

**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
**(Incorporated in Malaysia)**

**FINANCIAL STATEMENTS - 31 DECEMBER 2009**

Registered Office  
27<sup>th</sup> Floor, Menara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia

**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
**(Incorporated in Malaysia)**

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**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2009**

The Directors have pleasure in presenting to the members their report together with the audited financial statements of the Bank for the financial year ended 31 December 2009.

**PRINCIPAL ACTIVITIES**

The Bank is principally engaged in the business of Islamic banking and the provision of related financial services.

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

**FINANCIAL RESULTS**

	<b>RM'000</b>
Profit before zakat and taxation	459,832
Zakat and taxation	(113,192)
Profit for the year	<u>346,640</u>

**DIVIDENDS**

The amount of dividends paid by the Bank since 31 December 2008 were as follows:

	<b>RM</b>
In respect of financial year ended 31 December 2009:	
First interim dividend of 60% on 167,217,000 ordinary shares of RM1.00 each, less 25% tax, paid on 23 July 2009	75,247,650
First interim single tier dividend of 15% on 167,217,000 ordinary shares of RM1.00 each, paid on 29 July 2009	<u>25,082,550</u>
	<u>100,330,200</u>

Subsequent to the financial year end, on 19 January 2010, the Directors declared a second interim single tier dividend of 80%, amounting to RM136,173,600. This is computed based on the issued and paid-up capital as at 31 December 2009 of 170,217,000 ordinary shares of RM1.00 each. The financial statements for the current financial year do not reflect this dividend. Upon declaration, the second interim single tier dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2010.

## **ISSUE OF SHARES**

On 30 June 2009, the Bank increased its paid-up capital by 8,000,000 ordinary shares of RM1.00 each issued at a premium of RM24.00 per share. Upon completion, the issued and paid-up share capital of the Bank increased from RM159,217,000 to RM167,217,000.

On 29 December 2009, the Bank further increased its paid-up capital by 3,000,000 ordinary shares of RM1.00 each issued at a premium of RM24.00 per share. Upon completion, the issued and paid-up share capital of the Bank increased from RM167,217,000 to RM170,217,000.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Bank.

There were no other changes in the authorised, issued and paid-up capital of the Bank during the financial year.

## **RESERVES, PROVISIONS AND ALLOWANCES**

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

## **BAD AND DOUBTFUL FINANCING**

Before the income statement and balance sheet of the Bank were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad financing and the making of allowance for losses on financing and advances, and satisfied themselves that all known bad financing had been written off and adequate allowance had been made for doubtful financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad financing, or the amount of the allowance for losses on financing and advances in the financial statements of the Bank, inadequate to any substantial extent.

## **CURRENT ASSETS**

Before the income statement and balance sheet of the Bank were made out, the Directors took reasonable steps to ensure that current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Bank have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Bank misleading.

## **VALUATION METHODS**

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets and liabilities in the financial statements of the Bank misleading or inappropriate.

## **CONTINGENT AND OTHER LIABILITIES**

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

- (a) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

No contingent or other liability of the Bank has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet their obligations as and when they fall due.

## **CHANGE OF CIRCUMSTANCES**

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

## **ITEMS OF UNUSUAL NATURE**

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

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

## **SIGNIFICANT EVENTS DURING THE YEAR**

There were no significant events during the financial year.

## **SUBSEQUENT EVENTS**

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the financial statements.

## **DIRECTORS OF THE BANK**

The Directors who served since the date of the last report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow

Tan Sri Dato' Thong Yaw Hong

Tan Sri Dato' Sri Tay Ah Lek

Dato' Sri Lee Kong Lam

Dato' Yeoh Chin Kee

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah

Dato' Haji Abdul Aziz bin Omar

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff

Quah Poh Keat (appointed on 29 September 2009)

Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid (appointed on 29 September 2009)

In accordance with Article 96 of the Bank's Articles of Association, Quah Poh Keat and Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 97 of the Bank's Articles of Association, Tan Sri Dato' Sri Tay Ah Lek and Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Tan Sri Dato' Thong Yaw Hong and Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff retire pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting and offer themselves for re-appointment in accordance with Section 129 of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting of the Bank.

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares of the Bank's holding company, Public Bank Berhad ("PBB") and in shares and options of its related corporation during the financial year were as follows:

**Shares Held in PBB**

	Number of Ordinary Shares of RM1.00 Each				Balance as at 31.12.2009
	Balance as at 1.1.2009	Share Dividend <sup>#</sup>	Acquired	Disposed	
<b>Direct interests:</b>					
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	614,978	-	-	22,139,228
Tan Sri Dato' Thong Yaw Hong	7,313,750	208,964	-	-	7,522,714
Tan Sri Dato' Sri Tay Ah Lek	8,610,109	188,859	-	2,000,000	6,798,968
Dato' Sri Lee Kong Lam	1,079,921	10,426	-	715,000	375,347
Dato' Yeoh Chin Kee	200,000	5,714	-	-	205,714
Dato' Haji Abdul Aziz bin Omar	750,000	21,428	-	50,000	721,428
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	350,000	10,000	-	-	360,000

	Number of Ordinary Shares of RM1.00 Each				Balance as at 31.12.2009
	Balance as at 1.1.2009	Share Dividend <sup>#</sup>	Acquired	Disposed	
<b>Indirect interests:</b>					
Tan Sri Dato' Sri Dr. Teh Hong Piow	786,468,596	22,470,522	-	-	808,939,118
Tan Sri Dato' Thong Yaw Hong	821,875	23,481	-	-	845,356
Tan Sri Dato' Sri Tay Ah Lek	339,482	9,699	-	-	349,181
Dato' Sri Lee Kong Lam	800,000	22,857	-	-	822,857
Dato' Yeoh Chin Kee	300,000	8,571	-	-	308,571

Note:

<sup>#</sup> Arising from the distribution by PBB of a share dividend on the basis of 1 PBB treasury share listed and quoted as "Local" on the Main Market of Bursa Malaysia Securities Berhad for every 35 ordinary shares of RM1.00 each held in PBB, fractions of treasury shares disregarded.

**DIRECTORS' INTERESTS** (continued)

**Shares Held in  
Public Financial Holdings Limited ("PFHL")**

<b>Direct interests:</b>	<b>Number of Ordinary Shares of HKD0.10 Each</b>			<b>Balance as at 31.12.2009</b>
	<b>Balance as at 1.1.2009</b>	<b>Acquired</b>	<b>Disposed</b>	
Tan Sri Dato' Sri Tay Ah Lek	350,000	-	-	350,000
Dato' Yeoh Chin Kee	150,000	-	-	150,000

**Share Options Held under the PFHL  
Employees' Share Option Scheme  
("PFHL Share Options")**

	<b>Option Price HKD</b>	<b>Balance as at 1.1.2009</b>	<b>Number of PFHL Share Options</b>			<b>Balance as at 31.12.2009</b>
			<b>Granted</b>	<b>Exercised</b>	<b>Lapsed</b>	
Tan Sri Dato' Sri Tay Ah Lek	6.35	1,230,000	-	-	-	1,230,000
Dato' Yeoh Chin Kee	6.35	550,000	-	-	(550,000) *	-

Note:

\* Lapsed on 16 July 2009 as Dato' Yeoh Chin Kee did not exercise the share options within a period of 6 months following his resignation as Director of PFHL on 15 January 2009.

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in PBB or its related corporations during the financial year.

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and indirect interests of 831,078,346 shares in PBB, and pursuant to Section 6A(4)(c) of the Companies Act, 1965 is deemed interested in the shares in all of PBB's subsidiary and associated companies to the extent that PBB has interests.

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Bank is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than the PFHL Share Options.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 27 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest.

## **BUSINESS REVIEW 2009**

Despite the slowed economy in 2009, Public Islamic Bank Berhad continued to show strong performance in Islamic financing, Islamic deposit growth and asset quality.

Public Islamic Bank continued to focus in growing its consumer financing, i.e. home mortgages, passenger vehicle hire purchase financing, personal financing and retail commercial lending to small- and medium-sized enterprises ("SMEs"). For consumer financing, Public Islamic Bank continued to enhance features of its existing products such as lower financing rate and higher quantum of financing.

Public Islamic Bank had actively promoted the Government's Guarantee Schemes for SMEs by introducing the Working Capital Guarantee Scheme-i and Industry Restructuring Financing Guarantee Scheme-i. Public Islamic Bank's total Islamic financing continued to expand strongly. Asset quality of Public Islamic Bank remained strong.

On deposit-taking business, Public Islamic Bank continued to register robust growth in Islamic deposits. During the year, Public Islamic Bank continued to promote its low cost saving accounts such as Wadiah Savings-i and Wadiah Current Account-i.

To expand its business, Public Islamic Bank continued to tap on the Group's wide branch network of 248 branches and multiple delivery channels (459 ATMs, 442 Cheque Deposit Machines and 407 Cash Deposit Terminals, Internet banking and mobile banking channel). It also continued to leverage on the Public Bank Group's banking expertise, strong PB Brand, strong corporate image and superior delivery standards.

During the year, Public Islamic Bank continued to participate in the Group's Corporate Social Responsibility programmes and paid its zakat obligation to comply with the principles of Shariah. Public Islamic Bank had also continued to promote greater public awareness of Islamic banking and intensified its staff training.

## **ECONOMIC OUTLOOK AND PROSPECTS FOR 2010**

The Malaysian economy is expected to further improve in 2010, on the back of the Government's fiscal stimulus, accommodative monetary policy and the expected recovery in major developed economies. The "green shoots" such as industrial production and exports which have emerged since the second quarter of 2009 are expected to become more visible in 2010. Both the services and construction sectors are expected to lead growth in 2010. The steady upward trend in the Leading Index for the Malaysian economy and improved consumer and business sentiment in recent months support the positive outlook for the economy in 2010.

In 2010, gross domestic product is expected to increase by 3% from a contraction of 2.5% in 2009. Like other Asian economies, Malaysia is well placed to recover early because of credible macro policies and healthy corporate, household and bank balance sheets. In addition to the large fiscal stimulus, recent trends in inventory restocking, fiscal impulse from the aggressive countercyclical response and healthy intra-regional trade will support the Malaysian economy.

## **ECONOMIC OUTLOOK AND PROSPECTS FOR 2010** (continued)

As domestic economic conditions strengthen, inflation in Malaysia is projected to turn positive in 2010. However, in the absence of unanticipated price adjustments and rapid rise in global commodity prices, inflation is expected to remain modest. Furthermore, the current large output gap in Malaysia and the strong Ringgit exchange rate will keep inflation in check.

In the growth process, private consumption and private investment are expected to further strengthen due to improved labour market conditions, low interest rates and large fiscal stimulus. Specific measures in the Budget 2010, such as the reduction in the maximum personal income tax rate and increased personal relief, will result in higher household disposable income which in turn will support private consumption.

On the supply side, growth will remain broad-based and led by the services sector. The recent liberalisation of 27 services sub-sectors and the financial services sector will support investment growth. The construction sector will continue to benefit from the economic recovery and fiscal stimulus by the Government. Manufacturing, in particular export-oriented industries, is expected to slowly improve in line with the global recovery. As the economic growth gains further traction in 2010, the Malaysian Government will have room to consolidate its fiscal position. The economy too will continue to enjoy high sovereign ratings, reflecting Malaysia's strong external liquidity, robust balance of payments and strong financial sector.

## **BUSINESS OUTLOOK FOR 2010**

Islamic banking business in Malaysia is expected to further grow in 2010 and beyond based on the positive growth outlook for the Malaysian economy and also the strong support and drive by Bank Negara Malaysia. Initiatives to create greater awareness on the viability of Islamic finance amidst the current global financial crisis will help sustain business momentum for the Islamic banking industry ahead.

In addition to Islamic savings and time deposit and financing products, demand for Shariah-compliant investment-linked products and Islamic bonds (sukuk) is expected to further increase, helped by Bank Negara Malaysia's comprehensive Shariah compliant framework. Factors such as increased number of affluent customers and high savings in the Malaysian banking system will increase the demand for Islamic wealth management products.

The recent liberalisation of Islamic banking in Malaysia will increase competition and provide greater diversification of Islamic banking products and services in the domestic market. The competitive landscape is expected to lead to greater innovation in Islamic products and services, pricing strategies and delivery channels.

In terms of Islamic financing, Public Islamic Bank will continue to focus on home mortgages, passenger vehicle hire purchase financing and SME financing. Public Islamic Bank will continue to launch new products and services and also enhance its existing products. To sustain its strong financing growth, Public Islamic Bank will continue to sustain the Group's superior customer service such as the fast turnaround time for financing approval and disbursement at various Islamic banking hubs and branches.

**BUSINESS OUTLOOK FOR 2010** (continued)

On deposit-taking business, Public Islamic Bank will continue to actively source for low cost funds demand and savings deposits by continuing to review and repackage existing deposit products to enhance their competitiveness. Public Islamic Bank will also enhance its fee-based products.

To boost its Islamic banking business, Public Islamic Bank will continue to leverage on the Public Bank Group's management expertise, extensive branch network, competitive product packages, and multiple delivery channels such as internet banking, mobile banking, ATM network, cheque deposit machines and cash deposit terminals. Also, to create greater public awareness on the Islamic business of the Public Bank Group, Public Islamic Bank will continue to tap on the Group's strong corporate image and PB Brand, strong sales and marketing force and superior delivery standards.

To ensure Shariah compliance in all aspects of banking and financing activities, Public Islamic Bank will continue to ensure full compliance with Bank Negara Malaysia's Garis Panduan Shariah and expert guidance of the Shariah Committee.

**AUDITORS**

The retiring auditors, Messrs. KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

**TAN SRI DATO' THONG YAW HONG**

Director

**TAN SRI DATO' SRI TAY AH LEK**

Director

Kuala Lumpur,

Dated : 19 January 2010

**PUBLIC ISLAMIC BANK BERHAD**  
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**(Incorporated in Malaysia)**

**STATEMENT BY DIRECTORS**

We, TAN SRI DATO' THONG YAW HONG and TAN SRI DATO' SRI TAY AH LEK, being two of the Directors of PUBLIC ISLAMIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 15 to 93 are properly drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Bank as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Signed in accordance with a resolution of the Directors:

**TAN SRI DATO' THONG YAW HONG**  
Director

**TAN SRI DATO' SRI TAY AH LEK**  
Director

Kuala Lumpur,

Dated : 19 January 2010

**PUBLIC ISLAMIC BANK BERHAD**  
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**STATUTORY DECLARATION**

I, CHANG SIEW YEN, being the officer primarily responsible for the financial management of PUBLIC ISLAMIC BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 15 to 93, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed **CHANG SIEW YEN** at KUALA LUMPUR  
in WILAYAH PERSEKUTUAN this 19 January 2010

BEFORE ME:

Commissioner for Oaths  
Kuala Lumpur

**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
**(Incorporated in Malaysia)**

**SHARIAH COMMITTEE'S REPORT**

**In the name of Allah, The Beneficent, The Merciful**

We, PROF. DATO' DR MAHMOOD ZUHDI HAJI AB MAJID, ASSOCIATE PROF. MOHD RIDZUAN AWANG and ASSISTANT PROF. DR MOHD AFANDI AWANG HAMAT, being members of the Shariah Committee of PUBLIC ISLAMIC BANK BERHAD, do hereby confirm that we have reviewed the principles and contracts relating to the transactions used by the Bank during the year ended 31 December 2009.

The Management of the Bank is responsible in ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

In our opinion:

- a) the main sources of income of the Bank during the year ended 31 December 2009 were derived from contracts, transactions, investments and dealings entered into by the Bank which are in compliance with the Shariah rules and principles.
- b) the operations of the Bank for the period under review have been conducted in conformity with the Shariah rules and principles.

We beg Allah the Almighty to grant us success and lead us to the right path.

On behalf of the Shariah Committee

**PROF. DATO' DR MAHMOOD ZUHDI  
HAJI AB MAJID**  
Chairman of the Committee

**ASSISTANT PROF. DR MOHD AFANDI  
AWANG HAMAT**  
Member of the Committee

**ASSOCIATE PROF. MOHD RIDZUAN AWANG**  
Member of the Committee

Kuala Lumpur,  
Dated : 19 January 2010

**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF PUBLIC ISLAMIC BANK BERHAD**

**Report on the Financial Statements**

We have audited the financial statements of Public Islamic Bank Berhad, which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 15 to 93.

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

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of 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 the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Bank as of 31 December 2009 and of its financial performance and cash flows 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

**Other Matters**

This report is made solely to the member 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.

KPMG  
Firm Number : AF 0758  
Chartered Accountants

Petaling Jaya,  
Dated : 19 January 2010

ADRIAN LEE LYE WANG  
Partner  
Approval Number : 2679/11/11(J)  
Chartered Accountant

**PUBLIC ISLAMIC BANK BERHAD**  
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**BALANCE SHEET AS AT 31 DECEMBER 2009**

	Note	2009 RM'000	2008 RM'000
<b>ASSETS</b>			
Cash and short-term funds	3	6,727,664	3,323,580
Securities held-for-trading	4	79,988	382,296
Securities available-for-sale	5	1,274,512	400,454
Securities held-to-maturity	6	5,022	-
Financing and advances	7	14,348,330	11,877,409
Other assets	8	66,524	52,591
Statutory deposits with Bank Negara Malaysia	9	144,000	341,600
Deferred tax assets	10	84,102	72,304
Property and equipment	11	464	359
<b>TOTAL ASSETS</b>		<b>22,730,606</b>	<b>16,450,593</b>
<b>LIABILITIES</b>			
Deposits from customers	12	13,073,701	9,622,325
Deposits and placements of banks and other financial institutions	13	8,051,182	4,864,825
Other liabilities	14	48,915	974,266
Provision for zakat and taxation	16	50,921	4,745
<b>TOTAL LIABILITIES</b>		<b>21,224,719</b>	<b>15,466,161</b>
<b>EQUITY</b>			
Share capital	17	170,217	159,217
Reserves		1,335,670	825,215
<b>TOTAL EQUITY</b>		<b>1,505,887</b>	<b>984,432</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>22,730,606</b>	<b>16,450,593</b>
<b>OFF-BALANCE SHEET EXPOSURES</b>	37	<b>1,133,275</b>	<b>1,031,888</b>
<b>CAPITAL ADEQUACY</b>			
<b><u>Before deducting second interim dividends</u></b>			
Core capital ratio	37	11.6%	9.1%
Risk-weighted capital ratio	37	13.4%	11.0%
<b><u>After deducting second interim dividends</u></b>			
Core capital ratio	37	10.5%	9.1%
Risk-weighted capital ratio	37	12.3%	11.0%

The accompanying notes form an integral part of the financial statements

**PUBLIC ISLAMIC BANK BERHAD**  
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**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 RM'000	2008 RM'000
Income derived from investment of depositors' funds and others	21	916,568	134,465
Income derived from investment of shareholder's funds	22	63,478	10,268
Allowance for losses on financing and advances	23	(67,885)	(7,840)
- General allowances		(32,302)	(1,407)
- Other financing loss allowances		(35,583)	(6,433)
Profit equalisation reserves	14	22,908	(3,976)
<b>Total distributable income</b>		935,069	132,917
Income attributable to the depositors	24	(320,825)	(43,054)
<b>Total net income</b>		614,244	89,863
Personnel expenses	25	(14,406)	(2,475)
Other overheads and expenditures	26	(140,006)	(22,953)
<b>Profit before zakat and taxation</b>		459,832	64,435
Zakat	28	(250)	(30)
Taxation	28	(112,942)	(16,767)
<b>Profit for the year</b>		346,640	47,638
<b>Earnings per RM1.00 share (sen)</b>	29	212.3	36.1

The accompanying notes form an integral part of the financial statements

**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	<----- Non-distributable ----->			<-- Distributable -->		Total RM'000	
		Share Capital RM'000	Share Premium RM'000	<u>Reserves</u> Statutory Reserve RM'000	Revaluation Reserve RM'000	<u>Reserves</u> General Reserve RM'000		Retained Profit RM'000
At 1 January 2008		127,717	-	-	-	2,000	1,736	131,453
Increase in share capital		31,500	773,500	-	-	-	-	805,000
Net gain on revaluation of securities available-for-sale		-	-	-	341	-	-	341
Profit for the year		-	-	-	-	-	47,638	47,638
Transfer to statutory reserves		-	-	23,819	-	-	(23,819)	-
At 31 December 2008		<u>159,217</u>	<u>773,500</u>	<u>23,819</u>	<u>341</u>	<u>2,000</u>	<u>25,555</u>	<u>984,432</u>
At 1 January 2009		159,217	773,500	23,819	341	2,000	25,555	984,432
Increase in share capital		11,000	264,000	-	-	-	-	275,000
Net gain on revaluation of securities available-for-sale		-	-	-	145	-	-	145
Profit for the year		-	-	-	-	-	346,640	346,640
Transfer to statutory reserves		-	-	116,555	-	-	(116,555)	-
Dividends paid	30	-	-	-	-	(2,000)	(98,330)	(100,330)
At 31 December 2009		<u>170,217</u>	<u>1,037,500</u>	<u>140,374</u>	<u>486</u>	<u>-</u>	<u>157,310</u>	<u>1,505,887</u>
		Note 17		Note 18		Note 19	Note 20	

The accompanying notes form an integral part of the financial statements

**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before zakat and taxation	459,832	64,435
Adjustments for:		
Depreciation of property and equipment	124	14
Allowance for losses on financing and advances	94,042	12,799
Write back of allowance for losses on financing and advances	(15,840)	(3,438)
Net gain arising from sale of securities available-for-sale	(117)	-
Amortisation of premium less accretion of discount	6,738	36
Unrealised (gain) / loss on revaluation of securities held-for-trading	(83)	63
Pension cost - defined benefit plan	208	(138)
Transfer (from) / to profit equalisation reserves	(22,908)	3,976
Dividends from securities available-for-sale	(8,838)	-
Operating profit before working capital changes	<u>513,158</u>	<u>77,747</u>
Decrease / (Increase) in operating assets:		
Securities held-for-trading	302,263	(292,350)
Financing and advances	(2,549,123)	(113,484)
Other assets	(13,933)	367,229
Statutory deposits with Bank Negara Malaysia	197,600	(341,600)
Increase / (Decrease) in operating liabilities:		
Deposits from customers	3,451,376	2,160,695
Deposits and placements of banks and other financial institutions	3,186,357	385,129
Other liabilities	(911,567)	119,228
Cash generated from operations	<u>4,176,131</u>	<u>2,362,594</u>
Income tax expense and zakat paid	(69,946)	(13,627)
<b>Net cash generated from operating activities</b>	<u><u>4,106,185</u></u>	<u><u>2,348,967</u></u>

**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
**(Incorporated in Malaysia)**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 RM'000	2008 RM'000
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(229)	(41)
Net purchase of securities available-for-sale		(880,358)	(400,000)
Net purchase of securities held-to-maturity		(5,022)	-
Dividend received from securities available-for-sale		8,838	-
Acquisition of Islamic banking business of Public Bank Berhad, net of cash acquired		-	463,141
<b>Net cash (used in) / generated from investing activities</b>		<u>(876,771)</u>	<u>63,100</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		275,000	805,000
Dividends paid		(100,330)	-
<b>Net cash generated from financing activities</b>		<u>174,670</u>	<u>805,000</u>
Net increase in cash and cash equivalents		3,404,084	3,217,067
Cash and cash equivalents at beginning of year		<u>3,323,580</u>	<u>106,513</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>6,727,664</u></u>	<u><u>3,323,580</u></u>

The accompanying notes form an integral part of the financial statements

**PUBLIC ISLAMIC BANK BERHAD**  
**(Company No: 14328-V)**  
**(Incorporated in Malaysia)**

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2009**

**1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION**

The Bank is principally engaged in the business of Islamic banking and the provision of related financial services.

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

The Bank is a licensed Islamic bank under the Islamic Banking Act, 1983, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 27th Floor, Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur.

The holding company of the Bank is Public Bank Berhad, a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The financial statements were approved and authorised for issue by the Board of Directors on 19 January 2010.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Bank are consistent with those adopted in previous years.

The following are the Financial Reporting Standards ("FRS"), amendments to FRSs, IC Interpretations, Technical Releases ("TR") and Statements of Principle ("SOP") which have been issued by the Malaysian Accounting Standards Board ("MASB") as of the balance sheet date but are not yet effective for these financial statements:

FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 123	Borrowing Costs
FRS 101	Presentation of Financial Statements
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations	
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	

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Statements - Puttable Financial Instruments and Obligations Arising on Liquidation  
Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives  
Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)"  
TR i-3 Presentation of Financial Statements of Islamic Financial Institutions  
SOP i-1 Financial Reporting from an Islamic Perspective

All the new FRSs, amendments to FRSs, IC Interpretations, TR and SOP above are effective from 1 January 2010, with the exception of FRS 8, which is effective from 1 July 2009. The Bank had early adopted FRS 8 in the previous financial year and have chosen to early adopt the following FRSs, amendments to FRSs, IC Interpretations and SOP in the current financial year:

(i) FRS 123 Borrowing Costs - This standard replaces FRS 123<sub>2004</sub>, with the main difference being the removal of the option to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, and instead requires an entity to capitalise all such borrowing costs as part of the cost of that asset. In accordance with the transitional provisions, the Bank has elected to apply FRS 123 to borrowing costs related to qualifying assets for which the commencement date of capitalisation is on or after 1 January 2009. The adoption of this standard does not have any impact on the financial statements of the Bank, as there were no qualifying assets acquired, constructed or produced during the year.

(ii) IC Interpretation 10 Interim Financial Reporting and Impairment - This interpretation clarifies that an entity shall not reverse impairment losses on goodwill, investments in equity instruments or financial assets carried at cost recognised in an interim period. In accordance with the transitional provisions, the Bank will apply this interpretation prospectively from the date that the Bank first applied the measurement criteria of FRS 136 Impairment of Assets. The adoption of this interpretation does not have any impact on the financial statements of the Bank, as there have not been any such reversals of impairment losses recognised in interim periods.

(iii) IC Interpretation 11 FRS 2 - Group and Treasury Share Transactions - This interpretation clarifies how share-based payment transactions involving an entity's own or another entity's equity instruments in the same group are to be treated. The adoption of this IC interpretation does not have any impact on the financial statements of the Bank, as there were no such share-based payment transactions during the year.

(iv) IC Interpretation 13 Customer Loyalty Programmes - This interpretation explains how entities that operate or grant loyalty award points to their customers should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. The adoption of this IC interpretation does not have any material impact on the financial statements of the Bank.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) IC Interpretation 14 FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - This interpretation provides guidance on how entities should determine the limit placed on the amount of a surplus in a pension plan, which can be recognised as a defined benefit asset. This interpretation also addresses how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognised as a liability in addition to that otherwise recognised under FRS 119. The adoption of this IC interpretation does not have any impact on the financial statements of the Bank as the Bank's defined benefit assets are not in excess of the limits determined under this interpretation.

(vi) Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations - This amendment clarifies that vesting conditions are limited to service conditions and performance conditions only and do not include other features of a share-based payment, and that cancellations by parties other than the entity are to be treated in the same way as cancellations by the entity. The adoption of this amendment does not have any impact on the financial statements of the Bank, as there were no such share-based payment transactions during the year.

(vii) 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 - The amendment to FRS 1 allows first-time adopters of the FRS framework to measure the initial cost of investments in subsidiaries, jointly controlled entities and associated companies at fair value or the previous carrying amount, instead of having to adopt the measurement requirements of FRS 127 retrospectively. The amendment to FRS 1 is not applicable to the Bank as it is not adopting the FRS framework for the first time. The amendment to FRS 127 removes the requirement for a parent entity to recognise dividends only to the extent that it represents distributions from profits of the investee arising after the date of acquisition, with any excess dividends recognised as a reduction of the cost of investment. The amendment to FRS 127 also deals with situations where a parent entity reorganises its group by establishing a new entity as the parent, whereby the new parent measures the cost of its investment in the original parent at the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the reorganisation date. The adoption of the amendment to FRS 127 does not have any impact on the financial statements of the Bank, as there were no such dividend distributions and group reorganisations during the year.

(viii) Amendments to FRS 132 Financial Instruments: Presentation and FRS 101 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation - This amendment requires that some financial instruments that meet the definition of a liability are to be classified as equity, namely puttable financial instruments and instruments or components of instruments that impose on the entity the obligation to deliver a pro-rata share of the net assets of the entity only on liquidation. The adoption of this amendment does not have any impact on the financial statements of the Bank, as it has not issued any such financial instruments.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ix) Amendments to FRSs contained in the document entitled "Improvements to FRSs (2009)" - This contains amendments to 21 FRSs that result in changes in presentation, recognition or measurement. The adoption of these amendments to FRSs do not have any material impact on the financial statements of the Bank.

(x) SOP i-1 Financial Reporting from an Islamic Perspective - This statement sets out the underlying principles on financial reporting from an Islamic perspective. The statement complements, and is to be read in conjunction with the Framework for the Preparation and Presentation of Financial Statements, with the main principle of this statement being that Shariah compliant transactions and events are to be accounted for in accordance with MASB approved accounting standards, unless there is a Shariah prohibition. The Bank has applied this statement in accounting for transactions of its Islamic banking business.

The FRSs, amendments to FRSs, IC Interpretations and TR which have been issued but which the Bank has not early adopted are as follows:

(i) FRS 139 Financial Instruments: Recognition and Measurement - This standard establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The impact of applying FRS 139 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 103AB of FRS 139.

On 8 January 2010, BNM issued the guidelines on Classification and Impairment Provisions for Loans / Financing which is effective for annual periods beginning on and after 1 January 2010. The guidelines set out the minimum requirements on classification of impaired loans / financing, provisioning for impaired loans / financing and expectations that must be met by banking institutions with the adoption of FRS 139. With the issuance of the guidelines, the existing revised BNM/GP3 which was issued on 7 August 2008 will be withdrawn and replaced with the requirements of the guidelines.

In accordance with the transitional provisions under the Amendments to FRS 139 Financial Instruments: Recognition and Measurement, the Financial Services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. During the transitional period, banking institutions will be required to comply with the requirements on collective assessment of impairment of loans and financing under the BNM's guidelines on Classification and Impairment Provisions for Loans / Financing. Banking institutions are required to maintain collective impairment provisions of at least 1.5% of total outstanding loans/financing, net of individual impairment provisions under the transitional provisions in the guidelines. Subject to the prior written approval from BNM, banking institutions are allowed to maintain a lower collective impairment provisions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Bank's adoption of Bank Negara Malaysia's ("BNM") BNM/GP8-i - Guidelines on Financial Reporting for Licensed Islamic Banks on certain principles in connection with the recognition, derecognition and measurement of financial instruments which are similar to those prescribed by FRS 139 have been adopted by the Bank. These accounting policies are set out in Note 2(d) to the financial statements.

(ii) FRS 4 Insurance Contracts - This standard specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts ("insurers"). In particular, it requires disclosures that identify and explain the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts. The application of this standard does not have any impact on the financial results of the Bank as the Bank has no revenue generated from insurance business.

(iii) FRS 7 Financial Instruments: Disclosures - This standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel. An entity shall not apply this standard for annual periods beginning prior to 1 January 2010 unless it also applies FRS 139. The impact of applying FRS 7 on the financial statements upon first adoption of this standard as required by paragraph 30(b) of FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors is not required to be disclosed by virtue of exemptions provided under paragraph 44AB of FRS 7.

(iv) FRS 101 Presentation of Financial Statements - This standard sets the overall requirements for the presentation of financial statements, guidelines for their structure and the minimum requirements for their content. The standard separates owner and non-owner changes in equity, whereby the statement of changes in equity will include only details of transactions with owners, and all non-owner changes in equity presented separately. In addition, the standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit and loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The application of this standard is not expected to have any impact on the financial results of the Bank as the changes introduced are presentational in nature.

(v) IC Interpretation 9 Reassessment of Embedded Derivatives - This interpretation clarifies that the reassessment of an embedded derivative after its initial recognition is forbidden unless the instrument's terms have changed and this has affected its cash flows significantly. This IC Interpretation is not expected to have any material impact on the financial statements of the Bank.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

(vi) Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives - These amendments allow for the reclassification of certain non-derivative financial assets classified as held-for-trading to either held-to-maturity, loans and advances or available-for-sale, and permits the transfer of certain financial assets from available-for-sale to loans and advances. These amendments are not expected to have any material impact on the financial statements of the Bank.

(vii) TR i-3 Presentation of Financial Statements of Islamic Financial Institutions - This technical release is to be read in conjunction with FRS 101 Presentation of Financial Statements. The overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content is the same as that of FRS 101, except for additional guidance specific to Islamic financial institutions. The application of this technical release is not expected to have any impact on the financial results of the Bank as the changes introduced are presentational in nature.

Subsequent to the end of the financial year, on 8 January 2010, the MASB issued the following revised FRSs, new IC Interpretations and Amendments to FRSs:

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

The new requirements above take effect for annual periods beginning on or after 1 July 2010, except for Amendments to FRS 139 which applies for annual periods beginning on or after 1 January 2010. IC Interpretations 12 and 15 are not expected to have any impact on the Financial Statements of the Bank as they are not relevant to the operations of the Bank. The adoption of the other revised FRSs, amendments to FRSs and IC Interpretations is not expected to have a significant financial impact on the Bank, other than the Amendments to FRS 139. However, the impact of applying the Amendments to FRS 139, as required to be disclosed by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, is not disclosed by virtue of the exemption provided under paragraph 103AB of FRS 139.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Amendments to FRS 139 include an 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 as prescribed in BNM guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 is described earlier on page 23 to these financial statements.

In August 2008, the MASB announced its plan to bring Malaysia to full convergence with International Financial Reporting Standards ("IFRS") by 1 January 2012. The financial impact and effects on disclosures and measurement ensuing from such convergence are currently still being assessed pending the issuance of such revised FRSs incorporating the full convergence.

### (a) Basis of Accounting

The financial statements of the Bank have been prepared on the historical cost basis, except for the following assets which are stated at fair value: securities held-for-trading and securities available-for-sale as disclosed in the notes to the financial statements and are in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines and comply with the provisions of the Companies Act, 1965 and Shariah requirements.

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Bank. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

In the preparation of the financial statements, management has been required to make judgements, estimates and assumptions that affect the application of accounting policies and the 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 estimate is revised and in any future periods affected.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of Accounting (continued)

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

- (i) Fair value estimation for securities held-for-trading (Note 4) and securities available-for-sale (Note 5) – fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market, the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads. Where observable market data are not available, judgement is required in the determination of model inputs, which normally incorporate assumptions that other market participants would use in their valuations, including assumptions about profit rate yield curves, exchange rates, volatilities and prepayment and default rates.
- (ii) Allowance for losses on financing and advances (Note 7 and Note 23) – whilst the assessment of allowance for losses required for financing and advances is made in accordance with the requirements of the revised BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts, the Bank exercises judgement in ascertaining the recoverable amount when assessing the levels of allowance for losses required.
- (iii) Impairment of assets – assessment of impairment of securities available-for-sale (Note 5) and securities held-to-maturity (Note 6) is made in line with the guidance in the BNM/GP8-i Guidelines on Financial Reporting for Licensed Islamic Banks to determine when the investment is impaired. Management judgement is required to evaluate the duration and extent by which the fair value of the financial instruments is below its cost and/or carrying value.
- (iv) Income taxes (Note 28) – significant management judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of Accounting (continued)

- (v) Deferred tax assets (Note 10) – deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

### (b) Foreign Currency

#### (i) Functional Currency

Items included in the financial statements of the Bank is measured using the currency of the primary economic environment in which the Bank operates, ie. the functional currency. The financial statements of the Bank is presented in Ringgit Malaysia (RM), which is the Bank's functional currency.

#### (ii) Foreign Currency Transactions

In preparing the financial statements of the Bank, transactions in currencies other than the functional currency, ie. foreign currencies, are translated into the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at exchange rates at the date when the fair value is determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in equity if the gain or loss on the fair value of the non-monetary item is recognised directly in equity. Any exchange component of a gain or loss on a non-monetary item is recognised directly in the income statement if the gain or loss on the fair value of the non-monetary item is recognised in the income statement.

### (c) Cash and Cash Equivalents

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Securities

Investments in securities of the Bank are classified according to the following categories at initial recognition depending on the purpose for which the securities were acquired.

#### (i) Securities Held-for-Trading

Securities are classified as held-for-trading if these financial assets are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. Securities held-for-trading are stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statement. The fair value of quoted securities is derived from market bid prices. For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method. Securities classified as held-for-trading are not reclassified to securities held-to-maturity or securities available-for-sale while they are held. However, for the period from 1 July 2008 to 31 December 2009, BNM's circular dated 20 October 2008 allows the reclassification of securities held-for-trading to securities available-for-sale and securities held-to-maturity under certain limited circumstances. As at 31 December 2009, the Bank has not made any such reclassification of securities.

#### (ii) Securities Held-to-Maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. 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.

The securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method, less impairment losses, if any. Amortisation of premium, accretion of discount and impairment loss as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statement.

Any sale or reclassification of a significant amount of securities held-to-maturity not close to their maturity would result in the reclassification of all securities held-to-maturity to securities available-for-sale, and prevent the Bank from classifying any securities as securities held-to-maturity for the current and following two financial years.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Securities (continued)

#### (iii) Securities Available-for-Sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. These securities are those which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or in response to changes in market conditions.

Securities available-for-sale are measured at fair value or at cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement. The fair value of quoted securities is derived from market bid prices. For securities denominated in a foreign currency, changes in the fair value are analysed between foreign currency translation differences and changes in the market bid price. Foreign currency translation differences are recognised in the income statement and changes due to the market bid price is recognised in equity.

For unquoted securities, the fair value is determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method. Profit earned on securities available-for-sale is recognised in the income statement based on the effective yield basis.

### (e) Property and Equipment and Depreciation

All items of property 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 Bank and the cost of the item can be measured reliably. The carrying amount of replaced parts are derecognised. All other repairs and maintenance are charged to the income statement when they are incurred.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with note 2(h)(iii).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(e) Property and Equipment and Depreciation** (continued)

Depreciation of property and equipment is provided on a straight-line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives at the following principal annual rates:

Renovations	Over the term of the leases ranging from 2 - 7 years
Office equipment, furniture and fittings	10.0% - 33.3%
Computer equipment and software	20.0% - 33.3%

The residual values, useful lives 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 and equipment.

An item of property 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 the income statement.

**(f) Foreclosed Properties**

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

**(g) Receivables**

Receivables are recognised when there is a contractual right to receive cash or another financial asset from another entity. Receivables are initially recognised at cost and subsequently stated at cost less allowance for loss on financing and advances, which is made based on estimates of possible losses which may arise if any receivable account becomes irrecoverable.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Impairment of Assets

The carrying amount of the Bank's assets except for deferred tax assets, financial assets (other than securities available-for-sale and securities held-to-maturity) are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement. The policies on impairment of assets are summarised as follows:

#### (i) Securities Held-to-Maturity

For securities carried at amortised cost in which there are objective evidence of impairment, impairment loss is measured as the difference between the securities' carrying amount and the present value of the estimated future cash flows discounted at the securities' original effective profit rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. The amount of impairment loss is recognised in the income statement and such impairment losses are not reversed subsequent to its recognition.

#### (ii) Securities Available-for-Sale

For securities available-for-sale in which there are objective evidence of impairment which are other than temporary, the cumulative impairment loss that had been recognised directly in equity is transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses recognised on investments in equity instruments classified as available-for-sale recognised are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(h) Impairment of Assets** (continued)

**(iii) Other Assets**

Other assets such as property and equipment are reviewed for objective indications of impairment at each balance sheet date or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment loss is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the income statement. Any reversal of an impairment loss for these assets is recognised in the income statement. The carrying amount is increased to its revised recoverable amount, provided that the amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

**(i) Liabilities**

Liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity. Deposits from customers are stated at placement values and adjusted for accrued profits. Deposits and placements of banks and financial institutions are stated at placement values. Other liabilities are stated at cost, which is the consideration expected to be paid in the future for goods and services received.

**(j) Profit Equalisation Reserves ("PER")**

PER is the amount appropriated out of the total gross income in order to maintain a certain level of return to depositors which is as stipulated by Bank Negara Malaysia's Circular on "Framework of Rate of Return". PER is deducted from the total gross income in deriving the net distributable gross income at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. The amount appropriated is shared by the depositors and the Bank. PER is maintained up to the maximum of 30% of total capital fund.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Provisions

A provision is recognised when there is a present legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where the effect of the value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

### (l) Share Capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

### (m) Contingent Liabilities and Contingent Assets

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Bank. The Bank does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### (n) Recognition of Finance Income

Finance income is recognised in the income statement for all profit bearing assets on an accrual basis. Finance income includes the amortisation of premium or accretion of discount. Finance income on securities are recognised on an effective yield basis.

Finance income on cash line, house financing and other term financing is accounted for on an accrual basis by reference to rest periods as stipulated in the financing agreements, which are either monthly or daily. Finance income on hire purchase financing is recognised using the “sum-of-digits” method.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Recognition of Finance Income (continued)

Handling fees paid to motor vehicle dealers for hire purchase financing are amortised in the income statement over the tenor of the financing in accordance with Bank Negara Malaysia's Circular on the Accounting Treatment of Handling Fees for Hire Purchase Loans dated 16 October 2006 and is set-off against finance income recognised on the hire purchase financing.

When a financing becomes non-performing, profit accrued and recognised as income prior to the date the financing and advances are classified as non-performing is reversed out of income and set-off against accrued income receivable account in the balance sheet. Thereafter, the income earned on non-performing financing is recognised as income on a cash basis. Customers' accounts are deemed to be non-performing where repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

The Bank's policy on recognition of finance income on non-performing financing and advances is in conformity with the Guidelines on Financial Reporting for Licensed Islamic Banks (BNM/GP8-i) issued by Bank Negara Malaysia.

### (o) Income Attributable to the Depositors

The method of allocation of income to the types of deposits is based on "The Framework on Rate of Return" issued by Bank Negara Malaysia. This Framework on Rate of Return which is based on the return on assets concept, calculates the income on assets. The return on assets after deducting incidental expenses and allowances for losses on financing and advances are distributed to the depositors using the weighted-average method.

### (p) Recognition of Fees and Other Income

Income from the various business activities of the Bank is recognised using the following bases:

- (i) Financing arrangement, management and participation fees are recognised upfront as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantees;
- (ii) Dividend income is recognised when the right to receive payment is established; and
- (iii) Other fees and commissions on services and facilities extended to customers are recognised on inception of such transactions.

### (q) Recognition of Financing and Related Expenses

Attributable profit on activities relating to deposits of the Bank are recognised on an accrual basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Allowance for Losses on Financing and Advances

Financing and advances are stated at cost less any allowance for losses on financing and advances.

Allowance for losses on financing and advances are made with regard to specific risks and relate to those financing or trade receivables that have been individually reviewed and specifically identified as sub-standard, doubtful or bad.

A general allowance based on a percentage of total outstanding financing (including accrued financing income), net of specific allowance for bad and doubtful financing, is maintained by the Bank against risks which are not specifically identified.

An uncollectible financing or portion of a financing account classified as bad is written-off after taking into consideration the realisable value of collateral, if any, when in the opinion of management, there is no prospect of recovery.

Values assigned to collateral held for non-performing financing and advances secured by properties is determined based on the realisable values of the properties, being the forced sale value provided by independent parties/valuers, on the following basis:

- (i) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing financing and advances which are in arrears for more than five (5) years but less than seven (7) years; and
- (ii) no value assigned to the realisable value of the properties held as collateral for non-performing financing and advances which are in arrears for more than seven (7) years.

The portion of non-performing financing and advances where no realisable value has been assigned will be written-off.

The allowance for bad and doubtful financing are computed in conformity with the revised BNM/GP3. Consistent with previous years, the Bank has adopted a more stringent classification policy on non-performing financing and advances, whereby financing are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

Accordingly, the Bank has also adopted a more stringent basis for specific allowances on non-performing financing and advances by making a twenty percent (20%) specific allowance on non-performing financing and advances which are three (3) months to less than six (6) months-in-arrears. The Directors are of the view that such treatment will reflect a more prudent provisioning policy for financing and advances.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(r) Allowance for Losses on Financing and Advances** (continued)

Financing and advances are renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the customer, whereby the renegotiation can result in an extension of the repayment period or a modification of the terms of the financing.

In conformity with the revised BNM/GP3, non-performing financing and advances which have been rescheduled or restructured are reclassified as performing upon completion of the relevant documentation in relation to the rescheduling or restructuring exercise. Where the Bank incurs a loss as a result of the rescheduling or restructuring, the loss is written-off immediately to the income statement.

**(s) Employee Benefits**

**(i) Short-Term Employee Benefits**

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

**(ii) Defined Contribution Plan**

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

**(iii) Defined Benefit Plan**

The Bank contribute to a fully funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the "Fund" for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Actuarial gains and losses are recognised as income or expense over four years when the cumulative unrecognised actuarial gains or losses for the Fund exceed ten percent (10%) of the higher of the present value of the defined benefit obligation and the fair value of plan assets. Where there are any improvements in benefits for the Fund, past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the amended benefits become vested.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Employee Benefits (continued)

#### (iii) Defined Benefit Plan (continued)

The amount recognised in the balance sheet represents the present value of the defined benefit obligations adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and reduced by the fair value of plan assets. Any net defined benefit surplus resulting from this calculation is limited to the net total of any unrecognised actuarial losses and past service cost, and the present value of any economic benefits in the form of refunds or reductions in future contributions to the Fund.

The amount recognised under personnel costs in the income statement includes the current service cost, financing cost, the expected return on plan assets and actuarial gains or losses recognised on the Fund.

### (t) Tax Expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set-off under the same taxable entity and taxation authority.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the balance sheet date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Zakat Obligations

This represents business zakat payable by the Bank to comply with Shariah principles. Zakat provision is calculated using the profit and loss method at a zakat rate of 2.5% and is based on the percentage of estimated Muslim individual shareholders of the holding company.

### (v) Dividends

Dividends on ordinary shares are accounted for as an appropriation of retained profits in the period in which they are approved.

### (w) Earnings Per Share

The Bank presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholder of the Bank by the weighted-average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholder and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

### (x) Segment Reporting

Segment reporting in the financial statements are presented on the same basis as is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Bank that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Bank's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and for which discrete financial information is available.

### 3. CASH AND SHORT-TERM FUNDS

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	113,654	14,760
Money at call and deposit placements maturing within one month	6,614,010	3,308,820
	<u>6,727,664</u>	<u>3,323,580</u>

Included in cash and balances with banks and other financial institutions is an amount placed with the holding company of RM 62,141,000 (2008 - Nil).

### 4. SECURITIES HELD-FOR-TRADING

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Investment Issue	30,305	-
Cagamas bonds	-	382,296
Negotiable instruments of deposit	49,683	-
	<u>79,988</u>	<u>382,296</u>

### 5. SECURITIES AVAILABLE-FOR-SALE

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Investment Issue	866,287	-
Quoted securities:		
Trust units in Malaysia	408,225	400,454
	<u>1,274,512</u>	<u>400,454</u>

## 6. SECURITIES HELD-TO-MATURITY

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At amortised cost</b>		
Unquoted securities:		
Private debt securities in Malaysia	5,022	-
	<u>5,022</u>	<u>-</u>

## 7. FINANCING AND ADVANCES

Net financing and advances analysed by type are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash line	140,651	106,699
Term financing		
House financing	2,661,636	2,536,324
Syndicated financing	366,469	-
Hire purchase receivables	9,753,338	9,345,331
Other term financing	5,245,001	3,659,063
Revolving credits	5,607	2,104
	<u>18,172,702</u>	<u>15,649,521</u>
Less : Unearned income	(3,582,504)	(3,209,630)
Gross financing and advances		
(including Islamic house financing sold to Cagamas)	14,590,198	12,439,891
Less : Islamic house financing sold to Cagamas	-	(350,009)
Gross financing and advances		
(excluding Islamic house financing sold to Cagamas)	14,590,198	12,089,882
Less: Allowance for losses on financing and advances		
- general	(220,794)	(188,492)
- specific	(21,074)	(23,981)
Net financing and advances	<u>14,348,330</u>	<u>11,877,409</u>

**7. FINANCING AND ADVANCES (continued)**

The maturity structure of gross financing and advances are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturity within one year	326,421	268,936
More than one year to three years	1,427,992	1,185,453
More than three years to five years	2,644,281	2,582,246
More than five years	10,191,504	8,403,256
	<u>14,590,198</u>	<u>12,439,891</u>
Less: Islamic house financing sold to Cagamas	-	(350,009)
Gross financing and advances	<u><u>14,590,198</u></u>	<u><u>12,089,882</u></u>

Gross financing and advances analysed by contract are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Bai' Bithaman Ajil-i (deferred payment sale)	3,705,370	2,762,685
Ijarah Thamma Al-Bai'-i (leasing)	8,358,519	8,057,261
Ijarah Muntahia Bittamlik	66,105	-
Bai-Al-Einah-i	2,460,204	1,619,945
	<u>14,590,198</u>	<u>12,439,891</u>
Less : Islamic house financing sold to Cagamas	-	(350,009)
Gross financing and advances	<u><u>14,590,198</u></u>	<u><u>12,089,882</u></u>

Gross financing and advances analysed by type of customer are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Other domestic non-bank financial institutions	9,241	508
Domestic business enterprises		
- Small and medium enterprises	981,848	897,653
- Others	511,278	330,219
Government and statutory bodies	315,819	87
Individuals	12,727,929	11,174,410
Other domestic entities	1,481	1,413
Foreign entities	42,602	35,601
	<u>14,590,198</u>	<u>12,439,891</u>
Less : Islamic house financing sold to Cagamas	-	(350,009)
Gross financing and advances	<u><u>14,590,198</u></u>	<u><u>12,089,882</u></u>

**7. FINANCING AND ADVANCES (continued)**

Gross financing and advances analysed by profit rate sensitivity are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- House financing	978,799	1,303,631
- Hire purchase receivables	8,358,519	8,057,261
- Other fixed rate financing	3,137,463	2,376,369
Variable rate		
- BFR plus	1,656,297	626,200
- Cost plus	459,120	76,430
	<u>14,590,198</u>	<u>12,439,891</u>
Less : Islamic house financing sold to Cagamas	-	(350,009)
Gross financing and advances	<u><u>14,590,198</u></u>	<u><u>12,089,882</u></u>

Gross financing and advances analysed by economic purpose are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	12	799
Purchase of transport vehicles	8,361,467	8,060,891
Purchase of landed properties	2,787,276	2,403,744
(of which: - residential	<u>1,894,877</u>	<u>1,618,124</u>
- non-residential)	<u>892,399</u>	<u>785,620</u>
Purchase of fixed assets (excluding landed properties)	72,249	6,854
Personal use	2,530,763	1,690,914
Purchase of consumer durables	3,851	17,211
Construction	19,452	9,822
Working capital	465,250	134,014
Other purpose	349,878	115,642
	<u>14,590,198</u>	<u>12,439,891</u>
Less : Islamic house financing sold to Cagamas	-	(350,009)
Gross financing and advances	<u><u>14,590,198</u></u>	<u><u>12,089,882</u></u>

**7. FINANCING AND ADVANCES (continued)**

Gross financing and advances analysed by sectors are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	218,135	184,401
Mining and quarrying	7,305	7,298
Manufacturing	113,938	136,944
Electricity, gas and water	898	877
Construction	228,921	226,802
Wholesale & retail trade and restaurants & hotels	278,203	308,267
Transport, storage and communication	60,758	51,056
Finance, insurance and business services	124,123	124,100
Real estate	375,410	93,424
Community, social and personal services	372,283	59,942
Households	12,770,301	11,209,680
(of which: - purchase of residential properties	1,872,742	1,591,372
- purchase of transport vehicles	7,872,414	7,494,181
- others)	3,025,145	2,124,127
Others	39,923	37,100
	<u>14,590,198</u>	<u>12,439,891</u>
Less : Islamic house financing sold to Cagamas	-	(350,009)
Gross financing and advances	<u><u>14,590,198</u></u>	<u><u>12,089,882</u></u>

Movements in non-performing financing and advances ("NPF") are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	139,839	-
Non-performing during the year	332,877	58,476
Reclassified as performing	(259,624)	(58,370)
Recoveries	(28,773)	(4,565)
Amounts written off	(49,268)	(12,287)
Financing converted to foreclosed properties	(979)	-
Amount vested over from Public Bank Berhad	-	156,585
At 31 December	<u>134,072</u>	<u>139,839</u>
Specific allowance	(21,074)	(23,981)
Net non-performing financing and advances	<u><u>112,998</u></u>	<u><u>115,858</u></u>
Net NPF as % of gross financing and advances (including Islamic house financing sold to Cagamas) less specific allowance	<u><u>0.78%</u></u>	<u><u>0.93%</u></u>

**7. FINANCING AND ADVANCES (continued)**

Movements in the allowance for losses on financing and advances are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>General allowance</u>		
At 1 January	188,492	-
Allowance made during the year (Note 23)	32,302	1,407
Amount vested over from Public Bank Berhad	-	187,085
At 31 December	<u>220,794</u>	<u>188,492</u>
As % of gross financing and advances (including Islamic house financing sold to Cagamas) less specific allowance		
	<u>1.52%</u>	<u>1.52%</u>
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Specific allowance</u>		
At 1 January	23,981	-
Allowance made during the year (Note 23)	61,740	11,392
Amount written back in respect of recoveries (Note 23)	(15,840)	(3,438)
Amount written off	(49,268)	(12,287)
Reinstatement of amount written off previously due to restructuring / rescheduling now reclassified as performing financing	541	51
Amount transferred to accumulated impairment losses in value of foreclosed properties	(80)	-
Amount vested over from Public Bank Berhad	-	28,263
At 31 December	<u>21,074</u>	<u>23,981</u>

**7. FINANCING AND ADVANCES (continued)**

Non-performing financing and advances analysed by economic purpose are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of transport vehicles	49,677	61,939
Purchase of landed properties	57,035	60,728
(of which: - residential	48,505	51,850
- non-residential)	8,530	8,878
Purchase of fixed assets (excluding landed properties)	178	124
Personal use	25,198	16,151
Purchase of consumer durables	20	175
Working capital	1,690	480
Other purpose	274	242
	134,072	139,839

Non-performing financing and advances analysed by sectors are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture, hunting, forestry and fishing	118	52
Manufacturing	5,675	1,546
Construction	999	1,266
Wholesale & retail trade and restaurants & hotels	2,101	3,358
Transport, storage and communication	245	233
Finance, insurance and business services	1,214	338
Real estate	-	795
Community, social and personal services	51	656
Households	123,656	131,374
(of which: - purchase of residential properties	48,371	51,671
- purchase of transport vehicles	46,018	57,981
- others)	29,267	21,722
Others	13	221
	134,072	139,839

**8. OTHER ASSETS**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred handling fees*	54,742	51,745
Income receivable	7,773	388
Other receivables, deposits and prepayments	3,110	458
Foreclosed properties #	899	-
	<u>66,524</u>	<u>52,591</u>
# Stated net of accumulated allowance for impairment loss amounting to	<u>413</u>	<u>-</u>

\* This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase financing.

**9. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA**

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

## 10. DEFERRED TAX ASSETS

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	72,304	24,807
Recognised in income statement (net) (Note 28)		
- relating to origination and reversal of temporary differences	11,846	1,356
Recognised in equity (Note 28)	(48)	(114)
Amount vested over from Public Bank Berhad	-	46,255
At 31 December	<u>84,102</u>	<u>72,304</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the balance sheet after appropriate offsetting are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Deferred tax assets	84,002	80,626
Deferred tax liabilities	100	(8,322)
Deferred tax assets, net	<u>84,102</u>	<u>72,304</u>

**10. DEFERRED TAX ASSETS** (continued)

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

<b>Deferred tax assets</b>	<b>Allowance for Losses on Financing and Advances RM'000</b>	<b>Profit Equalisation Reserves RM'000</b>	<b>Tax Losses RM'000</b>	<b>Total RM'000</b>
At 1 January 2008	-	-	24,807	24,807
Recognised in income statement (Note 28)				
- relating to origination and reversal of temporary differences	352	993	-	1,345
Amount vested over from Public Bank Berhad	46,771	7,703	-	54,474
At 31 December 2008	47,123	8,696	24,807	80,626
Recognised in income statement (Note 28)				
- relating to origination and reversal of temporary differences	9,103	(5,727)	-	3,376
At 31 December 2009	56,226	2,969	24,807	84,002

  

<b>Deferred tax liabilities</b>	<b>Excess of Capital Allowances Over Depreciation RM'000</b>	<b>Deferred Handling Fees RM'000</b>	<b>Other Temporary Differences RM'000</b>	<b>Total RM'000</b>
At 1 January 2008	-	-	-	-
Recognised in income statement (Note 28)				
- relating to origination and reversal of temporary differences	(11)	(301)	301	(11)
Recognised in equity (Note 28)	-	-	114	114
Amount vested over from Public Bank Berhad	-	13,237	(5,018)	8,219
At 31 December 2008	(11)	12,936	(4,603)	8,322
Recognised in income statement (Note 28)				
- relating to origination and reversal of temporary differences	101	(12,936)	4,365	(8,470)
Recognised in equity (Note 28)	-	-	48	48
At 31 December 2009	90	-	(190)	(100)

## 11. PROPERTY AND EQUIPMENT

	Note	Renovations RM'000	Office Equipment, Furniture & Fittings RM'000	Computer Equipment & Software RM'000	Total RM'000
<b>2009</b>					
<u>Cost</u>					
At 1 January 2009		52	171	373	596
Additions		-	19	210	229
Write-offs		-	-	(4)	(4)
At 31 December 2009		52	190	579	821
<u>Accumulated depreciation</u>					
At 1 January 2009		17	46	174	237
Depreciation charge for the year	26	10	19	95	124
Write-offs		-	-	(4)	(4)
At 31 December 2009		27	65	265	357
<u>Carrying amounts</u>					
At 31 December 2009		25	125	314	464
Property and equipment that have been fully depreciated which are still in use are as follows:					
<u>At cost</u>					
At 31 December 2009		-	4	81	85

## 11. PROPERTY AND EQUIPMENT (continued)

	Note	Renovations RM'000	Office Equipment, Furniture & Fittings RM'000	Computer Equipment & Software RM'000	Total RM'000
<b>2008</b>					
<u>Cost</u>					
At 1 January 2008		-	-	-	-
Additions		-	41	-	41
Amount vested over from Public Bank Berhad		52	130	373	555
At 31 December 2008		52	171	373	596
<u>Accumulated depreciation</u>					
At 1 January 2008		-	-	-	-
Depreciation charge for the year	26	1	3	10	14
Amount vested over from Public Bank Berhad		16	43	164	223
At 31 December 2008		17	46	174	237
<u>Carrying amounts</u>					
At 31 December 2008		35	125	199	359
Property and equipment that have been fully depreciated which are still in use are as follows:					
<u>At cost</u>					
At 31 December 2008		-	4	79	83

**12. DEPOSITS FROM CUSTOMERS**

(i) By type of deposit

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Non-Mudharabah Fund</u>		
Wadiah current deposits-i	1,999,422	1,816,947
Wadiah savings deposits-i	3,591,720	3,232,046
Negotiable instruments of deposit-i	1,326,084	1,681,055
	<u>6,917,226</u>	<u>6,730,048</u>
<u>Mudharabah Fund</u>		
Mudharabah savings deposits-i	78,626	74,033
Mudharabah general investment deposits-i	3,795,302	2,350,894
Mudharabah special investment deposits-i	2,282,547	467,350
	<u>6,156,475</u>	<u>2,892,277</u>
	<u>13,073,701</u>	<u>9,622,325</u>

The full amount of deposits of the Bank is guaranteed by the Government of Malaysia via Perbadanan Insurans Deposit Malaysia ("PIDM"), an independent statutory body established under the Malaysia Deposit Insurance Corporation Act, 2005. This full deposit guarantee is effective from 16 October 2008 until 31 December 2010. This guarantee covers all Ringgit and foreign currency deposits held under general investment deposits, current accounts, savings accounts and negotiable instruments of deposit held by non-bank customers. This guarantee excludes Islamic money market placements and negotiable debt certificate held by banks.

(ii) The maturity structure of negotiable instruments of deposit-i and Mudharabah general and special investment deposits-i are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	6,673,520	4,279,608
More than six months to one year	609,714	106,040
More than one year to three years	118,568	112,477
More than three years to five years	2,131	1,174
	<u>7,403,933</u>	<u>4,499,299</u>

**12. DEPOSITS FROM CUSTOMERS** (continued)

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

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Federal and state governments	486,214	312,476
Local government and statutory authorities	677,386	537,577
Business enterprises	3,413,567	1,980,917
Individuals	3,998,549	3,604,440
Foreign customers	89,632	79,812
Others	4,408,353	3,107,103
	<u>13,073,701</u>	<u>9,622,325</u>

**13. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Non-Mudharabah Fund</u>		
Licensed banks	3,924,019	2,261,456
Licensed Islamic banks	1,923,325	149,852
Licensed investment banks	508,496	395,607
Other financial institutions	306,713	-
	<u>6,662,553</u>	<u>2,806,915</u>
<u>Mudharabah Fund</u>		
Licensed banks	-	700,576
Licensed investment banks	20	62
Bank Negara Malaysia	3,651	2,835
Other financial institutions	1,384,958	1,354,437
	<u>1,388,629</u>	<u>2,057,910</u>
	<u>8,051,182</u>	<u>4,864,825</u>

Included in Non-Mudharabah Fund and Mudharabah Fund of Licensed banks is an amount placed by the holding company of RM3,924,019,000 (2008 - RM2,261,456,000) and RM Nil (2008 - RM699,448,000) respectively.

#### 14. OTHER LIABILITIES

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Income payable	15,690	16,126
Other payables and accruals	22,656	323,554
Employee benefits (Note 15)	(1,307)	(1,515)
Profit equalisation reserves	11,876	34,784
Amount due to holding company	-	601,317
	<u>48,915</u>	<u>974,266</u>

The amount due to holding company is unsecured, non profit bearing and has no fixed term of repayment.

The movements in profit equalisation reserves are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	34,784	-
Net (decrease) / increase	(22,908)	3,976
- Amount arising during the year	10,107	3,976
- Amount written back	(33,015)	-
Amount vested over from Public Bank Berhad	-	30,808
At 31 December	<u>11,876</u>	<u>34,784</u>

**15. EMPLOYEE BENEFITS****Defined Benefit Plan**

The Bank contributes to a fully funded defined benefit plan known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. Under the Fund, eligible employees are entitled to one month of the final / last drawn salary for each completed year of service with the Bank upon attainment of the retirement age of 55. For employees who leave before the attainment of the retirement age, the retirement benefit will be computed based on the scale rate stipulated in the rules of the Fund.

The amounts recognised in the balance sheet is determined as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Present value of funded obligations	(7,823)	(7,368)
Fair value of plan assets	11,104	8,613
	<u>3,281</u>	<u>1,245</u>
Unrecognised actuarial (gain) / loss	(1,974)	270
Net asset	<u><u>1,307</u></u>	<u><u>1,515</u></u>

Movements in the present value of funded obligations are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Obligations at 1 January	7,368	-
Amount vested over from Public Bank Berhad	-	7,264
Current service cost	504	81
Financing cost	393	61
Benefits paid - Fund	(398)	(66)
Actuarial (gain) / loss on funded obligations	(44)	28
Obligations at 31 December	<u><u>7,823</u></u>	<u><u>7,368</u></u>

Movements in the fair value of plan assets are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Fair value at 1 January	8,613	-
Amount vested over from Public Bank Berhad	-	9,115
Expected return on plan assets	689	154
Benefits paid - Fund	(398)	(66)
Actuarial gain / (loss) on plan assets	2,200	(590)
Fair value at 31 December	<u><u>11,104</u></u>	<u><u>8,613</u></u>

**15. EMPLOYEE BENEFITS** (continued)

**Defined Benefit Plan** (continued)

The amounts recognised in the income statement are as follows:

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Current service cost	504	81
Financing cost	393	61
Expected return on plan assets	(689)	(154)
Actuarial gains recognised	-	(126)
Amount included under "personnel costs" (Note 25)	<u>208</u>	<u>(138)</u>
Expected return on plan assets	689	154
Actuarial gain / (loss) on plan assets	<u>2,200</u>	<u>(590)</u>
Actual return / (loss) on plan assets	<u>2,889</u>	<u>(436)</u>

No estimated contributions are expected to be paid to the plan in the forthcoming financial year by the Bank.

Principal actuarial assumptions used at the balance sheet date (expressed as weighted averages):

	<b>2009</b>	<b>2008</b>
Discount rate	5.50%	5.50%
Expected return on plan assets	8.00%	8.00%
Expected rate of salary increases	7.00%	7.00%

The principal actuarial assumptions are based on the last actuarial valuation performed as of 31 December 2007.

The expected rate of return on plan assets is based on the average rate of earnings expected on the funds invested to provide for the benefits included in the projected benefit obligation.

**16. PROVISION FOR ZAKAT AND TAXATION**

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Tax expense	50,691	4,575
Zakat	230	170
	<u>50,921</u>	<u>4,745</u>

**17. SHARE CAPITAL**

	Number of Ordinary Shares of RM1.00 Each		Amount	
	2009 '000	2008 '000	2009 RM'000	2008 RM'000
Authorised:				
Ordinary shares of RM1.00 each	500,000	500,000	500,000	500,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	159,217	127,717	159,217	127,717
Issued during the year	11,000	31,500	11,000	31,500
At 31 December	170,217	159,217	170,217	159,217

On 30 June 2009, the Bank increased its paid up capital by 8,000,000 ordinary shares of RM1.00 each issued at a premium of RM24.00 per share. Upon completion, the issued and paid-up share capital of the Bank increased from RM159,217,000 to RM167,217,000.

On 29 December 2009, the Bank further increased its paid-up capital by 3,000,000 ordinary shares of RM1.00 each issued at a premium of RM24.00 per share. Upon completion, the issued and paid-up share capital of the Bank increased from RM167,217,000 to RM170,217,000.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Bank.

There were no other changes in the authorised, issued and paid-up capital of the Bank during the financial year.

**18. STATUTORY RESERVE**

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

**19. GENERAL RESERVE**

The general reserve represents transfers from retained profits in prior years and is distributable as cash dividends.

## **20. RETAINED PROFITS**

Prior to year of assessment 2008, company income tax was based on the full imputation system where tax on dividend was imposed at both the company's and shareholders' level. The tax at shareholders' level took into account the tax imputed at company's level through tax credits.

Pursuant to the Finance Act, 2007, the single tier system was introduced and took effect from year of assessment 2008. Under the single tier system, tax on a company's profit is a final tax and dividend distributed to shareholders will be exempted from tax. With the implementation of the single tier system, companies with a credit balance in the Section 108 account are allowed either to elect for an irrevocable option to switch over to the single tier system or to continue using the available credit balance as at 31 December 2007 after adjusting for any tax deductions for the purpose of dividend distribution, until 31 December 2013.

The Bank has elected for the irrevocable option on 24 July 2009 to disregard the remaining available Section 108 balance and therefore disallowed to continue utilising it for the purpose of dividend distribution after 24 July 2009.

As at 31 December 2009, the Bank has a tax exempt profit of RM628,000 (2008 - RM628,000), subject to agreement by the Inland Revenue Board.

**21. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of:		
(i) General investment deposits	280,010	32,222
(ii) Other deposits	636,558	102,243
	<u>916,568</u>	<u>134,465</u>
(i) Income derived from investment of general investment deposits:		
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and Hibah</b>		
Financing and advances	240,468	29,348
Securities:		
- Held-for-trading	1,614	121
- Available-for-sale	4,823	-
- Held-to-maturity	6	-
Money at call and deposits with financial institutions	28,313	2,396
	<u>275,224</u>	<u>31,865</u>
Amortisation of premium less accretion of discount	(1,925)	(8)
Total finance income and Hibah	<u>273,299</u>	<u>31,857</u>
<b>Other operating income</b>		
Fee income:		
- Commissions	774	36
- Service charges and fees	2,391	284
- Other fee income	922	94
Gross dividend income from securities available-for-sale	2,525	-
Others	99	(49)
Total other operating income	<u>6,711</u>	<u>365</u>
	<u>280,010</u>	<u>32,222</u>

**21. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**  
(continued)

(ii) Income derived from investment of other deposits:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and Hibah</b>		
Financing and advances	546,665	93,125
Securities:		
- Held-for-trading	3,669	384
- Available-for-sale	10,964	-
- Held-to-maturity	15	-
Money at call and deposits with financial institutions	64,365	7,601
	<u>625,678</u>	<u>101,110</u>
Amortisation of premium less accretion of discount	(4,377)	(25)
Total finance income and Hibah	<u>621,301</u>	<u>101,085</u>
<b>Other operating income</b>		
Fee income:		
- Commissions	1,759	113
- Service charges and fees	5,436	901
- Other fee income	2,095	298
Gross dividend income from securities available-for-sale	5,741	-
Others	226	(154)
Total other operating income	<u>15,257</u>	<u>1,158</u>
	<u>636,558</u>	<u>102,243</u>

**22. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Finance income and Hibah</b>		
Financing and advances	54,514	9,352
Securities:		
- Held-for-trading	366	39
- Available-for-sale	1,093	-
- Held-to-maturity	1	-
Money at call and deposits with financial institutions	6,419	763
	<u>62,393</u>	<u>10,154</u>
Amortisation of premium less accretion of discount	(436)	(3)
Total finance income and Hibah	<u>61,957</u>	<u>10,151</u>
<b>Other operating income</b>		
Fee income:		
- Commissions	175	11
- Service charges and fees	542	91
- Other fee income	209	30
Gross dividend income from securities available-for-sale	572	-
Others	23	(15)
Total other operating income	<u>1,521</u>	<u>117</u>
	<u>63,478</u>	<u>10,268</u>

**23. ALLOWANCE FOR LOSSES ON FINANCING AND ADVANCES**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for bad and doubtful financing:		
- general allowance (Note 7)	32,302	1,407
- specific allowance (Note 7)	61,740	11,392
- specific allowance written back (Note 7)	(15,840)	(3,438)
Bad financing recovered	(10,467)	(1,615)
Bad financing written off	150	94
	<u>67,885</u>	<u>7,840</u>

## 24. INCOME ATTRIBUTABLE TO THE DEPOSITORS

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers		
- Mudharabah fund	97,932	15,303
- Non-Mudharabah fund	66,676	10,553
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	27,216	2,368
- Non-Mudharabah fund	129,001	14,830
	<u>320,825</u>	<u>43,054</u>

## 25. PERSONNEL EXPENSES

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Salaries, allowances and bonuses	11,588	2,249
Pension costs	1,547	130
Others	1,271	96
	<u>14,406</u>	<u>2,475</u>

Included in personnel expenses are the following statutory disclosures:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Directors' remuneration (Note 27)	645	-
Pension costs		
- defined contribution plan	1,339	268
- defined benefit plan (Note 15)	208	(138)
	<u>208</u>	<u>(138)</u>

**26. OTHER OVERHEADS AND EXPENDITURES**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Establishment costs		
- Depreciation	124	14
- Rental	265	40
- Insurance	497	400
- Water and electricity	88	14
- General repairs and maintenance	78	8
- Others	48	14
	<u>1,100</u>	<u>490</u>
Marketing expenses		
- Advertisement and publicity	1,080	1,023
- Others	7,345	643
	<u>8,425</u>	<u>1,666</u>
Administration and general expenses		
- Communication expenses	1,673	559
- Legal and professional fees	4,051	710
- Others	963	231
	<u>6,687</u>	<u>1,500</u>
Shared service costs paid / payable to Public Bank Berhad	136,415	21,100
Recovery of expenses	(12,621)	(1,803)
	<u>140,006</u>	<u>22,953</u>

(a) Included in other overheads and expenditures are the following statutory disclosures:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Auditors' remuneration		
- statutory audit fees	100	60
- audit related services	45	-
Depreciation of property and equipment (Note 11)	124	14
	<u>124</u>	<u>14</u>

(b) Employees

The number of persons employed by the Bank (excluding Directors) as at the end of the financial year was 131 (2008 - 125).

**27. CEO, DIRECTORS AND SHARIAH COMMITTEE MEMBERS' REMUNERATION**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
CEO of the Bank		
Salary and other remuneration	514	86
Bonuses	238	67
Benefits-in-kind	17	2
	<u>769</u>	<u>155</u>
Directors of the Bank: (Note 25)		
Non-Executive Directors:		
Fees	550	-
Other remuneration	95	-
	<u>645</u>	<u>-</u>
Shariah Committee members	55	12
	<u>1,469</u>	<u>167</u>

The total remuneration of the Directors of the Bank are as follows:

<b>2009</b>	<b>Fees</b>	<b>Other</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-Executive Directors:			
Tan Sri Dato' Sri Dr. Teh Hong Piow	80.0	6.0	86.0
Tan Sri Dato' Thong Yaw Hong	80.0	8.0	88.0
Tan Sri Dato' Sri Tay Ah Lek	60.0	8.0	68.0
Dato' Sri Lee Kong Lam	60.0	8.0	68.0
Dato' Yeoh Chin Kee	60.0	8.0	68.0
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	60.0	8.0	68.0
Dato' Haji Abdul Aziz bin Omar	60.0	8.0	68.0
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	60.0	8.0	68.0
Quah Poh Keat	15.0	2.5	17.5
Prof. Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid	15.0	30.5*	45.5
	<u>550.0</u>	<u>95.0</u>	<u>645.0</u>

\* Included in other remuneration of this Director is the Shariah Committee remuneration amounting to RM28,000.

**28. ZAKAT AND TAXATION**

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Malaysian income tax	124,788	18,123
Deferred tax expense (Note 10)		
- relating to origination and reversal of temporary differences arising from:	(11,846)	(1,356)
• allowance for losses on financing and advances	(9,103)	(352)
• profit equalisation reserves	5,727	(993)
• excess of capital allowances over depreciation	101	(11)
• deferred handling fees	(12,936)	(301)
• other temporary differences	4,365	301
Tax expense	112,942	16,767
Zakat	250	30
	<u>113,192</u>	<u>16,797</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (2008 - 26%) on the estimated chargeable profit for the year. The computation of deferred tax assets and deferred tax liabilities is based on a tax rate of 25%.

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

	<b>%</b>	<b>2009</b> <b>RM'000</b>	<b>%</b>	<b>2008</b> <b>RM'000</b>
Profit before zakat and taxation		<u>459,832</u>		<u>64,435</u>
Income tax using Malaysian tax rate of 25% (2008 - 26%)	25.0	114,958	26.0	16,753
Income not subject to tax	(0.4)	(2,210)	-	-
Expenses not deductible for tax purposes	-	194	-	14
Tax expense for the year	<u>24.6</u>	<u>112,942</u>	<u>26.0</u>	<u>16,767</u>

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
<b>Tax recognised directly in equity</b>		
Tax recognised directly in equity (Note 10)		
- Relating to unrealised gain on securities available-for-sale	48	114
	<u>48</u>	<u>114</u>

**29. EARNINGS PER SHARE (EPS)**

The calculation of the basic earnings per share is based on the net profit attributable to the equity holder of the Bank for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year :

	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>
Net profit attributable to the equity holder of the Bank	346,640	47,638
Number of ordinary shares at beginning of the year ('000)	159,217	127,717
Effect of the issuance of shares ('000)	4,079	4,217
Weighted average number of ordinary shares in issue ('000)	163,296	131,934
Basic earnings per share (sen)	212.3	36.1

There are no dilutive potential ordinary shares during the financial years.

**30. DIVIDENDS**

	<b>Amount</b>		<b>Net Dividend per Share</b>	
	<b>2009</b> <b>RM'000</b>	<b>2008</b> <b>RM'000</b>	<b>2009</b> <b>Sen</b>	<b>2008</b> <b>Sen</b>
Dividends recognised as distribution to the ordinary equity holder of the Bank:				
- Interim dividend of 60% less 25% tax and interim single tier dividend of 15% in respect of the financial year ended 31 December 2009	100,330	-	60.00	-

Subsequent to the financial year end, on 19 January 2010, the Directors declared a second interim single tier dividend of 80%, amounting to RM136,173,600 computed based on the outstanding issued and paid-up capital of 170,217,000 ordinary shares of RM1.00 each in respect of the financial year ended 31 December 2009. The financial statements for the current financial year do not reflect this dividend. Upon declaration, the second interim single tier dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2010.

### **31. RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both. The related parties of the Bank are:

#### **(i) Holding and Related Companies**

The holding company of the Bank is Public Bank Berhad, a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. Related companies are those subsidiary and associated companies within the Public Bank Group.

#### **(ii) Key Management Personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank includes Non-Executive Directors of the Bank and certain members of senior management of the Bank including close members of their families.

All related party transactions are on normal commercial terms which are not more favourable than those generally available to the public.

**31. RELATED PARTY TRANSACTIONS** (continued)

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

	<b>Holding and Related Companies</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expenditure incurred:</b>		
Income attributable to deposits	129,001	14,831
Shared service costs paid / payable	136,415	21,100
	<u>265,416</u>	<u>35,931</u>

(b) The significant outstanding balances of the Bank with its related parties are as follows:

	<b>Key Management Personnel</b>		<b>Holding and Related Companies</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Amount due from related parties</b>				
Interbank placement	-	-	62,113	-
Others	-	-	28	28
	<u>-</u>	<u>-</u>	<u>62,141</u>	<u>28</u>
<b>Amount due to related parties</b>				
Short-term deposits	228	357	4,332,529	2,657,442
Interbank deposit	-	-	-	699,448
Others	-	-	-	601,317
	<u>228</u>	<u>357</u>	<u>4,332,529</u>	<u>3,958,207</u>

**31. RELATED PARTY TRANSACTIONS** (continued)

(c) There was no granting of financing to the Directors or key management personnel of the Bank.

(d) Key Management Personnel Compensation

The remuneration of key management personnel during the year are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits		
Fees	550	-
Salary and other allowances	1,299	237
Benefits-in-kind	31	3
Post-employment benefits	145	29
	<u>2,025</u>	<u>269</u>

Included in the total key management personnel compensation are:

Directors' remuneration including benefits-in-kind

- Directors of the Bank (Note 27)

<u>645</u>	<u>-</u>
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**32. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	13,681	16,472
of which:		
Total credit exposure which is non-performing or in default	7	-
<b>Total credit exposures</b>	<b>15,038,738</b>	<b>12,748,719</b>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.09%	0.13%
- as a proportion of capital base	0.83%	1.50%
- which is non-performing or in default	-	-

The disclosure on Credit Transactions and Exposures with Connected Parties above are presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks, which became effective on 1 January 2008.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and / or controlling the activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and / or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

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

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

### 33. FINANCIAL RISK MANAGEMENT POLICIES

The Bank's risk management policy seeks to ensure that adequate financial resources are available for the development of the Bank's businesses whilst managing its credit, market, liquidity and operational risks. The guidelines and policies adopted by the Bank to manage the following risks that arise in the conduct of the business activities are as follows:

#### (a) Credit Risk

Credit risk is the potential loss of revenue as a result of defaults by the customers or counterparties through its lending, hedging, trading and investing activities. The primary exposure to credit risk arises through its financing activities as well as financial transactions with counterparties including Islamic money market activities and debt instruments. The amount of credit exposure is represented by the carrying amounts of the assets in the balance sheet.

The management of credit risk is governed by credit policies and guidelines documenting the lending standards, discretionary power for financing approval, credit risk rating, collateral and valuation, review, rehabilitation and restructuring of problematic and delinquent financing. The dealings with counterparties are guided by counterparty limit, credit quality, tenure and types of permissible transactions and these are subject to regular review.

The credit exposure arising from on- and off-balance sheet activities are set out in Note 37.

#### (b) Market Risk

Market risk is the risk of loss arising from adverse movements in the level of market prices or rates, the key components being profit rate risk and equity risk.

Market risk arising from trading activities is governed by the Trading Book Policy Statement. The Trading Book Policy Statement sets out the trading limits which include, inter alia, the Overall Open Position, Daily and Cumulative Cut Loss Position and Maximum Holding Periods to ensure that dealers' day-to-day trading activities are within the risk parameters set, independent mark-to-market valuation and validation procedures, policy on hedged transactions and prohibition on the transfer of financial instruments from the trading book to the banking book.

**33. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

(b) Market Risk (continued)

(i) Profit Rate Risk

Profit rate risk refers to the volatility in net income from financing as a result of changes in the levels of profit rate and shifts in the composition of the assets and liabilities. Profit rate risk is managed through profit rate sensitivity gap analysis. The potential reduction in net income from financing from an adverse profit rate movement is monitored against the risk tolerance limits set.

The effects of changes in the levels of profit rates on the market value of securities are monitored closely and mark-to-market valuations are regularly reported to management. Hedging instruments such as profit rate swaps are used to minimise exposure to profit rate volatility.

(ii) Equity Risk

Equity risk refers to the adverse movements in the price of equities on the equity positions taken from time to time. Equity positions are monitored against predetermined cut-loss limits.

(c) Liquidity Risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

Liquidity risk is primarily managed through the Bank Negara Malaysia's New Liquidity Framework which takes into consideration the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, and also the realisable cash value of eligible liquefiable assets. Liquidity risk management is supplemented by internal liquidity risk management policy.

In addition, the Liquidity Contingency Funding Plan ensures that alternative funding strategies are in place and can be implemented on a timely basis to minimise the liquidity risk that may arise due to unforeseen adverse changes in the market place.

**33. FINANCIAL RISK MANAGEMENT POLICIES (continued)**

(d) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business units' adherence to established risk policies, procedures and limits by independent control and support units, and oversight provided by the management and the Board.

The operational risk management processes encompass appropriate documentation of processes and procedures within the framework of system of internal controls, regular disaster recovery and business continuity planning and simulations, self-compliance audit and internal audit.

**34. PROFIT RATE RISK**

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. The following tables indicate the effective profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

2009	← Non trading book →										Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
<b>ASSETS</b>												
Cash and short-term funds	6,664,970	-	-	-	-	-	-	-	62,694	-	6,727,664	2.07
Securities held-for-trading	-	-	-	-	-	-	-	-	-	79,988	79,988	2.48
Securities available-for-sale	-	157,102	-	709,185	-	-	-	-	408,225	-	1,274,512	2.50
Securities held-to-maturity	-	-	-	-	5,022	-	-	-	-	-	5,022	3.55
Financing and advances												
- performing	2,453,905	368,711	1,560,858	1,888,748	1,633,148	1,375,738	1,139,774	4,035,244	-	-	14,456,126	6.48
- non-performing *	-	-	-	-	-	-	-	-	(107,796)	-	(107,796)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	295,090	-	295,090	-
<b>TOTAL ASSETS</b>	<b>9,118,875</b>	<b>525,813</b>	<b>1,560,858</b>	<b>2,597,933</b>	<b>1,638,170</b>	<b>1,375,738</b>	<b>1,139,774</b>	<b>4,035,244</b>	<b>658,213</b>	<b>79,988</b>	<b>22,730,606</b>	

## 34. PROFIT RATE RISK (continued)

2009	Non trading book										Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	6,829,428	2,003,050	2,032,528	105,752	2,956	474	1,657	-	2,097,856	-	13,073,701	1.64
Deposits and placements of banks and other financial institutions	2,332,212	1,867,476	3,226,000	115,000	600,000	-	-	-	(89,506)	-	8,051,182	2.60
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	99,836	-	99,836	-
<b>Total Liabilities</b>	<b>9,161,640</b>	<b>3,870,526</b>	<b>5,258,528</b>	<b>220,752</b>	<b>602,956</b>	<b>474</b>	<b>1,657</b>	<b>-</b>	<b>2,108,186</b>	<b>-</b>	<b>21,224,719</b>	
Equity attributable to the equity holder of the Bank	-	-	-	-	-	-	-	-	1,505,887	-	1,505,887	-
<b>Total Liabilities and Equity</b>	<b>9,161,640</b>	<b>3,870,526</b>	<b>5,258,528</b>	<b>220,752</b>	<b>602,956</b>	<b>474</b>	<b>1,657</b>	<b>-</b>	<b>3,614,073</b>	<b>-</b>	<b>22,730,606</b>	
On-balance sheet profit sensitivity gap	(42,765)	(3,344,713)	(3,697,670)	2,377,181	1,035,214	1,375,264	1,138,117	4,035,244	(2,955,860)	79,988	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(42,765)</b>	<b>(3,344,713)</b>	<b>(3,697,670)</b>	<b>2,377,181</b>	<b>1,035,214</b>	<b>1,375,264</b>	<b>1,138,117</b>	<b>4,035,244</b>	<b>(2,955,860)</b>	<b>79,988</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing financing and advances.

## 34. PROFIT RATE RISK (continued)

2008	Non trading book									Trading book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000			
<b>ASSETS</b>												
Cash and short-term funds	3,308,820	-	-	-	-	-	-	-	14,760	-	3,323,580	3.21
Securities held-for -trading	-	-	-	-	-	-	-	-	-	382,296	382,296	3.47
Securities available -for-sale	-	-	-	-	-	-	-	-	400,454	-	400,454	-
Financing and advances												
- performing	986,503	357,101	1,585,981	1,839,616	1,579,331	1,364,283	1,097,610	3,489,627	-	-	12,300,052	6.47
- non-performing *	-	-	-	-	-	-	-	-	(72,634)	-	(72,634)	-
- Islamic house financing sold to Cagamas	(200,008)	(150,001)	-	-	-	-	-	-	-	-	(350,009)	3.74
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	466,854	-	466,854	-
<b>TOTAL ASSETS</b>	<b>4,095,315</b>	<b>207,100</b>	<b>1,585,981</b>	<b>1,839,616</b>	<b>1,579,331</b>	<b>1,364,283</b>	<b>1,097,610</b>	<b>3,489,627</b>	<b>809,434</b>	<b>382,296</b>	<b>16,450,593</b>	

## 34. PROFIT RATE RISK (continued)

2008	Non trading book										Total RM'000	Effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000		
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	6,471,029	860,940	325,654	130,075	114,013	592	582	-	1,719,440	-	9,622,325	2.23
Deposits and placements of banks and other financial institutions	1,492,411	-	649,659	1,900,461	106,943	-	-	-	715,351	-	4,864,825	3.53
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	979,011	-	979,011	-
<b>Total Liabilities</b>	<b>7,963,440</b>	<b>860,940</b>	<b>975,313</b>	<b>2,030,536</b>	<b>220,956</b>	<b>592</b>	<b>582</b>	<b>-</b>	<b>3,413,802</b>	<b>-</b>	<b>15,466,161</b>	
Equity attributable to the equity holder of the Bank	-	-	-	-	-	-	-	-	984,432	-	984,432	-
<b>Total Liabilities and Equity</b>	<b>7,963,440</b>	<b>860,940</b>	<b>975,313</b>	<b>2,030,536</b>	<b>220,956</b>	<b>592</b>	<b>582</b>	<b>-</b>	<b>4,398,234</b>	<b>-</b>	<b>16,450,593</b>	
On-balance sheet profit sensitivity gap	(3,868,125)	(653,840)	610,668	(190,920)	1,358,375	1,363,691	1,097,028	3,489,627	(3,588,800)	382,296	-	
Off-balance sheet profit sensitivity gap	-	-	-	-	-	-	-	-	-	-	-	
<b>Total profit sensitivity gap</b>	<b>(3,868,125)</b>	<b>(653,840)</b>	<b>610,668</b>	<b>(190,920)</b>	<b>1,358,375</b>	<b>1,363,691</b>	<b>1,097,028</b>	<b>3,489,627</b>	<b>(3,588,800)</b>	<b>382,296</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from the outstanding gross non-performing financing and advances.

### 35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which the financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the best estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the resulting fair value estimates.

Fair value information for non-financial assets and non-financial liabilities are excluded as they do not fall within the scope of FRS 132 Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

The estimated fair values of the financial instruments of the Bank approximate their respective carrying amounts as shown on the balance sheet, except for the following financial assets and financial liabilities:

	2009		2008	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial assets</b>				
Securities held-to-maturity	5,022	5,029	-	-
Financing and advances*	14,569,124	14,633,085	12,065,901	11,974,606
<b>Financial liabilities</b>				
Deposits from customers	13,073,701	13,074,281	9,622,325	9,622,621
Deposits and placements of banks and other financial institutions	8,051,182	8,042,472	4,864,825	4,866,098

\* The general allowance of the Bank of RM220,794,000 (2008 - RM188,492,000) is not included in the carrying amounts.

**35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES** (continued)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (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 Banks and Other Financial Institutions* – The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. For those financial instruments with maturity of more than one year, the fair values are estimated based on discounted cash flows using market rates at which similar deposits and placements would be made with financial institutions of similar credit risks and remaining period to maturity.
- (c) *Securities Held-for-Trading, Securities Available-for-Sale and Securities Held-to-Maturity* – The fair values of these financial instruments are estimated based on quoted or observable market prices. Where such quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where discounted cash flow technique is used, the expected future cash flows are discounted using market rates for similar instruments.
- (d) *Financing and Advances* – The fair values of fixed rate financing with remaining maturity of less than one year and variable rate financing are estimated to approximate their carrying amounts. For fixed rate financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using market rates of financing of similar credit risks and maturity.

The fair values of non-performing financing are represented by their carrying amounts, net of specific allowance for bad and doubtful financing, being the expected recoverable amount.

- (e) *Deposits from Customers* – The fair values of deposits payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on market rates for similar deposits from customers. The fair values of Islamic deposits are deemed to approximate their carrying amounts as profit rates are determined at the end of their holding periods based on the profit generated from the assets invested. The fair values of negotiable debt certificate-i and Mudharabah specific investment deposits-i are estimated based on quoted or observable market prices. Where such quoted or observable market prices are not available, the fair values of negotiable debt certificate-i and Mudharabah specific investment deposits-i are estimated using the discounted cash flow technique.

**35. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES** (continued)

- (f) *Deposits and Placements of Banks and Other Financial Institutions and Bills and Acceptances Payable* – The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

**36. CAPITAL AND OTHER COMMITMENTS**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure:		
Authorised and contracted for:		
- Office equipment, furniture and fittings	-	13
- Computer equipment and software	-	73
	<u>-</u>	<u>86</u>

**37. CAPITAL ADEQUACY**

The capital adequacy ratios of the Bank as at 31 December are as follows:

	<b>2009</b>	<b>2008</b>
<u>Before deducting second interim dividends:</u>		
Core capital ratio	11.6%	9.1%
Risk-weighted capital ratio	<u>13.4%</u>	<u>11.0%</u>
<u>After deducting second interim dividends:</u>		
Core capital ratio	10.5%	9.1%
Risk-weighted capital ratio	<u>12.3%</u>	<u>11.0%</u>

The capital adequacy ratio of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which is based on the Basel II capital accord. The Bank has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2008 - 8.0%) for the risk-weighted capital ratio.

The detailed disclosures on the capital base and risk-weighted assets, as set out in Notes 37(b) - (f) are presented in accordance with para 4.3 of Bank Negara Malaysia's Concept Paper - Risk-Weighted Capital Adequacy Framework (Basel II) and Capital Adequacy Framework for Islamic Banks (CAFIB) - Disclosure Requirements (Pillar 3).

(a) Components of Tier I and Tier II capital of the Bank are as follows:

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Tier I capital</u>		
Paid-up share capital	170,217	159,217
Share premium	1,037,500	773,500
Other reserves	140,374	25,819
Retained profits (before second interim dividend)	157,310	25,555
Less : Deferred tax assets, net	(84,264)	(72,418)
Total Tier I capital	<u>1,421,137</u>	<u>911,673</u>
<u>Tier II capital</u>		
General allowance for bad and doubtful financing	<u>220,794</u>	<u>188,492</u>
Total Tier II capital	<u>220,794</u>	<u>188,492</u>
Capital base	<u>1,641,931</u>	<u>1,100,165</u>

**37. CAPITAL ADEQUACY (continued)**

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

<b>2009</b>	<b>Gross</b>	<b>Net</b>	<b>Risk-</b>	<b>Capital</b>
<b>Exposure Class</b>	<b>Exposures</b>	<b>Exposures</b>	<b>Weighted</b>	<b>Requirements</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>Assets</b>	<b>RM'000</b>
			<b>RM'000</b>	
<b>(i) Credit Risk</b>				
On-Balance Sheet Exposures:				
Sovereigns / Central Banks	7,131,951	7,131,951	-	-
Public Sector Entities	315,819	315,819	63,164	5,053
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDB")	613,773	613,773	122,755	9,820
Insurance Companies, Securities Firms and Fund Managers	6	6	6	-
Corporates	734,745	733,474	723,338	57,867
Regulatory Retail	12,248,700	12,243,495	9,298,773	743,902
Residential Mortgages	1,264,112	1,261,792	538,540	43,083
Higher Risk Assets	10,764	10,729	16,093	1,287
Other Assets	59,215	59,215	58,841	4,707
Equity Exposures	408,225	408,225	408,225	32,658
<b>Total On-Balance Sheet Exposures</b>	<b>22,787,310</b>	<b>22,778,479</b>	<b>11,229,735</b>	<b>898,377</b>
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures				
	443,518	443,518	331,807	26,545
<b>Total Off-Balance Sheet Exposures</b>	<b>443,518</b>	<b>443,518</b>	<b>331,807</b>	<b>26,545</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>23,230,828</b>	<b>23,221,997</b>	<b>11,561,542</b>	<b>924,922</b>
<b>(ii) Market Risk</b>				
	Long Position	Short Position		
Profit Rate Risk	79,988	-	11,855	948
Gold Position	373	-	373	30
<b>Total</b>	<b>80,361</b>	<b>-</b>	<b>12,228</b>	<b>978</b>
<b>(iii) Operational Risk</b>			<b>714,569</b>	<b>57,166</b>
<b>Total RWA and Capital Requirements</b>			<b>12,288,339</b>	<b>983,066</b>

**37. CAPITAL ADEQUACY (continued)**

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

<b>2008 Exposure Class</b>	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<b>(i) Credit Risk</b>				
On-Balance Sheet Exposures:				
Sovereigns / Central Banks	3,650,858	3,650,858	-	-
Public Sector Entities	87	87	17	1
Banks, DFI & MDB	14,710	14,710	2,942	235
Insurance Companies, Securities Firms and Fund Managers	29	29	29	2
Corporates	374,916	373,248	374,032	29,923
Regulatory Retail	10,488,855	10,479,850	7,928,037	634,243
Residential Mortgages	1,193,037	1,191,986	638,493	51,079
Higher Risk Assets	8,977	8,964	13,446	1,076
Other Assets	52,562	52,562	52,265	4,181
Equity Exposures	400,454	400,454	400,454	32,037
<b>Total On-Balance Sheet Exposures</b>	<b>16,184,485</b>	<b>16,172,748</b>	<b>9,409,715</b>	<b>752,777</b>
Off-Balance Sheet Exposures:				
Credit-related Off-Balance Sheet Exposures	650,817	650,817	403,136	32,251
<b>Total Off-Balance Sheet Exposures</b>	<b>650,817</b>	<b>650,817</b>	<b>403,136</b>	<b>32,251</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>16,835,302</b>	<b>16,823,565</b>	<b>9,812,851</b>	<b>785,028</b>
<b>(ii) Market Risk</b>				
Profit Rate Risk	382,296	-	21,504	1,720
Gold Position	297	-	297	24
<b>Total</b>	<b>382,593</b>	<b>-</b>	<b>21,801</b>	<b>1,744</b>
<b>(iii) Operational Risk</b>			<b>191,760</b>	<b>15,341</b>
<b>Total RWA and Capital Requirements</b>			<b>10,026,412</b>	<b>802,113</b>

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

## 37. CAPITAL ADEQUACY (continued)

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

2009 Risk Weights	<----- Exposures after Netting and Credit Risk Mitigation ----->										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, DFI and MDB RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
0%	7,131,951	-	-	-	-	-	-	-	373	-	7,132,324	-
20%	-	315,819	613,773	-	5,022	-	-	-	-	-	934,614	186,923
35%	-	-	-	-	-	-	713,687	-	-	-	713,687	249,791
50%	-	-	-	-	15,000	5,498	583,975	-	-	-	604,473	302,237
75%	-	-	-	-	-	12,395,676	-	-	-	-	12,395,676	9,296,757
100%	-	-	-	6	767,676	14,269	22,983	-	58,842	408,225	1,272,001	1,272,001
150%	-	-	-	-	2,761	154,733	-	11,728	-	-	169,222	253,833
Total Exposures	7,131,951	315,819	613,773	6	790,459	12,570,176	1,320,645	11,728	59,215	408,225	23,221,997	11,561,542
Risk-Weighted Assets by Exposures	-	63,164	122,755	6	780,322	9,545,875	564,761	17,592	58,842	408,225	11,561,542	
Average Risk Weight	0.0%	20.0%	20.0%	100.0%	98.7%	75.9%	42.8%	150.0%	99.4%	100.0%	49.8%	
Deduction from Capital Base												

## 37. CAPITAL ADEQUACY (continued)

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

2008 Risk Weights	<----- Exposures after Netting and Credit Risk Mitigation ----->										Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns / Central Banks RM'000	Public Sector Entities RM'000	Banks, DFI and MDB RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
0%	3,650,858	-	-	-	-	-	-	-	297	-	3,651,155	-
20%	-	87	14,710	-	-	-	-	-	-	-	14,797	2,959
35%	-	-	-	-	-	-	652,338	-	-	-	652,338	228,318
50%	-	-	-	-	7	5,488	449,804	-	-	-	455,299	227,650
75%	-	-	-	-	-	10,546,895	490,622	-	-	-	11,037,517	8,278,138
100%	-	-	-	29	398,217	12,200	22,641	-	52,265	400,454	885,806	885,806
150%	-	-	-	-	1,576	88,791	25,577	10,709	-	-	126,653	189,980
Total Exposures	3,650,858	87	14,710	29	399,800	10,653,374	1,640,982	10,709	52,562	400,454	16,823,565	9,812,851
Risk-Weighted Assets by Exposures	-	17	2,942	29	400,585	8,058,302	882,194	16,063	52,265	400,454	9,812,851	
Average Risk Weight	0.0%	19.5%	20.0%	100.0%	100.2%	75.6%	53.8%	150.0%	99.4%	100.0%	58.3%	
Deduction from Capital Base												

## 37. CAPITAL ADEQUACY (continued)

(d) The breakdown of exposures by Islamic concepts are as follows:

	Type of Islamic Contract										Total Credit Exposures RM'000	Total Risk- Weighted Assets RM'000
	Murabahah		Ijarah		Mudarabah		Musharakah		Other Contracts			
Exposure Class	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Total Credit Exposures RM'000	Total Risk- Weighted Assets RM'000
<b>2009</b>												
<b>Exposure Class</b>												
<b>On- and Off-Balance</b>												
<b>Sheet Exposures:</b>												
Sovereigns / Central Banks	866,287	-	-	-	6,121,111	-	-	-	144,553	-	7,131,951	-
Public Sector Entities	315,751	63,150	68	14	-	-	-	-	-	-	315,819	63,164
Banks, DFI & MDB	-	-	-	-	500,671	100,134	-	-	113,102	22,621	613,773	122,755
Insurance Companies, Securities Firms & Fund Managers	-	-	6	6	-	-	-	-	-	-	6	6
Corporates	674,418	667,911	111,019	111,407	-	-	5,022	1,004	-	-	790,459	780,322
Regulatory Retail	4,271,023	3,247,513	8,299,153	6,298,362	-	-	-	-	-	-	12,570,176	9,545,875
Residential Mortgages	1,320,645	564,761	-	-	-	-	-	-	-	-	1,320,645	564,761
Higher Risk Assets	11,728	17,592	-	-	-	-	-	-	-	-	11,728	17,592
Other Assets	-	-	54,742	54,742	-	-	-	-	4,473	4,100	59,215	58,842
Equity Exposures	-	-	-	-	-	-	-	-	408,225	408,225	408,225	408,225
<b>Total On and Off Balance Sheet Exposures</b>	<b>7,459,852</b>	<b>4,560,927</b>	<b>8,464,988</b>	<b>6,464,531</b>	<b>6,621,782</b>	<b>100,134</b>	<b>5,022</b>	<b>1,004</b>	<b>670,353</b>	<b>434,946</b>	<b>23,221,997</b>	<b>11,561,542</b>

## 37. CAPITAL ADEQUACY (continued)

(d) The breakdown of exposures by Islamic concepts are as follows (continued):

	Type of Islamic Contract										Total Credit Exposures RM'000	Total Risk- Weighted Assets RM'000
	Murabahah		Ijarah		Mudarabah		Musharakah		Other Contracts			
Exposure Class	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Credit Exposures RM'000	Risk- Weighted Assets RM'000	Total Credit Exposures RM'000	Total Risk- Weighted Assets RM'000
<b>2008</b>												
<b>Exposure Class</b>												
<b>On- and Off-Balance</b>												
<b>Sheet Exposures:</b>												
Sovereigns / Central Banks	-	-	-	-	3,309,208	-	-	-	341,650	-	3,650,858	-
Public Sector Entities	-	-	87	17	-	-	-	-	-	-	87	17
Banks, DFI & MDB	-	-	-	-	-	-	-	-	14,710	2,942	14,710	2,942
Insurance Companies, Securities Firms & Fund Managers	-	-	29	29	-	-	-	-	-	-	29	29
Corporates	342,828	343,278	56,972	57,307	-	-	-	-	-	-	399,800	400,585
Regulatory Retail	2,670,781	2,026,444	7,982,593	6,031,858	-	-	-	-	-	-	10,653,374	8,058,302
Residential Mortgages	1,640,982	882,194	-	-	-	-	-	-	-	-	1,640,982	882,194
Higher Risk Assets	10,709	16,063	-	-	-	-	-	-	-	-	10,709	16,063
Other Assets	(515)	(515)	51,745	51,745	-	-	-	-	1,332	1,035	52,562	52,265
Equity Exposures	-	-	-	-	-	-	-	-	400,454	400,454	400,454	400,454
<b>Total On and Off Balance Sheet Exposures</b>	<b>4,664,785</b>	<b>3,267,464</b>	<b>8,091,426</b>	<b>6,140,956</b>	<b>3,309,208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>758,146</b>	<b>404,431</b>	<b>16,823,565</b>	<b>9,812,851</b>

**37. CAPITAL ADEQUACY (continued)**

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

<b>2009</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Credit-related Exposures</u>			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- exceeding one year	959,786	443,518	331,807
- not exceeding one year	173,489	-	-
	1,133,275	443,518	331,807
<b>2008</b>	<b>Principal Amount RM'000</b>	<b>Credit Equivalent Amount RM'000</b>	<b>Risk- Weighted Assets RM'000</b>
<u>Credit-related Exposures</u>			
Assets sold with recourse	341,988	341,988	163,769
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
- exceeding one year	569,495	284,748	219,674
- not exceeding one year	120,405	24,081	19,693
	1,031,888	650,817	403,136

**37. CAPITAL ADEQUACY (continued)**

(f) The risk-weighted assets and capital requirements for the various categories of risk under Market Risk are as follows:

<b>2009</b>	<b>Risk-weighted Assets Equivalent RM'000</b>	<b>Capital Required RM'000</b>
Profit rate risk		
- General profit rate risk	10,305	824
- Specific profit rate risk	1,550	124
	<u>11,855</u>	<u>948</u>
Gold Position	373	30
	<u>12,228</u>	<u>978</u>
<b>2008</b>	<b>Risk-weighted Assets Equivalent RM'000</b>	<b>Capital Required RM'000</b>
Profit rate risk		
- General profit rate risk	9,557	765
- Specific profit rate risk	11,947	955
	<u>21,504</u>	<u>1,720</u>
Gold Position	297	24
	<u>21,801</u>	<u>1,744</u>

**38. SIGNIFICANT EVENT DURING THE YEAR**

There were no significant events during the financial year.

### 39. SEGMENT INFORMATION

The following segment information has been prepared in accordance with FRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Bank's operating and reportable segments are business units engaged in providing different products or services. These business are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services provided for the economic and competitive.

The Bank's business is organised into the following key operating segments:

**(i) Hire Purchase**

The hire purchase operations is focused on the provision of passenger vehicle financing to all levels of customers.

**(ii) Retail Operations**

Retail operations focuses on providing products and services to individual customers and small- and medium-sized enterprises. The products and services offered to customers include credit facilities (mortgages, trade and personal financing) and deposit collection.

**(iii) Corporate Banking**

The corporate banking operations caters to the funding needs of large corporate customers and their related corporations.

**(iv) Treasury and Capital Market Operations**

The treasury and capital market operations is involved in proprietary trading in treasury related products and services such as money market operations and securities trading.

#### **Measurement and Evaluation of Segment Performance**

The Bank evaluates operating segment's performance on the basis of revenue, profits, cost-to-income ratio, financing and deposit growth and asset quality. Expenses directly associated with each operating segment are included in determining their profits. Transactions between operating segments are based on mutually agreed allocation bases. In addition to the operating segments, the segment information disclosed also includes internal service provider (head office), which operate on a non-profit basis, and inter-segment eliminations.

#### **Major Customers**

Revenues from no one single customer amounted to greater than 10% of the Bank's revenues for the financial year (2008 - Nil).

## 39. SEGMENT INFORMATION (continued)

2009	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office RM'000	Inter- segment Elimination RM'000	Total RM'000
External revenue	458,551	398,354	6,451	107,630	8,860	-	979,846
Revenue from other segments	-	112,418	-	-	248,707	(361,125)	-
Total revenue	458,551	510,772	6,451	107,630	257,567	(361,125)	979,846
Net financing income	234,390	409,780	2,960	(208)	11,718	-	658,640
Other operating income	(260)	14,195	-	716	8,838	-	23,489
Net income	234,130	423,975	2,960	508	20,556	-	682,129
Other operating expenses of which:	(37,828)	(90,477)	(105)	(1,182)	(24,820)	-	(154,412)
<i>Depreciation and amortisation</i>	-	(7)	-	(36)	(81)	-	(124)
Allowance for losses on financing and advances excluding general allowance	(20,128)	(15,455)	-	-	-	-	(35,583)
Profit by segments	176,174	318,043	2,855	(674)	(4,264)	-	492,134
Reconciliation of segment profits to consolidated profits:							
General allowance							(32,302)
Profit before zakat and taxation							459,832
Cost-to-income ratio	16.2%	21.3%	3.5%	232.7%	120.7%	-	22.6%
Gross financing and advances	8,358,519	5,690,420	541,259	-	-	-	14,590,198
Net non-performing financing and advances	35,899	77,099	-	-	-	-	112,998
Deposits from customers	-	10,747,366	56,333	2,270,002	-	-	13,073,701
Addition to non-current assets	-	-	-	201	28	-	229
Segment assets	8,274,395	11,053,989	533,524	10,323,584	971,252	(8,512,820)	22,643,924
Reconciliation of segment assets to consolidated assets:							
Unallocated assets							86,682
Total assets							22,730,606

## 39. SEGMENT INFORMATION (continued)

2008	Hire Purchase RM'000	Retail Operations RM'000	Corporate Banking RM'000	Treasury and Capital Market Operations RM'000	Head Office RM'000	Inter- segment Elimination RM'000	Total RM'000
External revenue	75,943	55,950	760	8,167	-	-	140,820
Revenue from other segments	-	21,529	-	6,507	53,153	(81,189)	-
Total revenue	<u>75,943</u>	<u>77,479</u>	<u>760</u>	<u>14,674</u>	<u>53,153</u>	<u>(81,189)</u>	<u>140,820</u>
Net financing income	22,131	57,128	199	4,882	11,723	-	96,063
Other operating income	-	1,885	-	(226)	(19)	-	1,640
Net income	<u>22,131</u>	<u>59,013</u>	<u>199</u>	<u>4,656</u>	<u>11,704</u>	<u>-</u>	<u>97,703</u>
Other operating expenses	(6,096)	(15,343)	(15)	(420)	(3,554)	-	(25,428)
of which:							
<i>Depreciation and amortisation</i>	-	-	-	(13)	(1)	-	(14)
Allowance for losses on financing and advances excluding general allowance	(3,881)	(2,552)	-	-	-	-	(6,433)
Profit by segments	<u>12,154</u>	<u>41,118</u>	<u>184</u>	<u>4,236</u>	<u>8,150</u>	<u>-</u>	<u>65,842</u>
Reconciliation of segment profits to consolidated profits:							
General allowance							(1,407)
Profit before zakat and taxation							<u>64,435</u>
Cost-to-income ratio	27.5%	26.0%	7.5%	9.0%	30.4%	-	26.0%
Gross financing and advances	8,057,261	3,941,192	91,429	-	-	-	12,089,882
Net non-performing financing and advances	43,074	72,784	-	-	-	-	115,858
Deposits from customers	-	8,631,254	-	991,071	-	-	9,622,325
Addition to non-current assets	-	-	-	-	51	-	51
Segment assets	<u>7,917,801</u>	<u>8,690,222</u>	<u>90,242</u>	<u>5,841,359</u>	<u>1,812,262</u>	<u>(7,974,917)</u>	<u>16,376,969</u>
Reconciliation of segment assets to consolidated assets:							
Unallocated assets							73,624
Total assets							<u>16,450,593</u>

#### 40. RATING STATEMENT

As at 31 December 2009, the Bank was accorded the following ratings:

<u>Agency</u>	<u>Date assigned</u>	<u>Ratings</u>
Rating Agency Malaysia	27 October 2009 (Reaffirmed)	Long-Term Rating : AAA
Berhad	27 October 2009 (Reaffirmed)	Short-Term Rating : P1
	27 October 2009 (Reaffirmed)	Outlook : Stable

#### 41. SUBSEQUENT EVENTS

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the financial statements.

#### 42. SHARIAH COMMITTEE

The Shariah Committee was established under Bank Negara Malaysia's "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise the Board of Directors on Shariah matters in its business operations and to provide technical assistance in ensuring the Islamic banking products and services offered by the Bank and the relevant documentation are in compliance with Shariah principles. The Shariah Committee also provides guidance on legal matters on Islamic banking products and services.