	15	10,892	17,918	-	38,369
Total liabilities		22,784,709	19,912,964	22,383,944	19,455,868

STATEMENTS OF FINANCIAL POSITION
As At 31 December 2010 *(continued)*

		Group		Bank	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Equity attributable to equity holders of the Bank					
Share capital	22	3,078,724	3,078,724	3,078,724	3,078,724
Reserves	23	3,959,857	4,263,897	3,789,822	4,051,809
		7,038,581	7,342,621	6,868,546	7,130,533
Minority interests		207,631	232,419	-	-
Total equity		7,246,212	7,575,040	6,868,546	7,130,533
Total equity and liabilities		30,030,921	27,488,004	29,252,490	26,586,401
Commitments and contingencies	35(a)	5,542,371	9,307,014	5,195,231	9,160,904

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

INCOME STATEMENTS
For The Year Ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Interest income	25	1,545,541	1,473,978	1,496,108	1,427,300
Interest expense	26	(725,204)	(661,052)	(724,389)	(659,498)
Net interest income		820,337	812,926	771,719	767,802
Profit equalisation reserve		1,071	(1,071)	1,071	(1,071)
Non-interest income	27	422,875	282,534	303,332	120,671
Net income		1,244,283	1,094,389	1,076,122	887,402
Overhead expenses	28	(237,736)	(255,260)	(82,901)	(67,444)
Allowance for impairment of loans and financing	31	(381,026)	(507,230)	(403,772)	(434,332)
Impairment losses on financial investments available-for-sale		(1,000)	(869)	(1,000)	(1,000)
Impairment losses on financial investments held-to-maturity		(85,139)	(4,820)	(84,958)	(1,022)
Operating profit		539,382	326,210	503,491	383,604
Share of results of jointly controlled entities		9,706	13,251	-	-
Profit before taxation		549,088	339,461	503,491	383,604
Tax expense	32	(124,657)	(19,397)	(118,140)	(7,606)
Profit for the year		424,431	320,064	385,351	375,998
Attributable to:					
Shareholders of the Bank		420,864	307,553	385,351	375,998
Minority interests		3,567	12,511	-	-
		424,431	320,064	385,351	375,998
Earnings per share attributable to the equity holders of the Bank (sen) (Note 34):					
Basic earnings per share		13.67	9.99		

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

STATEMENTS OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2010

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Profit for the year		424,431	320,064	385,351	375,998
Other comprehensive income					
Exchange difference on translation of foreign operations		(36,885)	(6,809)	-	-
Net unrealised (loss)/gain on revaluation of financial investments available-for-sale		(100,320)	81,658	(74,197)	81,658
Other comprehensive income for the year, net of tax		(137,205)	74,849	(74,197)	81,658
Total comprehensive income for the year, net of tax		287,226	394,913	311,154	457,656
Total comprehensive income attributable to:					
Shareholders of the Bank		292,694	386,808	311,154	457,656
Minority interests		(5,468)	8,105	-	-
		287,226	394,913	311,154	457,656

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 31 December 2010

		<---- Attributable to equity holders of the Bank								
		<---- Non-Distributable				---->				
Group	Note	Share capital RM'000	Capital reserve RM'000	Statutory reserve RM'000	Unrealised holding reserve RM'000	Exchange translation reserve RM'000	Distributable retained profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
At 1 January 2010, as previously stated		3,078,724	1,000	1,384,641	274,055	(20,579)	2,624,780	7,342,621	232,419	7,575,040
Effects of adopting FRS 139		-	-	-	-	-	(496,734)	(496,734)	-	(496,734)
At 1 January 2010, as restated		3,078,724	1,000	1,384,641	274,055	(20,579)	2,128,046	6,845,887	232,419	7,078,306
Total comprehensive income for the year		-	-	-	(100,320)	(27,850)	420,864	292,694	(5,468)	287,226
Transfer to statutory reserve		-	-	154,721	-	-	(154,721)	-	-	-
Dividends paid	33	-	-	-	-	-	(100,000)	(100,000)	(19,320)	(119,320)
At 31 December 2010		3,078,724	1,000	1,539,362	173,735	(48,429)	2,294,189	7,038,581	207,631	7,246,212
At 1 January 2009		3,078,724	1,000	1,196,642	192,397	(18,176)	2,585,226	7,035,813	230,802	7,266,615
Total comprehensive income for the year		-	-	-	81,658	(2,403)	307,553	386,808	8,105	394,913
Transfer to statutory reserve		-	-	187,999	-	-	(187,999)	-	-	-
Dividends paid	33	-	-	-	-	-	(80,000)	(80,000)	(6,488)	(86,488)
At 31 December 2009		3,078,724	1,000	1,384,641	274,055	(20,579)	2,624,780	7,342,621	232,419	7,575,040

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

STATEMENTS OF CHANGES IN EQUITY
For The Year Ended 31 December 2010

Bank	Note	<--------------- Non distributable	---------------	-------------->		
		Share capital RM'000	Statutory reserve RM'000	Unrealised holding reserve RM'000	Distributable retained profits RM'000	Total RM'000
At 1 January 2010, as previously stated		3,078,724	1,384,641	365,211	2,301,957	7,130,533
Effects of adopting FRS 139		-	-	-	(473,141)	(473,141)
At 1 January 2010, as restated		3,078,724	1,384,641	365,211	1,828,816	6,657,392
Total comprehensive income for the year		-	-	(74,197)	385,351	311,154
Transfer to statutory reserve		-	154,721	-	(154,721)	-
Dividends paid	33	-	-	-	(100,000)	(100,000)
At 31 December 2010		3,078,724	1,539,362	291,014	1,959,446	6,868,546
At 1 January 2009		3,078,724	1,196,642	283,553	2,193,958	6,752,877
Total comprehensive income for the year		-	-	81,658	375,998	457,656
Transfer to statutory reserve		-	187,999	-	(187,999)	-
Dividends paid	33	-	-	-	(80,000)	(80,000)
At 31 December 2009		3,078,724	1,384,641	365,211	2,301,957	7,130,533

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

STATEMENTS OF CASH FLOW

For The Year Ended 31 December 2010

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities				
Profit before taxation	549,088	339,461	503,491	383,604
Adjustments for:				
Share of profits in jointly controlled entity	(9,706)	(13,251)	-	-
Depreciation	59,189	74,434	12,243	13,719
Amortisation of prepaid lease rental	110	110	110	110
Depreciation of investment properties	398	430	177	177
Net gain on disposal of property, plant and equipment	(28,300)	(296)	(211)	(369)
Gain on sale of financial investments available-for-sale	(10,695)	(13,264)	(10,695)	(13,234)
Dividend income:				
- subsidiaries	-	-	(21,600)	(24,580)
- financial investments available-for-sale	(27,592)	(55,610)	(27,592)	(55,448)
Amortisation of premium less accretion of discount of financial investments	(15,109)	(12,613)	(15,109)	(12,613)
Impairment for:				
- financial investments available-for-sale	1,000	869	1,000	1,000
- financial investments held-to-maturity	85,139	4,820	84,958	1,022
- investment in associates	978	-	-	-
Property, plant and equipment written off	76	-	76	-
Unrealised (gain)/loss on foreign exchange	(24,952)	7,179	(24,952)	7,179
Balance carried forward	579,624	332,269	501,896	300,567

STATEMENTS OF CASH FLOW

For The Year Ended 31 December 2010 *(continued)*

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities (contd.)				
Balance brought forward	579,624	332,269	501,896	300,567
Individual impairment allowance	359,760	-	352,566	-
Collective impairment allowance	47,263	-	47,650	-
Individual impairment allowance written back	(27,734)	-	(2,457)	-
Allowance for doubtful debts and financing	-	607,657	-	504,484
Allowance for doubtful debt and financing written back	-	(102,052)	-	(70,948)
Bad debts and financing written off	5,542	5,652	5,542	1,486
Profit equalisation reserve	(1,071)	1,071	(1,071)	1,071
Infrastructure Support Fund (utilised)/written back	(185,920)	15,169	(185,920)	15,169
Deferred income recognised	(161,111)	(137,437)	(161,111)	(137,437)
Unrealised loss on derivative instruments	-	8,212	-	8,212
Operating profit before working capital changes	616,353	730,541	557,095	622,604
(Increase)/decrease in operating capital changes:				
Deposits and placements with financial institutions	18,297	(10,723)	18,297	(10,723)
Loans, advances and financing	(2,445,111)	(3,531,437)	(2,444,349)	(3,513,074)
Other assets	376,311	111,794	353,205	(93,243)
Fixed deposits and acceptances	(775,279)	3,055,229	(775,279)	3,055,229
Other liabilities	(15,539)	(147,308)	72,034	105,442
Cash (used in)/generated from operations	(2,224,968)	208,096	(2,218,997)	166,235
Income taxes paid	(124,657)	(42,782)	(118,141)	(30,534)
Net cash (used in)/generated from operating activities	(2,349,625)	165,314	(2,337,138)	135,701

STATEMENTS OF CASH FLOW

For The Year Ended 31 December 2010 *(continued)*

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flow from investing activities				
Dividends from financial investments available-for-sale	27,592	55,610	27,592	55,448
Dividends from subsidiaries	-	-	21,600	24,580
Purchase of financial investments available-for-sale	(209,389)	(362,904)	(209,389)	(362,904)
Purchase of property, plant and equipment	(26,200)	(12,747)	(4,235)	(1,739)
Proceeds from disposal/maturity of financial investments	476,079	386,969	476,079	386,969
Proceeds from disposal of property, plant and equipment	170,975	3,565	284	3,085
Proceeds from redemption of preference shares in investment securities	-	749	-	1
Net cash generated from investing activities	439,057	71,242	311,931	105,440

STATEMENTS OF CASH FLOW

For The Year Ended 31 December 2010 *(continued)*

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Net receipt from long-term loans	1,330,617	-	1,410,059	-
Proceeds from issuance of bond	2,500,000	-	2,500,000	-
Net repayment of term loan	-	(1,294,817)	-	(1,268,660)
Proceeds from Government compensation	230,451	185,220	230,451	185,220
Dividends paid	(100,000)	(80,000)	(100,000)	(80,000)
Net cash generated from/(used in) financing activities	3,961,068	(1,189,597)	4,040,510	(1,163,440)
Net increase/(decrease) in cash and cash equivalents	2,050,500	(953,041)	2,015,303	(922,299)
Cash and cash equivalents at beginning of year	1,782,493	2,735,534	1,069,687	1,991,986
Cash and cash equivalents at end of year	3,832,993	1,782,493	3,084,990	1,069,687
Cash and cash equivalents comprise:				
Cash and short term deposits (Note 3)	3,832,993	1,782,493	3,084,990	1,069,687

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

1. Corporate information

Bank Pembangunan Malaysia Berhad ("the Bank") is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Bank is located at Level 16, Menara Bank Pembangunan, Bandar Wawasan, No. 1016, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Bank is principally engaged to undertake infrastructure projects financing and to carry out the functions of a development bank focusing on maritime, advanced manufacturing industries, high technology and export oriented industries while the other entities within the Group are primarily involved in provision of financial services as a development bank, venture capital investment and ship owning activities.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 February 2011.

2. 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 incorporate those activities relating to Islamic Banking, which have been undertaken by the Group. Islamic Banking refers generally to the granting of financing under Syariah principles.

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

2. Significant accounting policies (contd.)

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

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

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

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

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (contd.)

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

2.2.1 Impact due to adoption of new standards

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

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (contd.)

2.2.1 Impact due to adoption of new standards (contd.)

(a) FRS 7 *Financial Instruments: Disclosures*

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

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

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

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

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

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

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

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (contd.)

2.2.1 Impact due to adoption of new standards (contd.)

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

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's revised BNM/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:

(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. The existing accounting policies relating to the assessment of impairment of other financial assets of the Group and the Bank are already largely in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired 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 assesses 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.

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.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (contd.)

2.2.1 Impact due to adoption of new standards (contd.)

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

(i) Impairment of loans and advances (contd.)

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 income statement.

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/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 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 income statement as at the beginning of the current financial period being adjusted to opening retained profits. 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 has recognised an additional allowances of RM481,517,000 and RM457,924,000 respectively against the retained earnings as at 1January 2010. Any further allowances charged subsequent to the adoption of FRS139 is recognised as allowances for losses on loans, advances and financing in the income statement.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (contd.)

2.2.1 Impact due to adoption of new standards (contd.)

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

(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 three (3) months or more or where loans in arrears for less than three (3) months exhibit indications of credit weakness. The change in the criteria for classification of impaired loans has resulted in an increase in opening impaired loans of RM2,986,207,000 and RM2,936,813,000 for the Group and the Bank respectively.

(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 retained profit of the Group and the Bank.

(iv) Amount due from Minister of Finance Inc. ("MOF")

The amount due from MOF, the holding company of Bank Pembangunan Malaysia Berhad relates to proceeds receivable from disposal of Bank's interest in SME Bank that took place in March 2008 amounting to RM1,052,000,000. As per the letter from MOF dated 15 December 2008, this amount will be offset against the amount due to MOF that comprise the term loan and commitment fee amounting to RM794,696,708 on 31 March 2013. The net amount owing by MOF amounting to RM257,303,292 bears interest of 2% per annum and is repayable via bullet repayment in March 2013. The interest charge of 2% per annum is below the interest market rate of 3.5% which is based on Malaysian Government Securities. The difference between the cash payable and fair value on initial recognition is charged to retained profits while subsequent interest on the net amount due from MOF is recognized at the Market Interest Rate of 3.5%.

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (contd.)

2.2.1 Impact due to adoption of new standards (contd.)

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

(i) Statements of financial position

Group	**Increase/(decrease) As at 1.1.2010 RM'000**
Assets	
Financial investment - AFS	(13,179)
Financial investment - held-to-maturity	(85,843)
Loans, advances and financing	
- third parties	(718,184)
Other assets	
- amount due from Minister of Finance Inc.	(51,579)
Deferred tax assets	153,111
Liabilities	
Other liabilities	
- amount due to Minister of Finance Inc.	(115)
Term loan	
- amount due to Minister of Finance Inc.	(36,247)
Infrastructure support fund	(182,578)
Shareholders' equity	
Retained profits	(496,734)

2. Significant accounting policies (contd.)

2.2 Changes in accounting policies and effects arising from adoption of new and revised FRSs (contd.)

2.2.1 Impact due to adoption of new standards (contd.)

(d) The following are effects arising from the above changes in accounting policies: (contd.)

(i) Statements of financial position

Bank	Increase/(decrease) As at 1.1.2010 RM'000
Assets	
Financial investment - AFS	(13,179)
Financial investment - held-to-maturity	(85,843)
Loans, advances and financing	
- third parties	(694,121)
Other assets	
- amount due to Minister of Finance Inc.	(51,579)
Deferred tax assets	152,641
Liabilities	
Other liabilitie	
- amount due to Minister of Finance Inc.	(115)
Term loan	
- amount due to Minister of Finance Inc.	(36,247)
Infrastructure support fund	(182,578)
Shareholders' equity	
Retained profits	(473,141)

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective

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

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

2. Significant accounting policies (contd.)

2.3 Standards issued but not yet effective (contd.)

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

* The Amendments to FRS 132 as identified in paragraphs 95A, 97AA and 97AB of the Standard shall apply to financial statements of annual periods beginning on or after 1 January 2010. The amendments in paragraphs 11, 16 and 97E of the Standard, relating to Classification of Rights Issues shall apply to financial statements of annual periods beginning on or after 1 March 2010.

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

2.4 Summary of significant accounting policies

(a) 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.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(a) Basis of consolidation

Acquisitions of subsidiaries are accounted for by 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 values relating to previously held interests 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 over the Groups share in the net fair value of the acquired subsidiarys identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. The accounting policy for goodwill is set out in Note 2.4(k). Any excess of the Groups share in the net fair value of the acquired subsidiarys identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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.

(b) 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 shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions 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. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(c) Subsidiaries

A subsidiary is an entity over which the 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, investments in subsidiaries are accounted for at cost less impairment losses.

(d) 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.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. 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 is excluded from the carrying amount of the investment and is instead 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, 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 associate 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.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(d) Associates (contd.)

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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.

(e) Jointly controlled entities

The Group has interests in joint ventures which are jointly controlled entities. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in jointly controlled entity is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity. The Group's share of the net profit or loss of the jointly controlled entity is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the jointly controlled entity, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the jointly controlled entity. The jointly controlled entity is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the jointly controlled entity.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(e) Jointly controlled entities (contd.)

Goodwill relating to the jointly controlled entity is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the jointly controlled entity's profit or loss in the period in which the investment is acquired.

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

The most recent available audited financial statements of the jointly controlled entities 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.

(f) Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary 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.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(f) Foreign currency transactions (contd.)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(g) Property, plant and equipment

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(g) Property, plant and equipment (contd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress are also not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building	50 years
Vessels	25 years
Furniture and equipment	3 - 10 years
Partitioning, installation and renovations	3 - 20 years
Motor vehicles	5 - 8 years
Dry-docking expenses	2.5 - 5 years

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(h) Investment properties

Investment properties principally comprise properties held for long-term rental yields or capital appreciation or both and which are not occupied by the Group. Investment property is carried at cost less accumulated depreciation and any impairment losses.

Freehold land is not depreciated. Freehold building is depreciated at an annual rate of 2%, calculated on a straight line basis to write off the cost of each building over the estimated useful life.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria is met and excludes the cost of day-to-day servicing of that property.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(h) Investment properties (Contd.)

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

(i) Leases

(i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and building are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (Note 2.4(h)); and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease; and

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(j) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an 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 the 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")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the 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.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at 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 the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(k) Goodwill

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

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

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

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

(l) Financial assets

Initial recognition and subsequent measurement

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) Financial assets (contd.)

Initial recognition and subsequent measurement (contd.)

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

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

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

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, 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.

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

(ii) Loan Receivables

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) Financial assets (contd.)

Initial recognition and subsequent measurement (contd.)

(iii) Held-to-maturity investments

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

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

Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity.

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

(iv) Available-for-sale investments

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) Financial assets (contd.)

Initial recognition and subsequent measurement (contd.)

(iv) Available-for-sale investments (contd.)

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

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

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

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

Fair value determination

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(l) Financial assets (contd.)

Fair value determination (contd.)

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

Derecognition

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

(m) Financial liabilities

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

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

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

Financial liabilities are derecognised when they are redeemed or extinguished.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(n) Impairment of financial assets

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

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

The impairment policies on the financial assets are summarised as follows:

(i) Loans and receivables

Classification of impaired loans, advances and financing

The Group classifies a loan, advance or financing as impaired when there is objective evidence that the loan is impaired. In addition the Group also complies with Bank Negara Malaysia's Guidelines on Classification and Impairment Provision for Loans/Financing which states that, based on repayment conduct, a loan or financing should be classified as impaired:

- Where the principal or interest/profit or both is past due more than 90 days or 3 months. In the case of revolving facilities (e.g. overdraft facilities), the facility shall be classified as impaired where the outstanding amount remain in excess of the approved limit for a period of more than 90 days or 3 months.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(n) Impairment of financial assets (contd.)

(i) Loans and receivables (contd.)

Classification of impaired loans, advances and financing (contd.)

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

Impairment

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(n) Impairment of financial assets (contd.)

(i) Loans and receivables (contd.)

Impairment (contd.)

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

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

(ii) Held-to maturity investments

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(n) Impairment of financial assets (contd.)

(iii) Available-for-sale investments

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

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

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

(o) Financial derivatives

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the income statement. Derivatives embedded in other financial instruments are accounted for separately as derivatives if the economic characteristics and risks are not closely related to those of the host contracts and the host contracts are carried at fair value through profit or loss.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(p) Equity instruments

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

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

(q) Inventories

Inventories consist of lubricants on board for own consumption and are stated at cost in US Dollars and converted to Ringgit Malaysia at a rate that approximates the rate of exchange at balance sheet date. The cost of lubricants is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(r) Employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the Employees Provident Fund is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(s) Government Grants

Government grants are recognised at their fair value in the balance sheet where there is a reasonable assurance that the grants will be received and all attaching conditions will be complied with. The Government grants are presented in the balance sheet as “Infrastructure Support Fund” and “Deferred Income”.

Deferred income comprises claims received in relation to interest rate differentials on financing of Government Infrastructure projects. Other claims received are recorded in the “Infrastructure Support Fund”.

Grants that compensate the Group for expenses incurred are recognised as income over the period necessary to match the grants on a systematic basis to the costs that it is intended to compensate.

(t) Provisions

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

(u) Contingent Liabilities

Contingent liabilities consist of secured guarantees given to third parties on behalf of borrowers. Contingent liabilities are disclosed in the notes to the accounts, unless the possibility of an outflow of resources embodying economic benefits is remote.

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(v) Disposal Groups Assets Held for Sale and Discontinued Operation

Non financial assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary.

Immediately before classification as held for sale, the measurement of the non-current assets (or all the assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable FRSs. Then, on initial classification as held for sale, non-financial assets or disposal groups (other than investment properties, deferred tax assets, employee benefits assets and financial assets) are measured in accordance with FRS 5 that is at the lower of carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

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 and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(w) Revenue

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

(i) Interest and similar income and expense

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(w) Revenue (contd.)

(i) Interest and similar income and expense (contd.)

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

(ii) Income recognition for leasing, hire purchase financing, confirming and factoring

Income earned on leasing and hire purchase confirming and factoring financing is recognised based on the effective interest method.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(iv) Charter hire, demurrage and freight Income

Revenue and expenses up to the balance sheet date are recognised for voyage which remain uncompleted as at the balance sheet date, the income receivable for the voyage are pro-rated up to the balance sheet date and all relevant costs are accrued.

(x) Income tax

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

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

2. Significant accounting policies (contd.)

2.4 Summary of significant accounting policies (contd.)

(x) Income tax (contd.)

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(y) Foreclosed properties

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements maturing less than one month held for the purpose of meeting short term commitments and readily convertible into cash without significant risk of changes in value.

(z) Cash and cash equivalent

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

2.5 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Bank's functional currency. Some of the Group's subsidiaries have identified United States Dollar (USD) as their functional currency and have measured its results and financial position for the current year in USD. The results and financial position of these companies were subsequently translated into RM in accordance Note 2.4(f). All financial information presented in RM has been rounded to the nearest thousand (RM'000) unless otherwise stated.

2. Significant accounting policies (contd.)

2.6 Significant accounting judgements and estimates

In the preparation of financial statements, management has been required to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates is revised and in the future periods affected.

Significant areas of estimation, uncertainty and critical judgement used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(i) Fair value estimation of financial investments available-for-sale (Note 5)

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.

(ii) Deferred Tax (Note 15)

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowance to the extent that it is probable that taxable profit will be available against which the losses and capital allowances can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets on unutilised tax losses and unabsorbed capital allowance relating to a subsidiary as at 31 December 2010 (2009 - Nil). The total carrying value of unutilised tax losses and unabsorbed capital allowances of the Group was RM54,836,000 (2009 - RM95,463,000) and RM10,663,000 (2009 -RM10,658,000) respectively.

2. Significant accounting policies (contd.)

2.6 Significant accounting judgements and estimates (contd.)

(iii) Allowance for impairment on loans, advances and financing (Note 31)

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 financial services 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 issued on 8 January 2010, whereby banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding loans/financing, net of individual impairment provision.

(iv) Classification between Investment Properties and Property, Plant and Equipment

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

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

3. Cash and short term deposits

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Cash and balances with other financial institutions	66,514	20,579	26,066	4,487
Money at call and deposit placements maturing within one month	3,766,479	1,761,914	3,058,924	1,065,200
	3,832,993	1,782,493	3,084,990	1,069,687

4. Deposits and placements with financial institutions

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Licensed banks	237,302	195,429	237,256	195,383
Other financial institutions	1,000	61,171	1,000	61,171
	238,302	256,600	238,256	256,554

5. Financial investments - available-for-sale ("AFS")

At fair value	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Money market instruments:				
Malaysian Government Securities	40,470	40,500	40,470	40,500
Quoted securities:				
(In Malaysia)				
Shares	528,489	601,212	522,318	600,226
Others	21	734	-	-
	528,510	601,946	522,318	600,226
Balance carried forward	568,980	642,446	562,788	640,726

5. Financial investments - available-for-sale ("AFS") (contd.)

At fair value	**Group 2010 RM'000**	**Group 2009 RM'000**	**Bank 2010 RM'000**	**Bank 2009 RM'000**
Balance brought forward	568,980	642,446	562,788	640,726
Unquoted securities:				
(In Malaysia)				
Shares	324	1,401	324	1,378
Loan stock #	258,748	318,669	258,748	318,647
Private debt securities	1,024,403	1,221,325	1,024,403	1,220,154
	1,283,475	1,541,395	1,283,475	1,540,179
	1,852,455	2,183,841	1,846,263	2,180,905
# Stated at cost, net of impairment loss amounting to	13,179	-	13,179	-

6. Financial investments - held-to-maturity

At amortised cost	**Group 2010 RM'000**	**Group 2009 RM'000**	**Bank 2010 RM'000**	**Bank 2009 RM'000**
Money market instruments:				
Cagamas	94,593	97,903	94,593	97,903
	94,593	97,903	94,593	97,903
Unquoted securities:				
(In Malaysia)				
Private debt securities	342,332	324,553	342,332	324,553
Loan stock	1,732	1,598	-	1,598
	344,064	326,151	342,332	326,151
Less: Accumulated impairment	(173,533)	(1,022)	(171,823)	(1,022)
Total financial investments held-to-maturity	265,124	423,032	265,102	423,032

6. Financial investments - held-to-maturity (contd.)

Indicative market value of the securities held-to-maturity are as follows:

	Group		Bank	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Cagamas	95,562	97,078	95,562	97,078
Unquoted private debt securities	171,956	241,608	171,956	241,608

Other disclosures

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

	Group		Bank	
	2010 RM'000	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
One year to three years	50,644	3,000	50,644	3,000
Three years to five years	79,419	50,500	79,419	50,500
Over five years	5,000	84,903	5,000	84,903
	135,063	138,403	135,063	138,403

7. Loans, advances and financing

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Loans and financing to industries				
- Government Guaranteed	7,619,498	5,797,092	7,619,498	5,797,092
- Others	15,871,440	15,224,355	15,751,957	15,070,096
	23,490,938	21,021,447	23,371,455	20,867,188
Allowance for impaired loans and financing:				
- individual assessment allowance	(1,792,620)	-	(1,673,137)	-
- collective assessment allowance	(660,901)	-	(660,901)	-
- specific allowance	-	(1,112,789)	-	(958,530)
- general allowance	-	(302,686)	-	(298,630)
	(2,453,521)	(1,415,475)	(2,334,038)	(1,257,160)
Net loans and financing to industries	21,037,417	19,605,972	21,037,417	19,610,028
Staff loan	16,827	18,194	16,613	18,110
Loan to subsidiaries	-	-	271,995	270,387
Lease receivable	95,352	98,270	-	-
Block discounting and factoring receivables	71,186	129,464	-	-
Hire purchase receivables	241,117	168,829	-	-
Ijarah receivables	42,425	54,795	-	-
Other loans, advances and financing	466,907	469,552	288,608	288,497
Allowance for impaired loans and financing:				
- individual assessment allowance	(57,061)	-	-	-
- collective assessment allowance	(12,167)	-	(4,306)	-
- specific allowance	-	(39,598)	-	-
- general allowance	-	(8,519)	-	(4,327)
	(69,228)	(48,117)	(4,306)	(4,327)
Net other loans, advances and financing	397,679	421,435	284,302	284,170
Net loans, advances and financing	21,435,096	20,027,407	21,321,719	19,894,198

7. Loans, advances and financing (contd.)

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Gross loans, advances and financing	23,957,845	21,490,999	23,660,063	21,155,685
Allowance for impaired loans and financing:				
- individual assessment allowance	(1,849,681)	-	(1,673,137)	-
- collective assessment allowance	(673,068)	-	(665,207)	-
- specific allowance	-	(1,152,387)	-	(958,530)
- general allowance	-	(311,205)	-	(302,957)
	(2,522,749)	(1,463,592)	(2,338,344)	(1,261,487)
Net loans, advances and financing	21,435,096	20,027,407	21,321,719	19,894,198

(i) Loans, advances and financing analysed by type are as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Bai' Bithaman Ajil	294,050	246,420	251,479	199,503
Bank Guarantee	83,066	35,132	83,066	35,132
Bai Al-Inah	72,137	59,035	72,137	59,035
Bai Murabahah	96,583	57,792	96,583	57,792
Bai Istisna'	2,193,637	1,736,816	2,193,637	1,736,816
Bridging financing	99,426	570,445	81,746	550,826
Murabahah Dayn	7,790	1,454	7,790	1,454
Hire purchase	241,117	168,647	-	-
Factoring	71,186	129,773	-	-
Ijarah	63,105	79,610	20,680	24,814
Ijarah Muntahia Bittamalik	290,863	192,436	290,863	192,436
Infra support loan	198,106	225,985	198,106	225,985
Leasing	95,353	98,242	-	-
Revolving financing	43,270	53,912	-	-
Revolving working capital	116,609	158,576	116,609	158,576
Revolving working capital without invoice	29,158	25,562	29,158	25,562
Term loan	19,829,384	17,550,479	20,085,204	17,787,071
Working capital	133,005	100,683	133,005	100,683
Gross loans, advances and financing	23,957,845	21,490,999	23,660,063	21,155,685

7. Loans, advances and financing (contd.)

(i) Loans, advances and financing analysed by type are as follows: (contd.)

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Allowance for impaired loans and financing:				
- individual assessment allowance	(1,849,681)	-	(1,673,137)	-
- collective assessment allowance	(673,068)	-	(665,207)	-
- specific allowance	-	(1,152,387)	-	(958,530)
- general allowance	-	(311,205)	-	(302,957)
	(2,522,749)	(1,463,592)	(2,338,344)	(1,261,487)
Net loans, advances and financing	21,435,096	20,027,407	21,321,719	19,894,198

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

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Domestic business enterprises	23,941,018	21,472,805	23,643,450	21,137,575
Individual	16,827	18,194	16,613	18,110
Gross loans, advances and financing	23,957,845	21,490,999	23,660,063	21,155,685

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

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Fixed rate				
- Housing loans/financing	24,317	27,404	16,613	18,110
- Hire purchase receivables	241,117	166,529	-	-
- Other fixed rate loans/financing	13,520,442	11,629,601	13,471,481	11,470,110
Variable rate				
- Cost plus	9,168,100	8,616,687	9,168,100	8,616,687
- Other variable rates	1,003,869	1,050,778	1,003,869	1,050,778
Gross loans, advances and financing	23,957,845	21,490,999	23,660,063	21,155,685

7. Loans, advances and financing (contd.)

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

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Agriculture, hunting & forestry	4,403	5,224	3,627	4,390
Applications & Instruments	-	515	-	515
Construction	10,215,782	8,058,896	10,161,023	7,979,874
Education	274,239	274,204	274,239	274,204
Electrical & Electronics	10,811	9,473	10,811	9,473
Electricity, gas and water supply	3,284,242	3,448,507	3,283,844	3,447,095
Finance, Insurance & Business	63,999	48,776	271,995	270,387
Food Processing	-	1,293	-	1,293
Hotel and restaurants	685,340	472,150	587,554	363,876
Housing	23,265	18,110	16,613	18,110
Manufacturing	1,183,294	1,515,273	1,074,605	1,355,773
Marine Related	18,915	209	18,915	209
Materials Technology	18,678	1,658	18,678	1,658
Medical & Pharmaceuticals	54,755	34,625	54,755	34,625
Mining & Quarrying	2,924	3,180	-	-
Other community, social and personal service activities	111,526	164,262	69,297	102,020
Production Engineering	13,966	29,896	13,966	29,896
Public administration and defense	41,981	21,847	41,981	21,847
Real estate, renting and business activities	1,168,570	1,074,473	1,151,171	1,069,269
Shipping	591,675	128,554	591,675	128,554
Shipyard	212,971	28,047	212,971	28,047
Transport, storage and communications	5,976,509	6,151,827	5,802,343	6,014,570
Gross loans, advances and financing	23,957,845	21,490,999	23,660,063	21,155,685

7. Loans, advances and financing (contd.)

(v) The maturity structure of the gross loans, advances and financing is as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Maturity within one year	3,757,576	3,536,703	3,634,874	3,377,023
One year to three years	3,016,435	3,151,237	2,930,713	3,121,208
Three years to five years	3,924,690	4,213,875	3,745,321	4,072,954
Over five years	13,259,144	10,589,184	13,349,155	10,584,500
	23,957,845	21,490,999	23,660,063	21,155,685

(vi) The loans and advances to subsidiaries are repayable over a period of three to seven years commencing from the date of drawdown and are at interest rates ranging from 3.5% to 5.0% (2009 - 3.5% to 4.0%) per annum. Included in these advances is a revolving facility amounting to RM60,000,000 (2009 - RM60,000,000) at an interest rate equivalent to the Bank's average return on deposits.

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

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Balance at beginning of year				
- as previously stated	1,068,899	889,102	878,998	663,963
- effect of adopting FRS 139	2,986,207	-	2,936,813	-
At 1 January, as restated #	4,055,106	889,102	3,815,811	663,963
Impaired during the year	1,039,682	356,618	878,924	310,997
Reclassified as non-impaired	(1,727,369)	(40,153)	(1,660,098)	(33,644)
Recovered during the year	(204,090)	(64,713)	(143,180)	(26,350)
Amount written off	(296,670)	(71,955)	(274,354)	(35,968)
Balance at end of year	2,866,659	1,068,899	2,617,103	878,998
Gross impaired loans as % of gross loans, advances and financing	11.97%	4.97%	11.06%	4.15%
# Gross impaired loans as % of gross loans, advances and financing as at 1 January 2010, restated for the effect of adopting FRS 139.	18.87%		18.04%	

7. Loans, advances and financing (contd.)

(viii) Impaired loans analysed by industry as follows:

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Agro resources-based	472	-	472	-
Construction	694,958	275,802	645,442	204,277
Education	22,651	20,040	22,651	20,040
Electrical & Electronics	10,812	9,474	10,812	9,474
Electricity, gas and water supply	98,028	41,093	98,028	40,612
Finance, Insurance & Business	11,576	3,443	-	-
Food Processing	-	1,293	-	1,293
Hotel and Restaurants	175,492	83,051	145,501	70,097
Manufacturing	762,401	271,104	684,646	213,085
Marine Related	18,898	-	18,898	-
Materials Technology	-	1,658	-	1,658
Medicals & Pharmaceuticals	54,755	-	54,755	-
Other community, social and personal service activities	64,222	56,565	32,949	20,827
Production Engineering	151	2,883	151	2,883
Real estate, renting and business activities	282,743	11,051	265,344	11,051
Shipping	129,706	754	129,706	754
Shipyard	98,729	14,999	98,729	14,999
Transport, storage and communications	441,065	275,689	409,019	267,948
	2,866,659	1,068,899	2,617,103	878,998

7. Loans, advances and financing (contd.)

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

	Group		Bank	
Individual assessment allowance	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Balance as at 1 January				
- as previously stated	-	-	-	-
- effect of adopting FRS 139	1,810,089	-	1,592,169	-
At 1 January, as restated	1,810,089	-	1,592,169	-
Allowance made during the year	258,798	-	251,604	-
Allowance made during the year against Infrastructure Support Fund	100,962	-	100,962	-
Amount written back in respect of recoveries	(27,734)	-	(2,457)	-
Amount written off	(292,434)		(269,141)	
Balance at end of year	1,849,681	-	1,673,137	-
Collective assessment allowance				
Balance as at 1 January				
- as previously stated	-	-	-	-
- effect of adopting FRS 139	625,805	-	617,557	-
At 1 January, as restated	625,805	-	617,557	-
Allowance made during the year	47,263	-	47,650	-
Balance at end of year	673,068	-	665,207	-

7. Loans, advances and financing (contd.)

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

	Group		Bank	
Specific allowance:	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Balance as at 1 January				
- as previously stated	1,152,387	669,519	958,530	529,363
- effect of adopting FRS 139	(1,152,387)	-	(958,530)	-
At 1 January, as restated	-	669,519	-	529,363
Allowance made during the year	-	603,441	-	500,400
Allowance made during the year against Infrastructure Support Fund	-	4,084	-	4,084
Amount written back in respect of recoveries	-	(55,324)	-	(24,180)
Amount written back in respect of recoveries transferred to Infrastructure Support Fund	-	(15,169)	-	(15,169)
Amount written off	-	(54,164)	-	(35,968)
Balance at end of year	-	1,152,387	-	958,530
General allowance:				
Balance as at 1 January				
- as previously stated	311,205	342,632	302,957	334,556
- effect of adopting FRS 139	(311,205)	-	(302,957)	-
At 1 January, as restated	-	342,632	-	334,556
Allowance made during the year	-	132	-	-
Amount written back	-	(31,559)	-	(31,599)
Balance at end of year	-	311,205	-	302,957
As a % of gross loans, advances and financing less specific provisions	-	1.5%	-	1.5%

8. Other assets

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Sundry receivables, deposits and prepayment	(i)	247,392	434,085	42,588	344,373
Less: Allowance for doubtful debts		(1,688)	(802)	(1,688)	(802)
		245,704	433,283	40,900	343,571
Trade receivables		4,829	37,745	-	-
Less: Allowance for doubtful debts		-	(8)	-	-
		4,829	37,737	-	-
Amount receivable from Government in respect of compensation for:					
- Foreign exchange differences		76,765	91,888	76,765	91,888
- Infrastructure projects		85,361	85,361	85,361	85,361
Amount due from Minister of Finance Incorporated	(ii)	1,029,607	1,061,373	1,029,607	1,061,373
Accrued interest receivable		23,657	21,122	23,657	21,117
Subsidiaries		-	-	34,962	33,288
Tax recoverable		-	51,358	-	51,299
Pool working fund	(iii)	2,929	3,594	-	-
Foreclosed properties		2,617	8,014	-	-
Inventories		1,377	2,703	-	-
		1,472,846	1,796,433	1,291,252	1,687,897

(i) Included in the sundry receivables, deposits and prepayments of the Group is an amount due from related parties of Global Maritime Ventures Berhad amounting to RM205,270,000 (2009 - RM94,416,000). Amounts due from related parties relate to fund placements with fund managers for short term deposits and bear floating interest rates of 0.06% to 0.22% (2009: 0.17% to 0.28%).

Included in prior year's sundry receivables, deposits and prepayments of the Group and the Bank was an amount due from a former subsidiary, SME Bank, of RM301,273,973 relating to loan from Pension Trust Fund Council which has now been transferred to SME Bank. The loan bears interest of 5.0% per annum and repayable over a period of 20 years, commencing on 22 November 2006.

(ii) The amount due from Minister of Finance Incorporated relates to proceeds receivable from disposal of the Bank's interest in SME Bank. The amount bears interest of 2% per annum and is repayable via a bullet repayment in 2013.

8. Other assets (contd.)

(iii) The amount due from subsidiaries are unsecured, interest free and repayable on demand.

(iv) Pool working fund represents advances from subsidiaries to the pool operators for operating funds of the vessels in the pool. These advances are interest free, unsecured and are refundable only upon termination of the pool agreement signed between the subsidiaries with the pool operators.

9. Investment in subsidiaries

	Bank	
	2010	**2009**
	RM'000	**RM'000**
Unquoted shares, at cost	862,700	862,700
Additional capital contribution due to waiver of debt	68,570	68,570
	931,270	931,270
Less: Impairment losses	(974)	(974)
	930,296	930,296

Details of the subsidiaries are disclosed in Note 39.

10. Interest in associates

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At cost:				
Unquoted ordinary shares	15	15	15	15
Group's share of retained post acquisition reserve	978	978	-	-
	993	993	15	15
Unquoted redeemable preference shares	5,627	5,627	5,627	5,627
	6,620	6,620	5,642	5,642
Less: Accumulated impairment losses	(6,620)	(5,642)	(5,642)	(5,642)
	-	978	-	-

10. Interest in associates (contd.)

(i) Details of the associates are as follows:

Name of Associates (incorporated in Malaysia)	Proportion of Ownership Interest 2010 %	2009 %	Principal Activities
Held through a subsidiary:			
Ekuiti Teroka (Malaysia) Sdn Bhd	28.60	28.60	Venture capital company

The summarised financial statements of the associates are as follows:

	2010 RM'000	2009 RM'000
Assets and liabilities		
Total assets	1,695	1,851
Total liabilities	4	3
Results:		
Revenue	8	15
Profit for the year	(130)	(4)

11. Interest in jointly controlled entities

	Group 2010 RM'000	2009 RM'000
At cost:		
Unquoted ordinary shares	100,122	77,953
Group's share of retained post acquisition reserve	31,523	21,817
	131,645	99,770
Long term loans to jointly controlled entities	79,658	78,222
	211,303	177,992

11. Interest in jointly controlled entities (contd.)

(i) Included in long term loans to jointly controlled entities is an amount of RM4,702,331.60 (2009 - RM24,677,502) which bears interest rate of 7% per annum (2009 - 7%), payable every quarter and will be maturing in 2018. The remaining amounts are unsecured, interest free and is payable on demand.

(ii) Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entities (incorporated in Malaysia)	Proportion of Ownership Interest 2010 %	2009 %	Principal Activities
Held through a subsidiary:			
Wawasan Bulk Services Sdn Bhd	30.00	30.00	Ship management
Alam Eksplorasi Sdn Bhd	40.00	40.00	Ship-owning, ship operating, ship agency, chartering and other related to shipping industry
Alam Synergy I (L) Inc	40.00	40.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy II (L) Inc	40.00	40.00	Ship-owning, ship operator and charter hire of vessel
Alam Synergy III (L) Inc	40.00	40.00	Ship-owning, ship operator and charter hire of vessel
Baycorp Ship Management Sdn Bhd	40.00	40.00	Ship management
Gagasan Sembilan Sdn Bhd	40.00	40.00	Ship-owning
Gagasan Ked Sdn Bhd	60.00	60.00	Ship-owning

11. Interest in jointly controlled entities (contd.)

(ii) Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entities (incorporated in Malaysia)	Proportion of Ownership Interest 2010 %	2009 %	Principal Activities
Held through a subsidiary: (contd.)			
Gagasan Paha Sdn Bhd	60.00	60.00	Ship-owning
Formasi Cekal Sdn Bhd	40.00	40.00	Ship-owning, ship operator and to undertake all kinds of contract to carry merchant goods
Orkim Leader Sdn Bhd	40.00	40.00	Ship-owning and freighting
Orkim Power Sdn Bhd	40.00	40.00	Ship-owning and freighting
Orkim Merit Sdn Bhd	40.00	40.00	Ship-owning and freighting
Orkim Express Sdn Bhd	40.00	40.00	Ship-owning and freighting
Orkim Challenger Sdn Bhd	60.00	60.00	Ship-owning and freighting
Orkim Discovery Sdn Bhd	60.00	60.00	Ship-owning and freighting
Orkim Reliance Sdn Bhd	60.00	60.00	Ship-owning and freighting
JM Global 1 (L) Plc	49.00	49.00	Ship-owning and freighting
JM Global 2 (L) Plc	49.00	49.00	Ship-owning and freighting
JM Global 3 (L) Plc	49.00	-	Ship-owning and freighting
JM Global 4 (L) Plc	49.00	-	Ship-owning and freighting
Omni Offshore (L) Inc	40.00	40.00	Ship-owning and freighting
Global BMesra Sdn Bhd(f.k.a Budisukma Mesra Sdn Bhd)	49.00	49.00	Ship-owning and freighting

11. Interest in jointly controlled entities (contd.)

(ii) Details of the jointly controlled entities are as follows: (contd.)

Name of Jointly Controlled Entities (incorporated in Malaysia)	Proportion of Ownership Interest 2010 %	2009 %	Principal Activities
Held through a subsidiary: (contd.)			
Global Bmesra Dua Sdn Bhd (f.k.a Budisukma Mesra Dua Sdn Bhd)	49.00	49.00	Ship-owning and freighting
Global BIkhlas Sdn Bhd (f.k.a Budisukma Ikhlas Sdn Bhd)	49.00	49.00	Ship-owning and freighting
Sea Weasel Ltd	49.00	-	Ship-owning and freighting
GBSB Thahirah Oceanic Ltd	40.00	-	Ship-owning and freighting
GBSB Thahirah Marine Ltd	40.00	-	Ship-owning and freighting

The voting rights for all the jointly controlled entities mentioned above are equal for both the joint venture parties.

During the financial year.

(a) The subsidiary, Global Maritime Ventures Berhad ("GMV") entered into a joint venture agreement with Jasa Merin (M) Sdn Bhd via its wholly owned subsidiary, GMV-Jasa Sdn Bhd to set up 2 new joint venture ship-owning companies, JM Global 3 (L) Plc and JM Global 4 (L) Plc with a subscription of 49% equity interest in the respective company. The total cash consideration for both companies amounted to RM4,410,000. Both JM Global 3 (L) Plc and JM Global 4 (L) Plc are incorporated in Labuan.

(b) GMV entered into a joint venture agreement with Syarikat Borcos Shipping Sdn Bhd via its wholly owned subsidiary, GMV-Borcos Sdn Bhd to set up 2 new joint venture ship-owning companies, GBSB Thahirah Oceanic Ltd and GBSB Thahirah Marine Ltd with a subscription of 40% equity interest in the respective company. The total investment for both companies amounted to RM55,240,000. Both GBSB Thahirah Oceanic Ltd and GBSB Thahirah marine Ltd are incorporated in Labuan.

11. Interest in jointly controlled entities (contd.)

(ii) Details of the jointly controlled entities are as follows: (contd.)

(c) GMV entered into a joint venture agreement with Efogen Sdn Bhd via its wholly owned subsidiary, GMV-Efogen Sdn Bhd to set up a new joint venture ship-owning company, Sea Weasel Ltd with a subscription of 49% equity interest. The total cash consideration for the company amounted to RM8,391,500. Sea Weasel Ltd is incorporated in Labuan.

(d) GMV-Jasa Sdn Bhd increased its investment in JM Global 1 (L) Plc and JM Global 2 (L) Plc in the form of additional equity participation, for a total contribution of RM6,100,500. The effective interest in these companies remain unchanged.

(e) A subsidiary, GMV-Orkim Sdn Bhd increased its investment in Orkim Discovery Sdn Bhd and Orkim Reliance Sdn Bhd in the form of additional equity participation, for a total contribution of RM7,200,000. The effective interest in these companies remain unchanged.

The summarised financial statements of the jointly controlled entities are as follows:

	2010 RM'000	2009 RM'000
Assets and liabilities		
Total assets	662,724	417,643
Total liabilities	531,079	320,053
Results:		
Revenue	64,889	39,468
Profit for the year	9,706	13,251

12. Property, plant and equipment

Group 2010	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
Cost									
1 January 2010	19,909	82,125	50,870	2,937	37,438	1,042,501	5,769	32,125	1,273,674
Additions	-	-	2,379	796	44	3,447	2,008	17,526	26,200
Disposal/write-off	-	-	(1,286)	(1,439)	(87)	(178,643)	-	(5,321)	(186,776)
Effect of movements in exchange rates	-	-	-		-	(83,579)	-	(5,652)	(89,231)
At 31 December 2010	19,909	82,125	51,963	2,294	37,395	783,726	7,777	38,678	1,023,867
Accumulated depreciation									
1 January 2010	-	9,992	37,077	2,725	8,851	455,161	-	21,819	535,625
Charge for the year	-	1,545	6,535	240	5,609	35,101	-	10,159	59,189
Disposals/write-off	-	-	(968)	(1,439)	(25)	(82,277)	-	(5,091)	(89,800)
Effect of movements in exchange rates	-	-	-	-	-	(38,528)	-	(4,928)	(43,456)
At 31 December 2010	-	11,537	42,644	1,526	14,435	369,457	-	21,959	461,558
Net Carrying Amount	19,909	70,588	9,319	768	22,960	414,269	7,777	16,719	562,309

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

12. Property, plant and equipment (contd.)

Group 2009	Freehold land RM'000	Buildings RM'000	Furniture and equipment RM'000	Motor vehicle RM'000	Mechanical and electricals RM'000	Vessels RM'000	Capital work-in progress RM'000	Dry-docking expenses RM'000	Total RM'000
Cost									
1 January 2009	19,909	82,125	46,074	2,941	35,778	1,175,421	13,980	42,651	1,418,879
Additions	-	-	10,341	-	1,660	29,640	(8,008)	7,344	40,977
Disposal/write-off	-		(5,545)	(4)	-	-	(203)	(11,267)	(17,019)
Transfer to assets held for sale	-	-	-		-	(145,130)	-	(6,156)	(151,286)
Effect of movements in exchange rates	-	-	-		-	(17,430)	-	(447)	(17,877)
At 31 December 2009	19,909	82,125	50,870	2,937	37,438	1,042,501	5,769	32,125	1,273,674
Accumulated depreciation									
1 January 2009	-	8,447	32,887	2,526	3,138	482,984	-	25,165	555,147
Charge for the year	-	1,545	7,209	203	5,713	48,728	-	11,036	74,434
Disposals/write-off	-	-	(3,019)	(4)	-	-	-	(11,267)	(14,290)
Transfer to assets held for sale	-	-	-	-	-	(69,069)	-	(2,815)	(71,884)
Effect of movements in exchange rates	-	-	-	-	-	(7,482)	-	(300)	(7,782)
At 31 December 2009	-	9,992	37,077	2,725	8,851	455,161	-	21,819	535,625
Net Carrying Amount	**19,909**	**72,133**	**13,793**	**212**	**28,587**	**587,340**	**5,769**	**10,306**	**738,049**

12. Property, plant and equipment (contd.)

Bank **2010**	**Freehold land** **RM'000**	**Buildings** **RM'000**	**Furniture and equipment** **RM'000**	**Mechanical and Electricals** **RM'000**	**Motor vehicles** **RM'000**	**Capital work-in progress** **RM'000**	**Total** **RM'000**
Cost							
At 1 January 2010	19,740	76,521	28,605	37,438	2,212	722	165,238
Additions	-	-	1,556	44	627	2,008	4,235
Disposals/write off	-	-	(554)	(87)	(1,267)	-	(1,908)
At 31 December 2010	19,740	76,521	29,607	37,395	1,572	2,730	167,565
Accumulated depreciation							
1 January 2010	-	4,385	18,141	8,852	2,206	-	33,584
Charge for the year	-	1,542	4,978	5,609	114	-	12,243
Disposals/write off	-	-	(467)	(25)	(1,267)	-	(1,759)
At 31 December 2010	-	5,927	22,652	14,436	1,053	-	44,068
Net Carrying Amount	**19,740**	**70,594**	**6,955**	**22,959**	**519**	**2,730**	**123,497**

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

12. Property, plant and equipment (contd.)

Bank **2009**	**Freehold land** **RM'000**	**Buildings** **RM'000**	**Furniture and equipment** **RM'000**	**Mechanical and Electricals** **RM'000**	**Motor vehicles** **RM'000**	**Capital work-in progress** **RM'000**	**Total** **RM'000**
Cost							
At 1 January 2009	19,740	76,521	39,930	35,778	2,212	8,933	183,114
Additions	-	-	8,087	1,660	-	(8,008)	1,739
Disposals/write off	-	-	(19,412)	-	-	(203)	(19,615)
At 31 December 2009	19,740	76,521	28,605	37,438	2,212	722	165,238
Accumulated depreciation							
1 January 2009	-	2,843	28,667	3,139	2,115	-	36,764
Charge for the year	-	1,542	6,373	5,713	91	-	13,719
Disposals/write off	-	-	(16,899)	-	-	-	(16,899)
At 31 December 2009	-	4,385	18,141	8,852	2,206	-	33,584
Net Carrying Amount	**19,740**	**72,136**	**10,464**	**28,586**	**6**	**722**	**131,654**

13. Prepaid land lease

	Group and Bank 2010 RM'000	Group and Bank 2009 RM'000
Cost		
At 1 January	5,521	5,521
At 31 December	5,521	5,521
Depreciation		
At 1 January	1,610	1,500
Charge for the year	110	110
At 31 December	1,720	1,610
Carrying amount	3,801	3,911

14. Investment properties

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Cost				
At 1 January	24,750	25,440	10,538	10,538
Disposals/write off	-	(690)	-	-
At 31 December	24,750	24,750	10,538	10,538
Depreciation and impairment loss				
At 1 January	6,884	6,604	2,271	2,094
Charge for the year	398	430	177	177
Disposals/write off	-	(150)	-	-
At 31 December	7,282	6,884	2,448	2,271
Carrying amount	17,468	17,866	8,090	8,267
Included in the above are:				
Freehold land	3,339	3,339	1,683	1,683
Buildings	14,129	14,527	6,407	6,584
	17,468	17,866	8,090	8,267

14. Investment properties (contd.)

(i) The Directors of the Group and the Bank estimated the fair values of the investment properties of the Group and the Bank is RM25,577,000 (2009 - RM22,345,000) and RM14,874,000 (2009 - RM10,520,000) respectively based on comparison with indicative market value stated in the Property Market Report 2009.

15. Deferred tax assets/(liabilities)

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	(17,918)	28,219	(38,369)	2,748
Effect of adopting FRS 139	153,111	-	152,641	-
	135,193	28,219	114,272	2,748
Recognised in income statement	(2,429)	(18,800)	(1,002)	(13,780)
Recognised in equity	(4,432)	(27,337)	(25,954)	(27,337)
At 31 December	128,332	(17,918)	139,224	(38,369)
Presented after appropriate offsetting as follows:				
Deferred tax assets	139,224	-	139,224	-
Deferred tax liabilities	(10,892)	(17,918)	-	(38,369)
	128,332	(17,918)	139,224	(38,369)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relates to the same fiscal authority.

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

Deferred tax assets of the Group:

	Loan loss and allowances RM'000	**Impairment loss on securities RM'000**	**Property, plant and equipment RM'000**	**Other temporary differences RM'000**	**Total RM'000**
At 1 January 2010	75,739	9,616	-	12	85,367
Effect of adopting FRS 139	153,111	-	-	-	153,111
Recognised in income statement	12,063	(9,616)	-	164	2,611
At 31 December 2010	240,913	-	-	176	241,089
At 1 January 2009	83,639	10,170	27	4,632	98,468
Recognised in income statement	(7,900)	(554)	(27)	(4,620)	(13,101)
At 31 December 2009	75,739	9,616	-	12	85,367

15. Deferred tax assets/(liabilities) (contd.)

Deferred tax liabilities of the Group:

	Unrealised holding reserve RM'000	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2010	92,572	10,713	-	103,285
Recognised in income statement	-	5,040	-	5,040
Recognised in equity	4,432	-	-	4,432
At 31 December 2010	97,004	15,753	-	112,757
At 1 January 2009	65,235	-	5,014	70,249
Recognised in income statement	-	10,713	(5,014)	5,699
Recognised in equity	27,337	-	-	27,337
At 31 December 2009	92,572	10,713	-	103,285

Deferred tax assets of the Bank:

	Loan loss and allowances RM'000	Impairment loss on securities RM'000	Property, plant and equipment RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2010	75,739	9,626	-	201	85,566
Effects of adopting FRS 139	152,641	-	-	-	152,641
Recognised in income statement	12,063	(9,626)	-	164	2,601
At 31 December 2010	240,443	-	-	365	240,808
At 1 January 2009	83,639	9,486	5,035	209	98,369
Recognised in income statement	(7,900)	140	(5,035)	(8)	(12,803)
At 31 December 2009	75,739	9,626	-	201	85,566

Deferred tax liabilities of the Bank:

	Unrealised holding reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2010	122,958	977	123,935
Recognised in income statement	-	3,603	3,603
Recognised in equity	(25,954)	-	(25,954)
At 31 December 2010	97,004	4,580	101,584
At 1 January 2009	95,621	-	95,621
Recognised in income statement	-	977	977
Recognised in equity	27,337	-	27,337
At 31 December 2009	122,958	977	123,935

15. Deferred tax assets/(liabilities) (contd.)

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

	Group	
	2010	**2009**
	RM'000	**RM'000**
	54,836	95,463
Unutilised tax losses	10,663	10,658
Unabsorbed capital allowances	65,499	106,121

The unutilised tax losses and unabsorbed capital allowances of the Group are available for offsetting against future taxable profits subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

16. Deposits from customers

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed deposits and negotiable instruments of deposits				
- One year or less	7,457,626	8,232,906	7,457,626	8,232,906
- More than one year	-	-	-	-
	7,457,626	8,232,906	7,457,626	8,232,906

(a) The deposits are sourced from the following types of deposit:

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-Mudharabah				
Others	6,633,826	8,028,906	6,633,826	8,028,906
Mudharabah				
General investment deposits	823,800	204,000	823,800	204,000
	7,457,626	8,232,906	7,457,626	8,232,906

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

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Business enterprises	3,675,220	4,407,346	3,675,220	4,407,346
Government and statutory bodies	3,782,406	3,825,560	3,782,406	3,825,560
	7,457,626	8,232,906	7,457,626	8,232,906

16. Deposits from customers (contd.)

(c) The deposits maturity structure are as follows:

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Less than six months	6,638,403	6,462,027	6,638,403	6,462,027
Six months to one year	819,223	1,770,879	819,223	1,770,879
	7,457,626	8,232,906	7,457,626	8,232,906

17. Other liabilities

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Amount due to related companies	9,820	3,656	-	-
Provision for taxation	32,558	1,615	30,958	-
Provision for zakat	2,458	286	2,458	286
Accrued interest payable	73,391	51,036	73,391	51,036
Trade creditors	7,769	14,938	2,874	2,567
Sundry creditors and accruals	122,348	90,124	37,956	24,293
Profit equalisation reserve (Note 17 (i))	-	1,071	-	1,071
Dividend payable	2,400	2,400	-	-
Minority shareholders' advance to subsidiaries	-	25,466	-	-
	250,744	190,592	147,637	79,253

The amount due to related companies and minority shareholder's advances to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

17. Other liabilities (contd.)

(i) Movement in profit equalisation reserve ("PER")

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of year	1,071	-	1,071	-
Provided during the year	21,219	5,705	21,219	5,705
Written back during the year	(22,290)	(4,634)	(22,290)	(4,634)
At end of the year *	-	1,071	-	1,071

* PER at the end of the financial year of which the shareholders' portion is nil (2009 - RM696,000).

18. Redeemable notes

	Group and Bank	
	2010	**2009**
	RM'000	**RM'000**
Redeemable non guaranteed notes		
Medium term notes*	1,000,000	1,000,000
	1,000,000	1,000,000
Redeemable guaranteed notes		
Medium term notes-GGC**	2,000,000	-
Medium term notes-GGM***	500,000	-
	2,500,000	1,000,000
Infrastructure notes - nominal value****	1,000,000	1,000,000
Less: Unamortised discount	(8,713)	(9,675)
	991,287	990,325
	4,491,287	1,990,325
Discount upon issuance	18,500	18,500
Amortisation to date	(9,787)	(8,825)
Unamortised discount	8,713	9,675

* These notes carry coupon rates ranging between 5.00% to 6.30% (2009 - 5.00% to 6.30%) per annum and are for tenures of 5 years to 15 years.

** These notes were issued on 12 April 2010 and are guaranteed by the Government of Malaysia. These 3 years and 5 years notes carry coupon rates of 3.66% per annum (RM500.0 million) and 4.15% per annum (RM1.50 billion) respectively.

18. Redeemable notes (contd.)

*** These notes were issued on 12 April 2010 and are guaranteed by the Government of Malaysia. These 3 years notes carry profit rates of 3.64% per annum.

**** These notes are guaranteed by the Government of Malaysia. These 15 years and 25 years notes carry coupon rates of 7.00% and 7.50% per annum (2009:7.00% and 7.50%) respectively.

19. Term loans

	2010		2009	
Group	**Due after twelve months RM'000**	**Due within twelve months RM'000**	**Due after twelve months RM'000**	**Due within twelve months RM'000**
Loans from Government of Malaysia				
- Unsecured: (Note 19(a))				
Principal	764,935	-	790,029	-
Interest	2,152	-	2,152	-
	767,087	-	792,181	-
Loans from Employees Provident Fund				
- Unsecured: (Note 19(b))				
Principal	7,150,000	-	5,350,000	-
Interest	-	56,922	-	36,336
	7,150,000	56,922	5,350,000	36,336
Other loans - Unsecured: (Note 19(c))				
Principal	1,354,816	266,550	1,540,141	507,021
Interest	-	19,517	-	21,222
	1,354,816	286,067	1,540,141	528,243
Other loans - Secured: (Note 19(d))				
Principal	286,766	-	366,208	-
	9,558,669	342,989	8,048,530	564,579

	2010 RM'000	2009 RM'000
Total term loans	9,901,658	8,613,109

19. Term loans (contd.)

Bank	2010 Due after twelve months RM'000	2010 Due within twelve months RM'000	2009 Due after twelve months RM'000	2009 Due within twelve months RM'000
Loans from Government of Malaysia				
- Unsecured: (Note 19(a))				
Principal	764,935	-	790,029	-
Interest	2,152	-	2,152	-
	767,087	-	792,181	-
Loans from Employees Provident Fund				
- Unsecured: (Note 19(b))				
- Unsecured:				
Principal	7,150,000	-	5,350,000	-
Interest	-	56,922	-	36,336
	7,150,000	56,922	5,350,000	36,336
Other loans - Unsecured: (Note 19(c))				
Principal	1,354,816	266,550	1,540,141	507,021
Interest	-	19,517	-	21,222
	1,354,816	286,067	1,540,141	528,243
	9,271,903	342,989	7,682,322	564,579

	2010 RM'000	2009 RM'000
Total term loans	9,614,892	8,246,901

(a) Loans from Government of Malaysia

The loans from the Government of Malaysia due after twelve months are repayable as follows:

Year due	Group and Bank Principal 2010 RM'000	Group and Bank Principal 2009 RM'000
Due after 2011	764,935	790,029

Interest on the loan is charged at rates of 2.0% (2009 - 2.00%) per annum.

19. Term loans (contd.)

(b) Loan from Employee Provident Fund

	Note	Group and Bank Principal 2010 RM'000	2009 RM'000
Loan 1	19(b)(i)	2,000,000	2,000,000
Loan 2	19(b)(ii)	2,800,000	3,100,000
Loan 3	19(b)(iii)	350,000	250,000
Loan 4	19(b)(iv)	1,000,000	-
Loan 5	19(b)(v)	1,000,000	-
		7,150,000	5,350,000

(i) The loan is repayable in 5 equal installments over a period of 5 years, commencing 2019.

(ii) On 27 May 2010, the facility has been revised to 5 years maturity (bullet repayment in year 2015). The total loan has been reduced to RM2,800,000,000 and the balance of RM300,000,000 was transferred to a former subsidiary, SME Bank.

(iii) Interest is repayable in semi-annual instalments and the final repayment schedule is not fixed until the loan is fully drawn down.

(iv) The loan was drawn down on 7 July 2010 and is repayable via bullet repayment in July 2015.

(v) The loan was drawn down on 9 December 2010 and is repayable via bullet repayment in December 2015.

All the above loans are guaranteed by the Government of Malaysia and bear interest at rates of 3.840% to 5.225% (2009: 4.518% to 5.225%) per annum.

19. Term loans (contd.)

(c) Other Loan - unsecured:

	Note	Group and Bank Principal 2010 RM'000	2009 RM'000
Japan Bank of International Corporation			
- Loan 1	19(c)(i)	-	134,572
- Loan 2	19(c)(ii)	975,359	1,123,370
Export Credit Agency	19(c)(iii)	132,912	267,649
Pension Trust Fund Council	19(c)(iv)	500,000	500,000
Bank Negara Malaysia	19(c)(v)	219	7,445
Pusat Tenaga Malaysia	19(c)(v)	14,125	14,125
		1,622,615	2,047,161

Included in other loan - unsecured are:

(i) Loan from the Japan Bank for International Cooperation was fully settled in November 2010 [2009 - RM134,572,141 (¥9,110,627,300)]. Realised foreign exchange gain/loss on interest payment, if any, from the long term Yen loan is accounted for in the income statements. The loan will mature in November 2010.

(ii) IT7 Loan from Japan Bank for International Cooperation amounting to RM975,358,689 (¥30,184,638 [2009 - RM1,123,370,392 (¥34,828,430,000)] out of total loan facility of RM1,747,580,000 (¥59,000,000,000). The loan will mature in March 2017.

(iii) Loan from Export Credit Agency (ECA) lenders amounting to RM132,912,302 (€32,496,098) [2009 - RM267,648,722 (€54,160,169)]. This loan is repayable in semi-annual instalments of Ringgit Malaysia equivalent of €10,832,034 and will mature in June 2012.

(iv) Loan from Pension Trust Fund amounting to RM500,000,000 (2009 - RM500,000,000) is repayable in 12 instalments over a period of 6 years, commencing from 2015. This loan will mature in 2020.

(v) Loans from other institutions, namely from Bank Negara Malaysia ("BNM") and Pusat Tenaga Malaysia amounting to RM219,080 and RM14,124,970, respectively (2009 - RM7,445,703 and RM14,124,970).

19. Term loans (contd.)

(c) Other Loan - unsecured: (contd.)

Loans from Japan Bank for International Cooperation and ECA Lenders are guaranteed by Government of Malaysia. The interest rates on other loans - unsecured range from 0% to 5.875% (2009 - 0% to 5.875%) per annum during the year.

(d) Other Loan - secured:

	Note	Group Principal 2010 RM'000	2009 RM'000
Term loan 1	19(d)(i)	286,766	366,208
		286,766	366,208

Included in other loan - secured of the Group are:

(i) Loans for tankers are secured by a first preferred cross-collaterised mortgage of the vessel, an assignment of earnings derived from the pool and insurance of the vessels concerned.

20. Infrastructure support fund

	Group and Bank Principal 2010 RM'000	2009 RM'000
At 1 January, as previously stated	715,882	662,326
FRS139 adjustment	(182,578)	-
At 1 January, as restated	533,304	662,326
Net receivable during the year	32,910	42,471
Allowance made during the year against Infra Support Fund	(100,962)	(4,084)
Impairment of financial investments made during the year against Infra Support Fund	(84,958)	-
Specific allowance written back	-	15,169
At 31 December	380,294	715,882

20. Infrastructure support fund (contd.)

The Government provides funds to the Bank in relation to its mandate to provide financing for Government infrastructure projects. The amounts received are non-repayable and are accounted for during the year as follows:

(i) amounts to compensate against related costs are recognised in the income statement in relation to infrastructure financing.

(ii) amounts utilised for purpose of payments on financing costs relating to the funding for an infrastructure loan are transferred to Infrastructure Support Fund.

The amount was accounted as at 31 December as follows:

	2010	**2009**
	RM'000	**RM'000**
Amount received/receivable from Government during the year	15,794	51,769
Amount matched against costs and recognised as income	17,116	(9,298)
Transferred to Infrastructure Support Fund	(32,910)	(42,471)
	-	-

21. Deferred income

	Group and Bank	
	2010	**2009**
	RM'000	**RM'000**
At 1 January	152,232	447,689
Received from Government during the year	301,087	137,437
Transferred to loans, advances and financing	-	(295,457)
Utilised during the year	(161,111)	(137,437)
At 31 December	292,208	152,232

The Government provides funds to the Bank in relation to its mandate to provide financing for Government infrastructure projects financed by Employee Provident Fund and Pension Trust Fund Council. The above amounts received are non-repayable and are utilised to compensate for the cost of fund differential and loss of profit margin.

22. Share capital

	Number of Ordinary Shares of RM1 Each		Amount	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Authorised	10,000,000	10,000,000	10,000,000	10,000,000
Issued and fully paid	3,078,724	3,078,724	3,078,724	3,078,724

23. Reserves

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-distributable:				
Capital reserve	1,000	1,000	-	-
Statutory reserve	1,539,362	1,384,641	1,539,362	1,384,641
Unrealised holding reserve	173,735	274,055	291,014	365,211
Exchange translation reserve	(48,429)	(20,579)	-	-
	1,665,668	1,639,117	1,830,376	1,749,852
Distributable:				
Retained profits (Note 24)	2,294,189	2,624,780	1,959,446	2,301,957
	3,959,857	4,263,897	3,789,822	4,051,809

The capital reserve of the Group arose from the capitalisation of bonus issue in certain subsidiaries in previous years.

The statutory reserves are maintained in compliance with the requirements of Section 39 of Development Financial Institution Act 2002 ("the Act") and are not distributable as cash dividends. Under the Act, the Bank is required to transfer at least 50% of its profit after tax, up to 50% of its paid-up capital.

24. Retained earnings

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

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

25. Interest income

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Loans, advances and financing	1,223,139	1,175,722	1,199,261	1,151,945
Deferred income recognised	161,111	137,437	161,111	137,437
Money at call and deposit placement with financial institutions	64,568	53,336	39,013	30,435
Financial investments available-for-sale	71,492	83,604	71,492	83,604
Financial investments held-to-maturity	10,122	11,266	10,122	11,266
	1,530,432	1,461,365	1,480,999	1,414,687
Amortisation of premium less accretion of discount	15,109	12,613	15,109	12,613
	1,545,541	1,473,978	1,496,108	1,427,300
Of which:				
Interest income earned on impaired loans, advances and financing	40,500	-	40,500	-

Included in the interest income from loans, advances and financing of the Bank is interest income from a subsidiary amounting to RM12,059,818 (2009 - RM9,561,585).

26. Interest expense

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Deposits and acceptances	206,206	198,912	206,206	198,912
Term loans	315,388	329,244	315,367	329,124
Redeemable notes	202,816	131,462	202,816	131,462
Others	794	1,434	-	-
	725,204	661,052	724,389	659,498

27. Non-interest income

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
(a) Other operating income:				
Charter hire, demurrage and freight income	107,930	174,006	-	-
	107,930	174,006	-	-
(b) Investment income:				
Gain/(loss) on sale of:				
- financial investments available-for-sale	10,695	13,264	10,695	13,234
Gross dividends from:				
- financial investments available-for-sale	27,592	55,610	27,592	55,448
- subsidiaries	-	-	21,600	24,580
(Impairment)/write back of impairment for:				
- investment in associates	(978)	-	-	-
	37,309	68,874	59,887	93,262

27. Non-interest income (contd.)

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
(c) Other income:				
Fee income	23,425	37,136	16,770	29,821
Rental income:				
- subsidiaries	-	-	512	453
- others	2,851	2,686	2,500	2,523
Gain on disposal of property, plant and equipment	28,300	296	211	369
(Loss)/gain on foreign exchange:				
- realised	(1,017)	(710)	(74)	(1,026)
- unrealised	24,952	(7,179)	24,952	(7,179)
Compensation from the Government:				
- Infrastructure Support Fund („ISF") for specific provision written back	-	(15,169)	-	(15,169)
- allowance on impaired loans made during the year against ISF	100,962	4,084	100,962	4,084
- financial investments impairment made during the year against ISF	84,958	-	84,958	-
- on foreign exchange	4,012	5,998	4,012	5,998
Interest income on amount due from Minister of Finance Incorporated	8,625	5,356	8,625	5,356
Realised income/(loss) from:				
- Interest rate swap	-	9,945	-	9,945
Unrealised (loss)/income from:				
- Interest rate swap	-	(8,212)	-	(8,212)
Others	568	5,423	17	446
	277,636	39,654	243,445	27,409
Total non-interest income	422,875	282,534	303,332	120,671

28. Overhead expenses

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Personnel costs	(i)	86,751	85,365	47,839	38,124
Establishment related expenses	(ii)	63,446	80,382	15,763	18,097
Promotion and marketing expenses	(iii)	1,488	1,049	1,348	931
General administrative expenses	(iv)	86,051	88,464	17,951	10,292
		237,736	255,260	82,901	67,444

(i) Personnel costs

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Salaries, allowances and bonuses	63,125	66,052	32,922	29,775
Social security cost	257	279	201	222
Pension costs - Defined contribution plan	4,962	5,147	4,165	4,158
Compensation for loss employment	6,400	-	6,400	-
Other staff related expenses	12,007	13,887	4,151	3,969
	86,751	85,365	47,839	38,124

(ii) Establishment related expenses

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Depreciation:				
- Property, plant and equipment	59,189	74,434	12,243	13,719
- Investment properties	398	430	177	177
Amortisation of prepaid lease rental	110	110	110	110
Rental of leasehold land and premises	74	214	76	150
Repairs and maintenance of property, plant and equipment	1,979	2,360	1,789	1,209
Information technology expenses	1,696	2,834	1,368	2,732
	63,446	80,382	15,763	18,097

28. Overhead expenses (contd.)

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(iii) Promotion and marketing expenses				
Advertisement and publicity	1,488	1,049	1,348	931
(iv) General administrative expenses				
General administrative expenses	85,287	87,560	17,577	10,077
Auditors' remuneration:				
Statutory audit:				
-Current year	525	326	215	178
-Underprovision in prior year	-	10	-	10
Other services	163	64	83	27
Fixed asset written off	76	-	76	-
Sundry debtors written off	-	504	-	-
	86,051	88,464	17,951	10,292

29. Directors' fees and remuneration

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

Group 2010	Remuneration received from the Bank Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Remuneration received from Subsidiary Companies Fees RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Group Total RM'000
Executive Directors:										
Dato' Mohd Zafer bin Mohd Hashim	540	-	-	81	5	626	-	-	-	626
	540	-	-	81	5	626	-	-	-	626
Non-Executive Directors:										
Datuk Dr. Abdul Samad bin Hj Alias	-	120	-	25	5	150	60	8	-	218
Siti Zauyah binti Md Desa	-	12	-	36	-	48	-	2	-	50
Zainul Rahim bin Mohd Zain	-	10	-	29	-	39	-	-	-	39
A. Ghani bin Ishak	-	10	-	24	-	34	-	-	-	34
Tan Sri Faizah binti Mohd Tahir	-	7	-	10	-	17	10	8	-	35
Dato' Dr. Syed Jaafar bin Syed Aznan	-	7	-	10	-	17	-	-	-	17
Datuk Idris bin Abdullah @ Das Murthy	-	1	-	1	-	2	-	-	-	2
Rosli bin Abdullah	-	-	-	-	-	-	-	-	-	-
Mohd Zarif Mohd Zaman	-	2	-	7	-	9	-	5	-	14
Dato' Ab. Halim bin Mohyiddin	-	7	-	18	-	25	21	16	-	62
Syed Hussain bin Syed Hamzah	-	10	-	16	-	26	-	13	-	39
	-	186	-	176	5	367	91	52	-	510
Total Directors' remuneration	540	186	-	257	10	993	91	52	-	1,136

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

29. Directors' fees and remuneration (contd.)

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

Group 2009	Remuneration received from the Bank						Remuneration received from Subsidiary Companies			
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Group Total RM'000
Executive Directors:										
Dato' Tajuddin bin Atan	227	-	250	63	6	546	-	-	-	546
Dato' Mohd Zafer bin Mohd Hashim	218	-	-	32		250	-	-	-	250
	445	-	250	95	6	796	-	-	-	796
Non-Executive Directors:										
Datuk Dr. Abdul Samad bin Hj Alias	-	120	-	31	-	151	60	10	-	221
Dato' Ab. Halim bin Mohyiddin	-	12	-	43	-	55	-	18	-	73
Mohd Zarif Mohd Zaman	-	12	-	38	-	50	-	14	-	64
Syed Hussain bin Syed Hamzah	-	12	-	24	-	36	-	-	-	36
Siti Zauyah binti Md Desa	-	12	-	31	-	43	-	-	-	43
Haini binti Hasan	-	3	-	3	-	6	-	-	-	6
Dato' Othman bin Jusoh	-	3	-	10	-	13	-	8	-	21
Datuk Zakiah binti Hashim	-	9	-	20	-	29	-	-	-	29
Dato' Abdul Rahim bin Abu Bakar	-	11	-	32	-	43	78	37	-	158
	-	194	-	232	-	426	138	87	-	651
Total Directors' remuneration	445	194	250	327	6	1,222	138	87	-	1,447

30. Compensation to key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank directly or indirectly, including any director of the Group and the Bank. The remuneration and compensation of Directors and other members of key management during the year was as follows:

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Short term employee benefits				
Total (excluding benefits-in-kind)	1,170	1,551	621	790

Included in the total key management personnel are:

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Executive Directors' remuneration (Note 29)	626	796	626	796

31. Loans and financing loss and allowances

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and financing:				
Collective assessment allowance				
- made during the year	47,263	-	47,650	-
General allowance				
- made during the year	-	132	-	-
- written back	-	(31,559)	-	(31,599)
Individual impairment allowance				
- made during the year	359,760	-	352,566	-
- written back	(27,734)	-	(2,457)	-
Specific allowance				
- made during the year	-	607,525	-	504,484
- written back	-	(70,493)	-	(39,349)
Bad debts and financing				
- other receivables	228	-	228	-
- resigned staff	658	-	658	-
- written off	5,542	5,652	5,542	1,486
- recovered	(4,691)	(4,027)	(415)	(690)
	381,026	507,230	403,772	434,332

32. Tax expense

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Current income tax	121,266	14,061	115,023	7,290
Under/(over) provision in prior years	962	(13,464)	2,115	(13,464)
	122,228	597	117,138	(6,174)
Deferred tax expense:				
Origination and reversal of temporary differences	(9,809)	13,220	(11,457)	10,821
Effect of changes in tax rate		-		-
Under provision in prior year	12,238	5,580	12,459	2,959
	2,429	18,800	1,002	13,780
	124,657	19,397	118,140	7,606

32. Tax expense (contd.)

The Bank was exempted from paying tax on its statutory income from infrastructure projects approved by the Government of Malaysia via Income Tax Act 1967: Income Tax Order (Exemption) (No. 46) 2002 from year assessment 2000 to year assessment 2009.

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2008: 26%) of the estimated assessable profit for the year.

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

Reconciliation of effective tax expense

	Group		Bank	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Profit before tax	549,088	339,461	503,491	383,604
Tax using Malaysian tax rate of 25% (2009 - 25%)	137,272	84,865	125,873	95,901
Income not subject to tax	(35,385)	(104,955)	(27,971)	(93,372)
Non-deductible expenses	19,581	34,466	5,664	18,102
Over provision of deferred tax	12,238	5,580	12,459	2,959
Deferred tax assets not recognised on unabsorbed business losses	-	17,662	-	-
Utilisation of previously unrecognised unabsorbed capital allowances and tax losses	(10,011)	(4,757)	-	(2,520)
	123,695	32,861	116,025	21,070
Under/(over) provision in prior years	962	(13,464)	2,115	(13,464)
Tax expense	124,657	19,397	118,140	7,606

33. Dividends

Dividends recognised in the current year by the Bank are:

	2010		2009	
	Sen per share	Total amount RM'000	Sen per share	Total amount RM'000
Final 2009 ordinary	3.25	100,000	-	-
Final 2008 ordinary	-	-	2.60	80,000
	3.25	100,000	2.60	80,000

At the forthcoming Annual General Meeting, a final tax exempt dividend in respect of the financial year ended 31 December 2009, of 3.25% on 3,078,724,049 ordinary shares, amounting to a dividend payable of RM100,000,000 (3.25 sen net per ordinary share) will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2010.

34. Earnings per share

The basic earnings per share ("EPS") of the Group and the Bank are calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Profit from continuing operations attributable to shareholders' of the Bank	420,864	307,553	385,351	375,998
Number of ordinary shares in issue ('000)	3,078,724	3,078,724	3,078,724	3,078,724
Basic EPS (sen) for:				
Net profit for the year	13.67	9.99	12.52	12.21

35. Commitments and contingencies

(a) Loan and financing related commitments and contingencies of the Group and the Bank not included in these financial statements are as follows:

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Disbursement of loans to industries	4,728,253	8,704,751	4,728,253	8,704,751
Direct credit substitutes	21,823	44,818	21,823	44,818
Corporate guarantees issued by a subsidiary to financial institutions for credit facilities granted to jointly controlled entities	792,295	557,445	445,155	411,335
	5,542,371	9,307,014	5,195,231	9,160,904

The above contingent liability on corporate guarantees is based on the outstanding balances of the credit facilities granted to jointly controlled entities.

(b) Capital commitments of the Group and the Bank not included in these financial statements are as follows:

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Capital expenditure - approved but not contracted for	102,126	69,316	30,982	33,771

36. 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.

36. Capital adequacy (contd.)

Capital Management (contd.)

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 line with this objective, 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.

In order to further strengthen the capital position of the Bank through a progressive and systematic building up of the reserve fund, the minimum RWCR under both normal and stress scenarios shall not be less than 20% and 12% respectively.

The following table sets forth capital resources and capital adequacy for the Bank as at 31 December 2010.

	Bank	
	2010	**2009**
	RM'000	**RM'000**
Tier 1 capital		
Paid-up share capital	3,078,724	3,078,724
Other reserves	3,789,822	4,051,809
Total Tier 1 capital	6,686,546	7,130,533
Tier 2 capital		
Governments grants and subsidies	672,502	868,114
General allowance for bad and doubtful debts	-	302,957
Collective assessment allowance #	650,975	-
Total Tier 2 capital	1,323,477	1,171,071
Total capital	8,192,023	8,301,604
Less: Investment in subsidiaries	(930,296)	(930,296)
Total capital base	7,261,727	7,371,308

Excludes collective assessment allowance on impaired loans restricted from Tier 2 capital of the Bank by BNM of RM14,232,000.

36. Capital adequacy (contd.)

Capital Management (contd.)

Regulatory capital (contd.)

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

	Bank	
	2010	**2009**
	RM'000	**RM'000**
10%	-	-
20%	817,460	451,818
50%	892,109	1,635,709
100%	20,228,154	21,280,036
	21,937,723	23,367,563

Without deducting proposed dividend:

	Bank	
	2010	**2009**
	RM'000	**RM'000**
	%	**%**
Core capital ratio	31.31	30.51
Risk-weighted capital adequacy ratio	33.10	31.55
After deducting proposed dividend:		
Core capital ratio	30.85	30.09
Risk-weighted capital adequacy ratio	32.65	31.12

Capital monitoring

The Bank's capital is closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Bank sets an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Bank a "well capitalised" status. Internal capital limit and regulatory capital requirement shall be closely monitored, regularly reviewed and reported to Management and Board of Directors.

37. Other contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

	Group	
	2010	**2009**
	RM'000	**RM'000**
Contingent liabilities not considered remote		
Litigation (unsecured)		
A subsidiary is being sued by its client alleging for losses and damages arising from the non-performance breach of the bridging loan and financial guarantee. No defense is filed yet pending serving of the amended statement of claim.	15,196	15,196
A subsidiary is defending an action brought up by a client on negligence issue which has resulted in collateral being forfeited by the Government. Based on legal advice, the subsidiary has a fair chance in this case.	13,848	13,848
Litigation case against a subsidiary by a property developer who accuse that a property charged to one of the subsidiary's client was void. The same property has been used by the subsidiary's client as a collateral charged to the subsidiary. Therefore, the third party is claiming for the collateral from the subsidiary. The case was dismissed on 31 January 2011.	-	2,000

	Bank	
	2010	**2009**
	RM'000	**RM'000**
The Bank is defending an action brought up by a client on misrepresentation issue which has resulted in collateral being disposed without informing the client. During the year, the court has striked out the claim and no appeal was made by the client.	-	20,000

38. Related party transactions

The Bank's major transactions with its related companies consist mainly of extending credit facilities and giving of loans and advances. The Directors of the Bank are of the opinion that these transactions have been entered into in the normal course of business and have been established under negotiated basis. In addition to the transaction detailed elsewhere in the financial statements, the Group and the Bank has the following transactions with related parties during the financial year:

	Bank	
	2010	2009
	RM'000	RM'000
Subsidiaries:		
Rental income from a subsidiary	513	453
Income from service level agreement	958	439
Building maintenance	-	540

39. Companies in the group

(a) The subsidiaries, all incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Bank 2010 %	Effective interest held by the Bank 2009 %	Principal activities
Pembangunan Leasing Corporation Sdn Bhd	100.00	100.00	Lease, hire purchase financing, factoring, block discounting and investment holding
Maju Nominees (Tempatan) Sdn Bhd	100.00	100.00	Nominee for the holding company
BPF Properties Sdn Bhd*	100.00	100.00	Property investment
BPMB Urus Harta Sdn Bhd	100.00	100.00	Property investment
Pembangunan Ekuiti Sdn Bhd	54.80	54.80	Investment manager and provision of advisory, consultancy and related services pertaining to investments
Global Maritime Venture Berhad	90.00	90.00	Venture capital investment
Emerald Upline Sdn Bhd	100.00	100.00	Ship-owning

* In members' voluntary liquidation

39. Companies in the group (contd.)

(b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Group 2010 %	2009 %	Principal activities
Mutiara Navigation Sdn Bhd	70.00	70.00	Ship-owning
Intan Navigation Sdn Bhd	70.00	70.00	Ship-owning
Nilam Navigation Sdn Bhd	70.00	70.00	Ship-owning
Kasa Navigation Sdn Bhd	70.00	70.00	Ship-owning
Mayang Navigation Sdn Bhd	70.00	70.00	Ship-owning
Sari Navigation Sdn Bhd	70.00	70.00	Ship-owning
Tiara Navigation Sdn Bhd	70.00	70.00	Dormant
Glory Incentive Sdn Bhd	100.00	100.00	Investment holding
GMV-ALAM Sdn Bhd (f.k.a. Synergy Sparkle Sdn Bhd)	100.00	100.00	Investment holding
GMV-Gagasan Sdn Bhd (f.k.a. Prestige Polar Sdn Bhd)	100.00	100.00	Investment holding
Tegas Senja Sdn Bhd1	-	100.00	Investment holding
GMV-Bahtera Sdn Bhd (f.k.a. Nilam Inisiatif Sdn Bhd)	100.00	100.00	Investment holding
GMV-Efogen Sdn Bhd (f.k.a. GMV-Orion Sdn Bhd)	100.00	100.00	Investment holding
GMV-Regional Sdn Bhd (f.k.a. Modular Majoriti Sdn Bhd)	100.00	100.00	Investment holding

39. Companies in the group (contd.)

(b) Details of subsidiary companies of Global Maritime Ventures Berhad, all of which are incorporated in Malaysia, are as follows: (contd.)

Name of the Company	**Effective interest held by the Group 2010 %**	**2009 %**	**Principal activities**
GMV-Orkim Sdn Bhd (f.k.a. Megakey Ventures Sdn Bhd)	100.00	100.00	Investment holding
GMV-Offshore Sdn Bhd (f.k.a. Megan Metropolis Sdn Bhd)	100.00	100.00	Investment holding
GMV-Global Sdn Bhd (f.k.a. Oriental Point Sdn Bhd)	100.00	100.00	Investment holding
GMV-Jasa Sdn Bhd (f.k.a. Magna Jubilee Sdn Bhd)	100.00	100.00	Investment holding
GMV-Omni Sdn Bhd (f.k.a. Implikasi Hebat Sdn Bhd)	100.00	100.00	Investment holding
GMV-Borcos Sdn Bhd (f.k.a. Exiwealth Resources Sdn Bhd)	100.00	100.00	Investment holding

[1] Tegas Senja Sdn Bhd has been struck off from the register of companies with effect from 4 August 2010, being the date of publication of the notice of striking off pursuant to Section 308(4) of the Companies Act, 1965 in the Gazatte.

39. Companies in the group (contd.)

(c) Details of subsidiary companies of Glory Incentive Sdn Bhd, all of which are incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Group 2010 %	2009 %	Principal activities
Permata Navigation Sdn Bhd	70.00	70.00	Ship-owning
Gemala Navigation Sdn Bhd	70.00	70.00	Ship-owning
Ratna Navigation Sdn Bhd	70.00	70.00	Ship-owning
Kencana Navigation Sdn Bhd	70.00	70.00	Ship-owning
Ayu Navigation Sdn Bhd	70.00	70.00	Dormant

(d) Details of subsidiaries of Pembangunan Leasing Corporation Sdn Bhd, which are incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Group 2010 %	2009 %	Principal activities
PLC Credit & Factoring Sdn Bhd	100.00	100.00	Hire purchase financing, confirming and factoring, insurance agency and letting out properties.
BI Credit & Leasing Berhad	100.00	100.00	Credit and leasing

(e) Details of a subsidiary company of BI Credit & Leasing Berhad, which is incorporated in Malaysia, are as follows:

Name of the Company	Effective interest held by the Group 2010 %	2009 %	Principal activities
KIB Nominee (Tempatan) Sdn Bhd	100.00	100.00	Nominee services

40. Assets held for sale

	Group	
	2010	**2009**
	RM'000	**RM'000**
As at 1 January	79,402	-
Reclassified from property, plant and equipment	-	79,402
Disposed of during the year	(79,402)	-
As at 31 December	-	79,402

41. Financial instruments risk

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, market, liquidity and operation risk and seeks to minimise potential adverse effects on the financial performance of the Group.

As part of the Group's strategy to integrate the management and control of risks across the various risk segments, a dedicated function known as the Group Risk Management was established.

Financial risks management is carried out through risk assessment and reviews, internal control systems and adhered to Group financial risk management policies, which are reported to and approved by the Board of Directors. The Board also approves the treasury policies, which cover the management of these risks.

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.

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

The Group Risk Management is primarily involved in managing, enhancing asset quality, reviews concentration limits according to various categories such as customer and economic segment and monitoring 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 is in place to measure the credit worthiness of each customer. The primary objectives are to provide a consistent approach in risk grading of the Group's borrowers and to measure the risk of default by borrowers objectively.

Internal single customer limit are regularly monitored to minimise the risk of over-concentration. The overall credit risk management is subject to an ongoing process for reviewing and enhancement.

Credit risk assessment and rating on loan applications are conducted before being approved by the approving authorities. Various credit committees have been established at the Bank and subsidiaries to approve loans. The respective credit committees have approving authority up to a specified limit.

Credit risk exposures are managed through a robust credit monitoring process. The process includes monitoring of risk profile of credit portfolio, where any changes in credit quality and significant movement in risk profile of credit portfolio are reported to the Risk Management Committee. Limits are also monitored to minimise undesirable concentration. In addition, credit review on existing loans are performed at least once a year and more frequent on watch-list accounts to proactively manage any delinquencies, maximise recoveries and to ensure timely recognition of asset impairment. Meanwhile, audit is periodically performed to ensure that credit policies and procedure are complied with.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically through frequent valuation. The main types of collateral taken by the Bank are fixed assets financed by the Bank which include plant, machinery and equipment, land and building and vessels. Policies and processes are in place to monitor collateral value.

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

(i) Credit exposure

	Note	Group 2010 RM'000	Bank 2010 RM'000
On balance sheet:			
Cash and short term deposits	3	3,832,993	3,084,990
Deposits and placements with banks and other financial institutions	4	238,302	238,256
Financial investments available-for-sale	5	1,852,455	1,846,263
Financial investments held-to-maturity	6	265,124	265,102
Amount due from MOF		1,191,733	1,191,733
Loans, advances and financing	7	21,435,096	21,321,719
Others		210,531	34,962
		29,026,234	27,983,025
Other assets not subject to credit risk		1,004,687	1,269,465
		30,030,921	29,252,490
Off balance sheet:			
Commitments	35(a)	5,542,371	5,195,231
		35,573,292	34,447,721

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

(ii) The folllowing table set out the credit risk concentration by economic sectors (contd.):

Group 2010	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and Contingencies RM'000
Agriculture, hunting & forestry	-	-	15,021	4,349	-	19,370	4,765
Construction	-	-	267,858	9,567,896	-	9,835,754	2,870,240
Diversified holdings	-	490	101,635	-	-	102,125	-
Education	-	-	-	255,977	-	255,977	137,281
Electrical & Electronics	-	-	-	-	-	-	-
Electricity, gas and water supply	-	-	-	3,182,008	-	3,182,008	91,936
Finance, Insurance & Business	4,071,295	-	125,710	49,381	1,191,733	5,438,119	-
Hotel and restaurants	-	-	-	639,612	-	639,612	280,338
Housing	-	-	-	23,016	-	23,016	-
Infrastructure & Utilities	-	168,915	528,183	-	-	697,098	-
Manufacturing	-	-	-	526,178	-	526,178	644,340
Marine Related	-	-	-	17	-	17	-
Materials Technology	-	-	-	18,398	-	18,398	-
Balance carried forward	4,071,295	169,405	1,038,407	14,266,832	1,191,733	20,737,672	4,028,900

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

Group (contd.) 2010	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and Contingencies RM'000
Balance brought forward	4,071,295	169,405	1,038,407	14,266,832	1,191,733	20,737,672	4,028,900
Medical & Pharmaceuticals	-	-	-	23,643	-	23,643	-
Mining & Quarrying	-	-	152,321	2,924	-	155,245	-
Other community, social and personal service activities	-	22	6,192	56,354	-	62,568	8,067
Production Engineering	-	-	-	13,487	-	13,487	26,700
Public administration and defence	-	95,697	40,471	41,351	-	177,519	24,278
Real estate, renting and business activities	-	-	97,072	1,117,355	-	1,214,427	37,162
Shipping	-	-	517,992	531,222	210,531	1,259,745	786,642
Shipyard	-	-	-	124,991	-	124,991	70,408
Transport, storage and communications	-	-	-	5,256,937	-	5,256,937	560,214
	4,071,295	265,124	1,852,455	21,435,096	1,402,264	29,026,234	5,542,371
Other assets not subject to credit risk	-	-	-	-	1,004,687	1,004,687	-
	4,071,295	265,124	1,852,455	21,435,096	2,406,951	30,030,921	5,542,371

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

(ii) The folllowing table set out the credit risk concentration by economic sectors:

Bank 2010	Short-term funds, and placements with financial institutions RM'000	Held-to maturity securities RM'000	Available-for-sale securities RM'000	Loans, advances and financing RM'000	Other assets RM'000	Total RM'000	Commitments and Contingencies RM'000
Agriculture, hunting & forestry	-	-	15,021	3,573	-	18,594	4,765
Construction	-	-	267,858	9,562,225	-	9,830,083	2,870,240
Diversified holdings	-	490	101,635	-	-	102,125	-
Education	-	-	-	255,977	-	255,977	137,281
Electrical & Electronics	-	-	-	-	-	-	-
Electricity, gas and water supply	-	-	-	3,181,610	-	3,181,610	91,936
Finance, Insurance & Business	3,323,246	-	125,710	267,915	1,226,695	4,943,566	-
Hotel and restaurants	-	-	-	559,912	-	559,912	280,338
Housing	-	-	-	16,364	-	16,364	-
Infrastructure & Utilities	-	168,915	528,183	-	-	697,098	-
Manufacturing	-	-	-	454,696	-	454,696	644,340
Marine Related	-	-	-	17	-	17	-
Materials Technology	-	-	-	18,398	-	18,398	-
Balance carried forward	3,323,246	169,405	1,038,407	14,320,687	1,226,695	20,078,440	4,028,900

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

Bank (contd.) 2010	**Short-term funds, and placements with financial institutions RM'000**	**Held-to maturity securities RM'000**	**Available-for-sale securities RM'000**	**Loans, advances and financing RM'000**	**Other assets RM'000**	**Total RM'000**	**Commitments and Contingencies RM'000**
Balance brought forward	3,323,246	169,405	1,038,407	14,320,687	1,226,695	20,078,440	4,028,900
Medical & Pharmaceuticals	-	-	-	23,643	-	23,643	-
Mining & Quarrying	-	-	152,321	-	-	152,321	-
Other community, social and personal service activities	-	-	-	63,493	-	63,493	8,067
Production Engineering	-	-	-	13,487	-	13,487	26,700
Public administration and defence	-	95,697	40,471	41,351	-	177,519	24,278
Real estate, renting and							-
business activities	-	-	97,072	1,117,355	-	1,214,427	37,163
Shipping	-	-	517,992	531,222	-	1,049,214	439,502
Shipyard	-	-	-	124,991	-	124,991	70,408
Trading	-	-	-	-	-	-	-
Transport, storage and communications	-	-	-	5,085,490	-	5,085,490	560,213
	3,323,246	265,102	1,846,263	21,321,719	1,226,695	27,983,025	5,195,231
Other assets not subject to credit risk	-	-	-	-	1,269,465	1,269,465	-
	3,323,246	265,102	1,846,263	21,321,719	2,496,160	29,252,490	5,195,231

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

(iii) Gross loans are rated based on internal rating by the Bank:

Group 2010	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**
Highest safety	7,470,038	-	-	7,470,038
Adequate safety	1,814,696	159	-	1,814,855
Moderate safety	4,520,281	203,472	-	4,723,753
Low safety	6,141,535	60,079	-	6,201,614
High risk	821,289	59,637	-	880,926
Very high risk	-	-	-	-
Impaired	-	-	2,866,659	2,866,659
	20,767,839	323,347	2,866,659	23,957,845

Bank 2010	**Neither past due nor impaired RM'000**	**Past due but not impaired RM'000**	**Impaired RM'000**	**Total RM'000**
Highest safety	7,742,033	-	-	7,742,033
Adequate safety	1,814,696	-	-	1,814,696
Moderate strategy	4,442,375	188,866	-	4,631,241
Low safety	5,972,542	15,434	-	5,987,976
High risk	816,374	50,640	-	867,014
Very high risk	-	-	-	-
Impaired	-	-	2,617,103	2,617,103
	20,788,020	254,940	2,617,103	23,660,063

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

(iv) Aging analysis of past due but not impaired and impaired loans, advances and financing

Analysis of loans and advances that are past due but not impaired based on the Group and Bank's internal credit rating system are as follows:

	Group 2010 RM'000	Bank 2010 RM'000
Impaired:		
0 months overdue	475,024	475,024
1 month overdue	95,211	95,211
2 months overdue	73,126	73,126
3 months overdue	117,969	117,969
> 3 months overdue	2,105,329	1,855,773
	2,866,659	2,617,103
Past due but not impaired:		
1 Month Overdue	106,591	83,234
2 Months Overdue	150,776	121,066
3 Months Overdue	65,980	50,640
	323,347	254,940

(v) 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, and subject to seizure in the event of default. Collateral provides to the Bank with a secondary repayment source, i.e. a source of fund to help recover its investment should the customer is unable to repay the facility obtained from the Bank.

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

(v) Collateral and credit enhancement for loans, advances and financing (contd.)

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				**Estimated fair value**
Group	**Secured**	**Unsecured**	**Total**	**of collateral**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Past due but not impaired	254,940	71,291	326,231	307,004
Impaired	2,230,154	636,505	2,866,659	2,129,419
	2,485,094	707,796	3,192,890	2,436,423
Bank				
Past due but not impaired	254,940	-	254,940	307,004
Impaired	2,103,252	513,851	2,617,103	2,129,419
	2,358,192	513,851	2,872,043	2,436,423

Estimated fair value of collateral for secured past due but not impaired and impaired loans, advances and financing:

2010	**Properties, equipment**		
Group	**and vessels**	**Cash**	**Total**
	RM'000	**RM'000**	**RM'000**
Past due but not impaired	304,314	2,690	307,004
Impaired	2,119,786	9,633	2,129,419
	2,424,100	12,323	2,436,423
Bank			
Past due but not impaired	304,314	2,690	307,004
Impaired	2,119,786	9,633	2,129,419
	2,424,100	12,323	2,436,423

41. Financial instruments risk (contd.)

(a) Credit risk (contd.)

(vi) Restructured items

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 total restructured loans held by the Group and the Bank stood at RM9,341.6 million and RM9,341.6 million respectively.

(vii) Credit quality for treasury credit risk exposures

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

	2010	
	Group RM'000	**Bank RM'000**
Available-for-sale investment securities		
Sovereign	40,471	40,471
AAA	189,273	189,273
AA	562,126	562,126
A	231,487	231,487
BBB	41,518	41,518
Non-rated	787,580	781,388
	1,852,455	1,846,263
Held-to-maturity securities		
Long term		
AAA	184,949	184,949
BBB	79,576	79,576
BB	577	577
Non-rated	22	-
	265,124	265,102

41. Financial instruments risk (contd.)

(b) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign currency risk as a result of its borrowings made in currencies other than Ringgit Malaysia. The Group's policy in managing its exposure to foreign currency risks is by hedging through forward contract deals.

The net unhedged financial assets and financial liabilities of the Group and the Bank that are not denominated in its functional currency are as follows:

	Net financial assets/(liabilities) held in non-functional currencies	
Functional currency of the Group	**Ringgit Malaysia RM'000**	**Total RM'000**
Euro (EUR)	(132,912)	(132,912)
Japanese Yen (JPY)	(974,110)	(974,110)
United states dollar (USD)	(27,752)	(27,752)
Functional currency of the Bank		
EUR	(132,912)	(132,912)
JPY	(974,110)	(974,110)

The table below show the Group and the Bank's foreign currency sensitivity based on reasonable possible movements in foreign exchange (FX) rates.

		Effect on profit/loss		Effect on equity	
Group	**Strengthening/ weakening in FX rate (+/-) %**	**Increase in FX rate RM'000**	**Decrease in FX rate RM'000**	**Increase in FX rate RM'000**	**Decrease in FX rate RM'000**
USD	10	(2,775)	2,775	(2,775)	2,775
EUR	10	27,676	40,968	27,676	40,968
JPY	10	(16,992)	(4,356)	(16,992)	(4,356)
Bank					
EUR	10	27,676	40,968	27,676	40,968
JPY	10	(16,992)	(4,356)	(16,992)	(4,356)

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk

Interest rate risk is the impact to earnings and economic value of the Group 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 may be exposed to a loss in earnings due to the interest rates structure of the balance sheet 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 manages its interest rate risk exposure through the use of fixed/floating rate debts and financial instruments.

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

	Group		**Bank**	
	Impact on profit RM'000	**Impact on equity RM'000**	**Impact on profit RM'000**	**Impact on equity RM'000**
Interest rate - parallel shift				
+ 50 basis points	160,420	160,420	160,420	160,420
- 50 basis points	(160,420)	(160,420)	(160,420)	(160,420)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010 *(continued)*

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk (contd.)

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

Group 2010	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 %
Assets								
Cash and short term deposits	3,764,254	-	-	-	-	68,739	3,832,993	3.03
Deposits and placements with financial institutions	-	188,284	-	50,000	18	-	238,302	3.07
Financial investments - available-for-sale ("AFS")	29,072	25,141	180,293	796,053	805,063	16,833	1,852,455	6.06
Financial investments - Held-to-maturity	-	-	90,357	90,169	5,000	79,598	265,124	5.59
Loans, advances and financing								
- non-impaired	1,083,338	31,745	1,198,536	6,062,661	12,713,883	-	21,090,163	7.01
- impaired *	-	-	-	-	-	344,933	344,933	-
Deferred tax assets	-	-	-	-	-	139,224	139,224	-
Other assets	5,600	1,387	4,673	1,039,163	2,441	419,582	1,472,846	-
Interest in jointly controlled entities	-	-	-	-	-	211,303	211,303	-
Property, plant and equipment	-	-	-	-	-	562,309	562,309	-
Prepaid land lease	-	-	-	-	-	3,801	3,801	-
Investment properties	-	-	-	-	-	17,468	17,468	-
Total Assets	4,882,264	246,557	1,473,859	8,038,046	13,526,405	1,863,790	30,030,921	

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk (contd.)

Group 2010 (contd.)	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 %
	<---------- Non-trading book					---------->		
Liabilities and Shareholders' Equity								
Deposits from customers	2,796,343	3,730,571	930,712	-	-	-	7,457,626	3.17
Other liabilities	8,790	15,540	6,264	27,719	15,079	177,352	250,744	-
Redeemable notes	-	-	200,000	2,997,319	1,293,968	-	4,491,287	5.09
Term loans	77,342	102,361	207,543	2,691,903	6,822,509	-	9,901,658	4.57
Infrastructure support fund	-	-	-	-	-	380,294	380,294	-
Deferred income	-	-	-	-	-	292,208	292,208	-
Deferred tax liabilities	-	-	-	-	-	10,892	10,892	-
Total Liabilities	2,882,475	3,848,472	1,344,519	5,716,941	8,131,556	860,746	22,784,709	
Shareholders' equity	-	-	-	-	-	7,038,581	7,038,581	-
Minority interests	-	-	-	-	-	207,631	207,631	-
Total Liabilities and Shareholders' Equity	2,882,475	3,848,472	1,344,519	5,716,941	8,131,556	8,106,958	30,030,921	
On-balance sheet interest sensitivity gap	1,999,789	(3,601,915)	129,340	2,321,105	5,394,849	(6,243,168)	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	1,999,789	(3,601,915)	129,340	2,321,105	5,394,849	(6,243,168)	-	

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk (contd.)

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 %
	<---- Non-trading book					---->		
Assets								
Cash and short term deposits	1,762,029	-	-	-	-	20,464	1,782,493	2.28
Deposits and placements with financial institutions	-	202,554	4,028	50,000	18	-	256,600	4.91
Financial investments - available-for-sale ("AFS")	9,299	14,996	95,386	836,636	1,207,651	19,873	2,183,841	6.05
Financial investments - Held-to-maturity	-	-	4,022	101,414	84,785	232,811	423,032	5.56
Loans, advances and financing								
- non-impaired	594,634	293,264	1,919,381	7,129,695	10,485,126	-	20,422,100	7.45
- impaired #	-	-	-	-	-	(394,693)	(394,693)	-
Other assets	1,088	1,223	2,748	1,074,591	2,845	713,938	1,796,433	3.50
Investment in associates	-	-	-	-	-	978	978	-
Investment in jointly controlled entities	-	-	-	-	-	177,992	177,992	-
Property, plant and equipment	-	-	-	-	-	738,049	738,049	-
Prepaid land lease	-	-	-	-	-	3,911	3,911	-
Investment properties	-	-	-	-	-	17,866	17,866	-
Asset classified as held for sale	-	-	-	-	-	79,402	79,402	-
Total Assets	2,367,050	512,037	2,025,565	9,192,336	11,780,425	1,610,591	27,488,004	

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk (contd.)

Group 2009 (contd.)	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 %
Liabilities and Shareholders' Equity								
Deposits from customers	3,371,114	3,856,337	1,005,455	-	-	-	8,232,906	2.36
Other liabilities	8,770	11,217	7,957	1,836	21,256	139,556	190,592	-
Redeemable notes	-	-	-	200,000	1,790,325	-	1,990,325	6.53
Term loans	59,710	-	442,999	882,902	7,227,498	-	8,613,109	4.70
Infrastructure support fund	-	-	-	-	-	715,882	715,882	-
Deferred income	-	-	-	-	-	152,232	152,232	-
Deferred tax liabilities	-	-	-	-	-	17,918	17,918	-
Total Liabilities	3,439,594	3,867,554	1,456,411	1,084,738	9,039,079	1,025,588	19,912,964	
Shareholders' equity	-	-	-	-	-	7,342,621	7,342,621	-
Minority interests	-	-	-	-	-	232,419	232,419	-
Total Liabilities and Shareholders' Equity	3,439,594	3,867,554	1,456,411	1,084,738	9,039,079	8,600,628	27,488,004	
On-balance sheet interest sensitivity gap	(1,072,544)	(3,355,517)	569,154	8,107,598	2,741,346	(6,990,037)	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	(1,072,544)	(3,355,517)	569,154	8,107,598	2,741,346	(6,990,037)	-	

This is arrived at after deducting general allowance and specific allowance from the outstanding gross non performing loans.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk (contd.)

Bank 2010	<------ Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	Non-trading book >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 deposits	3,058,925	-	-	-	-	26,065	3,084,990	3.07
Deposits and placements with financial institutions	-	188,256	-	50,000	-	-	238,256	3.07
Financial investments - available-for-sale ("AFS")	22,879	25,141	180,293	796,053	805,063	16,834	1,846,263	6.08
Financial investments - held-to-maturity	-	-	90,357	90,169	5,000	79,576	265,102	5.59
Loans, advances and financing								
- non-impaired	1,084,537	41,790	1,128,366	5,904,384	12,883,883	-	21,042,960	7.00
- impaired *	-	-	-	-	-	278,759	278,759	-
Deferred tax	-	-	-	-	-	139,224	139,224	-
Other assets	5,600	1,387	4,673	1,039,163	2,441	237,988	1,291,252	3.50
Investment in subsidiaries	-	-	-	-	-	930,296	930,296	-
Property, plant and equipment	-	-	-	-	-	123,497	123,497	-
Prepaid land lease	-	-	-	-	-	3,801	3,801	-
Investment properties	-	-	-	-	-	8,090	8,090	-
Total Assets	4,171,941	256,574	1,403,689	7,879,769	13,696,387	1,844,130	29,252,490	

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk (contd.)

Bank 2010 (contd.)	**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 %**
	<---- Non-trading book ---->							
Liabilities and Shareholders' Equity								
Deposits from customers	2,796,343	3,730,571	930,712	-	-	-	7,457,626	3.17
Other liabilities	8,790	15,540	6,264	27,719	15,079	74,245	147,637	-
Redeemable notes	-	-	200,000	2,997,319	1,293,968	-	4,491,287	5.09
Term loans	77,342	102,361	207,543	2,597,043	6,630,603	-	9,614,892	4.67
Infrastructure support fund	-	-	-	-	-	380,924	380,924	-
Deferred income	-	-	-	-	-	292,208	292,208	-
Total Liabilities	2,882,475	3,848,472	1,344,519	5,622,081	7,939,650	746,747	22,383,944	
Shareholders' equity	-	-	-	-	-	6,868,546	6,868,546	
Total Liabilities and Shareholders' Equity	2,882,475	3,848,472	1,344,519	5,622,081	7,939,650	7,615,293	29,252,490	
On-balance sheet interest sensitivity gap	1,289,466	(3,591,898)	59,170	2,257,688	5,756,737	(5,771,163)	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	1,289,466	(3,591,898)	59,170	2,257,688	5,756,737	(5,771,163)	-	

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk (contd.)

Bank 2009	<------ 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 %
Assets								
Cash and short term deposits	1,065,199	-	-	-	-	4,488	1,069,687	2.14
Deposits and placements with financial institutions	-	202,554	4,000	50,000	-	-	256,554	4.91
Financial investments - available-for-sale ("AFS")	9,299	14,996	95,386	836,636	1,207,634	16,954	2,180,905	6.06
Financial investments - held-to-maturity	-	-	4,022	101,414	84,785	232,811	423,032	5.56
Loans, advances and financing								
- non-impaired	594,984	302,912	1,849,164	7,040,221	10,489,406	-	20,276,687	7.43
- impaired #	-	-	-	-	-	(382,489)	(382,489)	-
Other assets	1,083	1,223	2,748	1,074,591	2,845	605,407	1,687,897	3.50
Investment in subsidiaries	-	-	-	-	-	930,296	930,296	-
Property, plant and equipment	-	-	-	-	-	131,654	131,654	-
Prepaid land lease	-	-	-	-	-	3,911	3,911	-
Investment properties	-	-	-	-	-	8,267	8,267	-
Total Assets	1,670,565	521,685	1,955,320	9,102,862	11,784,670	1,551,299	26,586,401	

41. Financial instruments risk (contd.)

(b) Market risk (contd.)

(ii) Interest rate risk (contd.)

Bank 2009 (contd.)	**<---------- 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 %**
Liabilities and Shareholders' Equity								
Deposits from customers	3,371,114	3,856,337	1,005,455	-	-	-	8,232,906	2.36
Other liabilities	8,770	11,217	7,957	1,836	21,256	28,217	79,253	-
Redeemable notes	-	-	-	200,000	1,790,325	-	1,990,325	6.53
Term loans	59,710	-	442,999	733,256	7,010,936	-	8,246,901	4.82
Infrastructure support fund	-	-	-	-	-	715,882	715,882	-
Deferred income	-	-	-	-	-	152,232	152,232	-
Deferred tax liabilities	-	-	-	-	-	38,369	38,369	-
Total Liabilities	3,439,594	3,867,554	1,456,411	935,092	8,822,517	934,700	19,455,868	
Shareholders' equity	-	-	-	-	-	7,130,533	7,130,533	-
Total Liabilities and Shareholders' Equity	3,439,594	3,867,554	1,456,411	935,092	8,822,517	8,065,233	26,586,401	
On-balance sheet interest sensitivity gap	(1,769,029)	(3,345,869)	498,909	8,167,770	2,962,153	(6,513,934)	-	
Off-balance sheet interest sensitivity gap	-	-	-	-	-	-	-	
Total interest sensitivity gap	(1,769,029)	(3,345,869)	498,909	8,167,770	2,962,153	(6,513,934)	-	

This is arrived at after deducting general allowance and specific allowance from the outstanding gross non performing loans.

41. Financial instruments risk (contd.)

(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 Group 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 Group may raise funds locally and globally either 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.

41. Financial instruments risk (contd.)

(c) Liquidity risk (contd.)

The following table shows the maturity analysis of the Group's assets and liabilities based on remaining contractual maturities. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Bank has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 3 months" time band) but historically a stable source of long-term funding for the Bank.

Group	**<------ Non-trading book ------>**						
	Up to 1 month	**>1 - 3 months**	**>3 - 12 months**	**>1 - 5 years**	**Over 5 years**	**Non-specific maturity**	**Total**
2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets							
Cash and short term deposits	3,764,254	-	-	-	-	68,739	3,832,993
Deposits and placements with financial institutions	-	188,284	-	50,000	18	-	238,302
Financial investments - available-for-sale ("AFS")	34,439	25,000	180,000	794,350	823,727	-	1,857,516
Financial investments - Held-to-maturity	-	-	90,000	88,597	84,576	-	263,173
Loans, advances and financing	607,267	63,954	1,333,146	6,793,863	12,636,866	-	21,435,096
Other assets	5,600	1,387	4,673	1,171,050	2,441	419,582	1,604,733
Total undiscounted financial assets	4,411,560	278,625	1,607,819	8,897,860	13,547,628	488,321	29,231,813

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

41. Financial instruments risk (contd.)

(c) Liquidity risk (contd.)

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
	<--- Non-trading book					--->	
Liabilities							
Deposits from customers	2,796,343	3,730,571	930,712	-	-	-	7,457,626
Other liabilities	8,790	15,540	8,664	27,719	15,079	139,937	215,729
Redeemable notes	-	-	200,000	2,997,319	1,293,968	-	4,491,287
Term loans	77,342	102,361	207,543	2,691,903	6,822,509	-	9,901,658
Total undiscounted financial liabilities	2,882,475	3,848,472	1,346,919	5,716,941	8,131,556	139,937	22,066,300
Net maturity mismatches	1,529,085	(3,569,847)	260,900	3,180,919	5,416,072	348,384	7,165,513

41. Financial instruments risk (contd.)

(c) Liquidity risk (contd.)

Bank	<------		**Non-trading book**			------>	
	Up to 1 month	**>1 - 3 months**	**>3 - 12 months**	**>1 - 5 years**	**Over 5 years**	**Non-specific maturity**	**Total**
2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets							
Cash and short term deposits	3,058,925	-	-	-	-	26,065	3,084,990
Deposits and placements with financial institutions	-	188,256	-	50,000	-	-	238,256
Financial investments - available-for-sale ("AFS")	28,246	25,000	180,000	794,350	823,727	-	1,851,323
Financial investments - Held-to-maturity	-	-	90,000	88,576	84,576	-	263,152
Loans, advances and financing	605,845	73,998	1,262,976	6,572,034	12,806,866	-	21,321,719
Other assets	5,600	1,387	4,673	1,171,050	2,441	237,988	1,423,139
Total undiscounted financial assets	3,698,616	288,641	1,537,649	8,676,010	13,717,610	264,053	28,182,579

NOTES TO THE FINANCIAL STATEMENTS
31 December 2010 *(continued)*

41. Financial instruments risk (contd.)

(c) Liquidity risk (contd.)

Bank	<------	------	**Non-trading book**	------	------	------>	
	Up to 1 month	**>1 - 3 months**	**>3 - 12 months**	**>1 - 5 years**	**Over 5 years**	**Non-specific maturity**	**Total**
2010	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities							
Deposits from customers	2,796,343	3,730,571	930,712	-	-	-	7,457,626
Other liabilities	8,790	15,540	6,264	27,719	15,079	40,830	114,222
Redeemable notes	-	-	200,000	2,997,319	1,293,968	-	4,491,287
Term loans	77,342	102,361	207,543	2,597,043	6,630,603	-	9,614,892
Total undiscounted financial liabilities	2,882,475	3,848,472	1,344,519	5,622,081	7,939,650	40,830	21,678,027
Net maturity mismatches	816,141	(3,559,831)	193,130	3,053,929	5,777,960	223,223	6,504,552

The Bank is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 35(a). 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.

In the previous financial year, the Group and the Bank 's disclosure on exposure to liquidity risk was based on discounted contractual terms whereas under the new FRS7 disclosure, the Group and the Bank's liquidity risk as at 31 December 2010 are based on contractual undiscounted repayment obligation.

42. Fair values

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 balance sheet date.

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 balance sheet 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 and provision for current and deferred taxation.

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

	2010		2009	
Group	**Carrying Value RM'000**	**Carrying Fair Value RM'000**	**Carrying Value RM'000**	**Carrying Fair Value RM'000**
Financial Assets				
Loans, advances and financing	21,435,096	21,706,337	20,027,407	19,736,080
Financial liabilities				
Redeemable notes	4,491,287	4,585,050	1,990,325	1,919,957
Term loans	9,901,658	9,164,347	8,613,109	7,760,489

42. Fair values (contd.)

Bank	2010 Carrying Value RM'000	2010 Carrying Fair Value RM'000	2009 Carrying Value RM'000	2009 Carrying Fair Value RM'000
Financial assets				
Loans, advances and financing	21,321,719	21,598,951	19,894,198	19,661,375
Financial liabilities				
Redeemable notes	4,491,287	4,585,050	1,990,325	1,919,957
Term loans	9,614,892	8,877,581	8,246,901	7,394,281

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

(a) Cash and Short-term Funds

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

(b) Deposits and Placements with Financial Institutions

The fair values of those financial instruments with remaining maturities of less than one year approximate their carrying values due to their relatively short maturities. For those financial instruments with maturities of more than one year, the fair values are estimated based on discounted cash flows using applicable prevailing market rates of similar remaining maturities at the balance sheet date.

(c) Securities

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including net tangible assets.

42. Fair values (contd.)

(d) 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. In respect of Government infrastructure loans, the fair values are estimated after taking into account the Government compensation received on these loans. For non-performing loans, the fair values are deemed to approximate the carrying values, net of allowances for bad and doubtful debts and financing.

(e) Deposits from Customers, Deposits and Placements of Banks and Other Financial Institutions

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying values due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities. The fair value of Islamic deposits are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

(f) Redeemable Notes

The fair values are estimated based on expected future cash flows of coupon and face value payments and discounted at their quoted bid prices at balance sheet date or prevailing rates at balance sheet date obtained for similar notes with similar maturities, where applicable.

(g) Term Loans

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

43. Islamic banking business

The state of affairs as at 31 Decmber 2010 and results for the financial year ended on this date under the Islamic Banking business of the Group inclded in the Group financial statements are summarised as follows:

Statements of financial position

As at 31 December 2010

	Note	Group		Bank	
		2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Assets					
Cash and short-term funds	(a)	466,985	13,174	455,969	5,717
Deposits and placements with financial institutions	(b)	188,256	2,554	188,256	2,554
Financial investments - available-for-sale ("AFS")	(c)	137,225	-	137,225	-
Advances and financing	(d)	2,458,745	2,061,171	2,458,744	2,061,171
Other assets	(e)	4,364	1,342	4,364	1,341
Deferred tax assets		1,298	-	1,298	-
Total assets		3,256,873	2,078,241	3,245,856	2,070,783
Liabilities					
Other liabilities	(f)	176,107	197,749	167,222	186,811
Deposit from customers		823,800	204,000	823,800	204,000
Long term advances		502,515	502,515	502,515	502,515
Redeemable notes		900,000	400,000	900,000	400,000
Deferred income		139,977	-	139,977	-
Islamic general fund		714,474	773,977	712,342	777,457
Total liabilities and Islamic banking funds		3,256,873	2,078,241	3,245,856	2,070,783
Commitments and contingencies	(n)	4,395,405	3,733,858	4,395,405	3,733,858

43. Islamic banking business (contd.)

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Income statements for the financial year ended 31 December 2010					
Income derived from investment of depositors' funds	(g)	28,259	1,902	28,259	1,902
Income derived from investment of shareholder's funds	(h)	162,460	161,442	161,349	163,221
Allowance for losses on financing and advances	(i)	(63,507)	(86,783)	(68,089)	(83,306)
Profit equalisation reserve		1,071	(1,071)	1,071	(1,071)
Total distributable income		128,283	75,490	122,590	80,746
Income attributable to the depositors	(j)	(11,602)	(866)	(11,602)	(866)
Total net income		116,681	74,624	110,988	79,880
Overhead expenses	(k)	(568)	(1,022)	(487)	(506)
Finance cost	(l)	(35,894)	(22,800)	(35,894)	(22,800)
Profit before taxation and Zakat		80,219	50,802	74,607	56,574
Taxation and Zakat	(m)	(1,959)	(150)	(1,959)	(150)
Profit after taxation and Zakat		78,260	50,652	72,648	56,424
Profit for the year		78,260	50,652	72,648	56,424

43. Islamic banking business (contd.)

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

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year	78,260	50,652	72,648	56,424
Other comprehensive income				
Net gain on revaluation of financial investments available-for-sale	(3,895)	-	(3,895)	-
Other comprehensive income for the year, net of tax	(3,895)	-	(3,895)	-
Total comprehensive income for the year, net of tax	74,365	50,652	68,753	56,424
Total comprehensive income attributable to:				
Shareholders of the Bank	74,365	50,652	68,753	56,424
Minority interests	-	-	-	-
	74,365	50,652	68,753	56,424

43. Islamic banking business (contd.)

Statements of changes in equity

	Capital funds RM'000	Unrealised holding reserve RM'000	Retained profits RM'000	Total RM'000
Group				
As at 1 January 2009	587,626	-	135,699	723,325
Net profit for the year	-	-	50,652	50,652
As at 31 December 2009, as previously stated	587,626	-	186,351	773,977
Effect of adopting FRS 139	-		(133,868)	(133,868)
At 1 January 2010, as restated	587,626	-	52,483	640,109
Net profit for the year	-	-	78,260	78,260
Other comprehensive income:				
Unrealised net loss on revaluation of financial investments available-for-sale	-	(3,895)	-	(3,895)
As at 31 December 2010	587,626	(3,895)	130,743	714,474
Bank				
As at 1 January 2009	597,400	-	123,633	721,033
Net profit for the year	-	-	56,424	56,424
As at 31 December 2009, as previously stated	597,400	-	180,057	777,457
Effect of adopting FRS 139	-	-	(133,868)	(133,868)
At 1 January 2010, as restated	597,400	-	46,189	643,589
Net profit for the year	-	-	72,648	72,648
Other comprehensive income:				
Unrealised net loss on revaluation of financial investments available-for-sale	-	(3,895)	-	(3,895)
As at 31 December 2010	597,400	(3,895)	118,837	712,342

43. Islamic banking business (contd.)

Cash flow statements for the financial year ended 31 December 2010

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before tax and zakat	80,219	50,802	74,607	56,574
Adjustments for:				
Allowance for doubtful debts and financing	-	100,826	-	96,220
Allowance for doubtful debt and financing written back	-	(14,799)	-	(12,914)
Gain on sale of financial investments available-for-sale	(5,313)	-	(5,313)	-
Individual impairment allowance	65,728	-	62,018	-
Collective impairment allowance	6,071	-	6,071	-
Bad debts written off	-	2,129	-	-
Provision for zakat	(1,959)	-	(1,959)	-
Profit equalisation reserve	(1,071)	1,071	(1,071)	1,071
Operating profit before working capital changes	143,675	140,029	134,353	140,951
Changes in working capital:				
Other assets	(3,024)	6,270	(3,024)	6,269
Other liabilities	(23,231)	(804,928)	(17,468)	(800,605)
Deposits & placements with financial institutions	(185,702)	11,218	(185,702)	11,218
Deposit from customers	619,800	204,000	619,800	204,000
Advances and financing	(459,552)	316,635	(459,552)	311,176
Cash generated from operations	91,966	(126,776)	88,407	(126,991)
Zakat paid		-		-
Net cash generated/(used in) operating activities	91,966	(126,776)	88,407	(126,991)
Cash flows from investing activities				
Purchase of financial investments	(209,389)	-	(209,389)	-
Net cash used in investing activities	(209,389)	-	(209,389)	-

43. Islamic banking business (contd.)

Cash flow statements for the financial year ended 31 December 2010 (contd.)

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Cash flows from financing activities				
Proceeds from disposal/maturity financial investment	71,234		71,234	
Proceeds of redeemable notes	500,000	-	500,000	-
Net cash generated from financing activity	571,234	-	571,234	-
Cash and cash equivalents (Note A)				
Net increase/(decrease) in cash and cash equivalents	453,811	(126,776)	450,252	(126,991)
Cash and cash equivalents at beginning of year	13,174	139,950	5,717	132,708
Cash and cash equivalents at end of year	466,985	13,174	455,969	5,717

(A) Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Cash and short term funds	466,985	13,174	455,969	5,717

43. Islamic banking business (contd.)

(a) Cash and short-term funds

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and bank balances with financial institutions	12,253	7,615	1,237	158
Money at call and deposit placements maturing within one months	454,732	5,559	454,732	5,559
	466,985	13,174	455,969	5,717

(b) Deposits and placements with financial institutions

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000		**RM'000**	
	RM'000		**RM'000**	
Licensed banks	188,256	2,554	188,256	2,554

(c) Financial investments - available-for sale ("AFS")

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At fair value				
Unquoted securities:				
(In Malaysia)				
Private debt securities	137,225	-	137,225	-
	137,225	-	137,225	-

43. Islamic banking business (contd.)

(d) Advances and financing

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Bai Bithaman Ajil	285,626	231,580	253,475	200,695
Bai' Inah - BIN	172,799	157,236	172,799	157,236
Al-Ijarah	23,910	29,615	23,771	29,476
Bai'Istisna	4,333,656	3,090,999	4,333,656	3,090,999
Ijarah Muntahia Bitamalik - IJM	394,375	228,707	394,375	228,707
Bai' Murabahah - BAM	123,654	77,533	123,654	77,533
Murabahah Dayn	6,005	1,477	6,005	1,477
Bai' Dayn	1,894	-	1,894	-
Staff Loan	27,438	29,046	27,438	29,046
AITAB	567	578	-	-
Unearned income	(2,409,228)	(1,544,594)	(2,407,955)	(1,543,317)
Gross advances and financing	2,960,696	2,302,177	2,929,112	2,271,852
Allowance for impaired financing:				
- individual assessment allowance	(464,446)	-	(432,863)	-
- collective assessment allowance	(37,505)	-	(37,505)	-
- specific allowance	-	(209,822)	-	(179,497)
- general allowance	-	(31,184)	-	(31,184)
	(501,951)	(241,006)	(470,368)	(210,681)
Net advance and financing	2,458,745	2,061,171	2,458,744	2,061,171

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

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Receivable after 12 months	2,307,982	1,820,368	2,285,302	1,799,607
Receivable within 12 months	652,714	481,809	643,810	472,245
	2,960,696	2,302,177	2,929,112	2,271,852

43. Islamic banking business (contd.)

(d) Advances and financing (contd.)

(ii) Movements in impaired financing advances and financing are as follows:

	Group		Bank	
	2010	**2009**	**2010**	**2009**
Impaired financing	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at 1 January				
- as previously stated	435,867	-	274,769	-
- effect of adopting FRS 139	157,771	-	157,771	-
At 1 January, as restated	593,638	352,108	432,540	149,390
Impaired during the year	189,611	128,680	189,611	125,379
Reclassified as non-impaired	-	(5,083)	-	-
Recovered during the year	(18,115)	(3,851)	(5,870)	-
Amount written off	(23,442)	(35,987)	-	-
Balance at end of year	741,692	435,867	616,281	274,769
Ratio of gross impaired/ NPL to gross loans and financing	25.05%	18.93%	21.04%	12.09%
# Gross impaired financing as % of gross advances and financing as at 1 January 2010, restated for the effect of adopting FRS 139.	25.79%		19.04%	

43. Islamic banking business (contd.)

(d) Advances and financing (contd.)

(iii) Movements in allowance for impaired financing advances and financing are as follows:

	Group		Bank	
Individual Assessment Allowance	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Balance as at 1 January				
- as previously stated	209,822	-	179,497	-
- effect of adopting FRS 139	191,348	-	191,348	-
At 1 January, as restated	401,170	-	370,845	-
Allowance made during the year	65,728		62,018	
Amount written back	(2,452)	-	-	-
Balance at end of year	464,446	-	432,863	-

	Group		Bank	
Collective Assessment Allowance	**2010 RM'000**	**2009 RM'000**	**2010 RM'000**	**2009 RM'000**
Balance as at 1 January				
- as previously stated		-		-
- effect of adopting FRS 139	31,434	-	31,434	-
At 1 January, as restated	31,434	-	31,434	-
Allowance made during the year	6,071	-	6,071	-
Balance at end of year	37,505	-	37,505	-

	Group		Bank	
	2010	**2009**	**2010**	**2009**
Specific allowance:	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at 1 January				
- as previously stated	209,822	110,670	179,497	83,277
- effect of adopting FRS 139	(209,822)	-	(179,497)	-
At 1 January, as restated	-	110,670	-	83,277
Allowance made during the year	-	100,826	-	96,220
Amount written back	-	(1,674)	-	-
Balance at end of year	-	209,822	-	179,497

43. Islamic banking business (contd.)

(d) Advances and financing (contd.)

(iii) Movements in allowance for impaired financing advances and financing are as follows (contd.):

	Group		Bank	
	2010	**2009**	**2010**	**2009**
General allowance:	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Balance as at 1 January				
- as previously stated	31,184	44,309	31,184	44,098
- effect of adopting FRS 139	(31,184)	-	(31,184)	-
At 1 January, as restated	-	44,309	-	44,098
Amount written back	-	(13,125)	-	(12,914)
Balance at end of year	-	31,184	-	31,184
As a % of gross loans, advances and financing less specific provisions	-	1.5%	-	1.5%

(e) Other assets

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables	4,364	1,342	4,364	1,341

(f) Other liabilities

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables	169	391	-	-
Allowance for zakat	2,132	-	2,132	286
Accrued profit payable	14,012	4,982	14,012	4,982
Profit equalisation reserve	-	1,071	-	1,071
Inter divisions	159,794	191,305	151,078	180,472
	176,107	197,749	167,222	186,811

43. Islamic banking business (contd.)

(g) Income derived from investment of depositors' funds

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance Income				
Financing and advances	27,446	1,835	27,446	1,835
Other income:				
- Fee income	813	67	813	67
	28,259	1,902	28,259	1,902

(h) Income derived from investment of shareholders funds

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Finance Income				
Financing and advances	128,060	145,291	126,953	147,070
Deferred income recognised	7,598	-	7,598	-
Deposit placement with financial institution	11,338	1,522	11,338	1,522
Financial investments:				
- available-for-sale	4,745	-	4,745	-
	151,741	146,813	150,634	148,592
Other income:				
Gain/(loss) on sale of:				
- financial investments available-for-sale	5,313	-	5,313	-
Fee income	5,406	14,629	5,402	14,629
	162,460	161,442	161,349	163,221
Of which:				
Interest income earned on impaired loans, advances and financing	6,008	-	6,008	-

43. Islamic banking business (contd.)

(i) Advances and financing loss and allowance

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Bad debts and financing written off	-	2,129	-	-
Bad debts recovered	(5,840)	(1,373)	-	-
Individual impairment allowance				
- made during the year	65,728	-	62,018	-
- written back	(2,452)	-	-	-
Specific allowance				
- made during the year	-	100,826	-	96,220
- written back	-	(1,674)	-	-
Collective assessment allowance				
- made during the year	6,071	-	6,071	-
General allowance				
- written back	-	(13,125)	-	(12,914)
	63,507	86,783	68,089	83,306

(j) Income attributable to depositors

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Deposit from customers				
- Mudharabah Fund	11,602	866	11,602	866

(k) Overhead expenses

	Note	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Personnel costs	(i)	362	380	362	380
General administrative expenses	(ii)	206	642	125	126
		568	1,022	487	506

43. Advances and financing loss and allowance

(k) Overhead expenses (contd.)

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
(i) Personnel costs				
Salaries, allowances and bonuses	268	295	268	295
Social security cost	2	2	2	2
Pension costs - Defined contribution plan	61	55	61	55
Other staff related expenses	31	28	31	28
	362	380	362	380
(ii) General administrative expenses				
General administrative expenses	206	642	125	126
	206	642	125	126

The above has been determined after charging amongst other items the following:

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Shariah Committee's remuneration	61	61	61	61

(l) Finance cost

	Group 2010 RM'000	Group 2009 RM'000	Bank 2010 RM'000	Bank 2009 RM'000
Bonds and notes	35,894	22,800	35,894	22,800

43. Islamic banking business (contd.)

(m) Taxation and zakat

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Zakat	1,959	150	1,959	150

(n) Commitments and contingencies

	Group		Bank	
	2010	**2009**	**2010**	**2009**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Disbursement of loans to industries	4,395,405	3,733,858	4,395,405	3,733,858
	4,395,405	3,733,858	4,395,405	3,733,858

NOTE