www.muamalat.com.my

Bank Muamalat Malaysia Berhad (6175-W)
Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur

Bank Muamalat Malaysia Berhad (6175-W)

Annual Report 2012

Delivering Growth Through CHANGE

Bank Muamalat

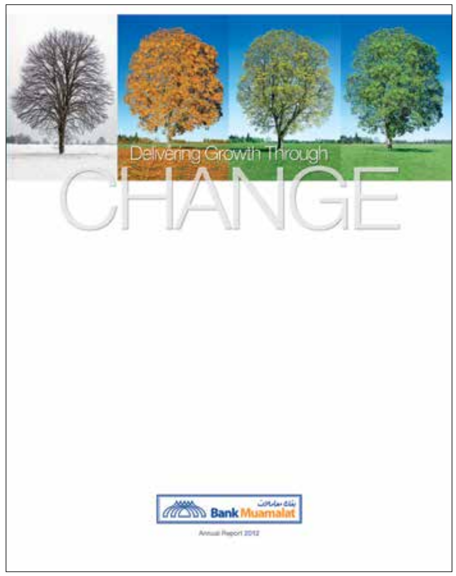
Annual Report 2012

CONTENTS

Shareholders' Overview

Leadership

Insights



Delivering Growth through Change

Change is inevitable, necessary, and even desirable. Everything is in the process of becoming something else. Indeed, the most important thing as an organisation grows is that it may need to change to become more profitable or to adapt to market changes. Bank Muamalat Malaysia Berhad's 5 year business plan to bring in the changes is consistent with the objective of taking the organisation to greater heights with Islamic financing in Malaysia continuing to develop robustly, Bank Muamalat Malaysia Berhad is well positioned to achieving its vision of becoming the preferred Islamic financial services provider. This year's cover reflects the continuity of our growth as we continue to propel our organisation towards a brighter future.

Accountability

The Financial

Others

OUR**VISION**

TO BECOME THE PREFERRED ISLAMIC FINANCIAL SERVICES PROVIDER

OUR**MISSION**

TO DELIVER BEST VALUE TO THE STAKEHOLDERS

SHARED**VALUES**

CARE
RESPECT
INTEGRITY
INNOVATIVE
SERVICE ORIENTED

Bank Muamalat Malaysia Berhad's (the Bank) logo and identity is essentially formed by a dynamic line in a continuous motion. The principal objective of efficiency and dynamism are reflected by this single line. The single line signifies an efficient, clear and focused vision. This reflects the strong relationship between the bank and its customers.

The dome is a basic design element of Islamic architecture. It is used to signify the place for prayers and shelter. This represents the products and services that the Bank can offer to its customers. The five domes are representative of the five tenets of Islam and the five times Muslims are called to pray. The five points are also used in relation to the five principles of the Rukun Negara, giving a truly Malaysian objective to its existence. The linkage of the five domes with a single line signifies networking of the Bank and the relationship between Bank, customers and its external environment.

This networking and togetherness translate the very meaning of Muamalat itself, which is "relationship between mankind".

An hour glass embedded in the centre within the logo design stands for the time which is the essence of a bank. Investments grow overtime.

Two colours are used within the logo. Sultan blue, a royal colour is used to provide a feeling of strength and confidence. Orange is a warm and exciting colour. It gives light and signifies growth. The orange is used to signify the warmth of the Bank which is in continuous growth, never static but always dynamic.

MILESTONE

BUSINESS BANKING DIVISION ACTIVITIES

28/4/2011

Event
Program Taklimat Pembiayaan untuk Usahawan-Usahawan IKS Negeri Melaka

Venue
Malacca International Trade Centre (MITC), Ayer Keroh, Melaka

14/7/2011

Event
Special briefing to SME Penang

Venue
Penang State Development Corporation Building – Penang

20/10/2011

Event
Special briefing to SME/members of Kuala Lumpur Malay Chamber of Commerce (KLMCC)

Venue
31st Floor Menara Bumiputra

16/11/2011

Event
Special briefing to SME/members of Kuala Lumpur Malay Chamber of Commerce (KLMCC)

Venue
6th Floor Menara Bumiputra

26/1/2012

Event
Half day briefing session with Bumiputera SMEs

Venue
Hotel Seri Malaysia, Ipoh Perak

09/1/2012

Event
Group Vendor Program (GVP) briefing

Venue
6th Floor Menara Bumiputra

27/2/2012

Event
Half day briefing session with Bumiputera SMEs

Venue
Hotel Seri Malaysia, Alor Setar Kedah

20/2/2012

Event
Group Vendor Program (GVP) briefing

Venue
Glenmarie Golf & Country Club Shah Alam

23/2/2012

Event
Group Vendor Program (GVP) briefing

Venue
PHN Industry Sdn Bhd, Shah Alam

20/3/2012

Event
Group Vendor Program (GVP) briefing

Venue
Glenmarie Golf & Country Club Shah Alam

Investment Banking Department Deals Closed and Issued for FYE2012

	Issuer & Type of Financing	Issuance/ Disbursement Date	Roles
1.	**BANK MUAMALAT MALAYSIA BERHAD** • RM400.0 million Islamic Subordinated Sukuk pursuant to a 15-Year Islamic Subordinated Sukuk Programme	15 June 2011	Joint Lead Arranger, Joint Lead Manager and Facility Agent.
2.	**AIRPORT COOLING ENERGY SUPPLY SDN BHD** • RM310.0 million term financing *For BMMB's Portion:* *Istisna' Project Financing Facility of up to RM155.0 million under the concept of Istisna'.*	29 Aug 2011	Financier – Club Deal with CIMB Invesment Bank Berhad.
3.	**ALPHA CIRCLE SDN BHD** • RM380.0 million Islamic Securities Issuance consisting of:- (i) Senior Musharakah Medium Term Notes of RM345.0 million pursuant to the Senior Musharakah MTN Programme; and (ii) Junior Musharakah Medium Term Notes of up to RM35.0 million pursuant to the Junior Musharakah MTN Programme.	2 Feb 2012	Lead Arranger, Lead Manager, Facility Agent and Shariah Adviser.
4.	**TANJUNG BIN ENERGY ISSUER SDN BHD** • RM3.29 billion Sukuk Murabahah	16 Mar 2012	Joint Lead Manager.

PROJECT MANAGEMENT

Projects which were implemented during the financial year:-

1.	**Credit Scoring System** (Phase 1 – Credit grading for Corporate & Commercial)	7 Dec 2011
2.	**Desktop Banking Enhancement** (Phase 1 – Payment to foreign countries using foreign currencies)	9 Dec 2011

CONSUMER BUSINESS DEVELOPMENT DEPARTMENT

The Bank introduced Sales Incentive Plan (SIP) to the branch network nationwide, commencing April 2011. The Management, in its 'Post-Budget & Strategy Review' offsite meeting dated 11–13 November 2010 decided that the Bank will move towards sales-based culture. The Bank believes that it is essential to establish an effective sales management approach to drive the company sales strategies. Therefore, the Management Committee (MANCO) and Remuneration Committee (REMCO) approved the SIP for the branch network, on 29 March 2011 and 18 April 2011, respectively. Implementation-wise, SIP for the FYE 2011/2012 rolled-out nationwide on 1 April 2011, to manage the daily/monthly sales-tracking of each individual sales performance.

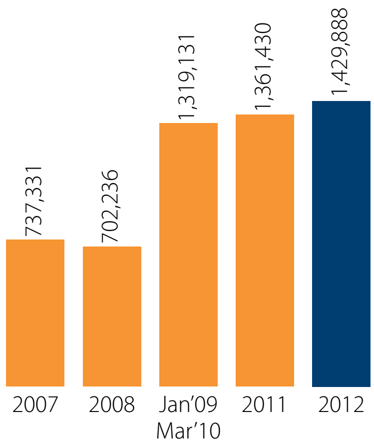
Surah Al Qasas: 73

It is out of His Mercy that He has made for you night and day-that you may rest therein, and that you may seek of his Grace, and that you may be grateful.

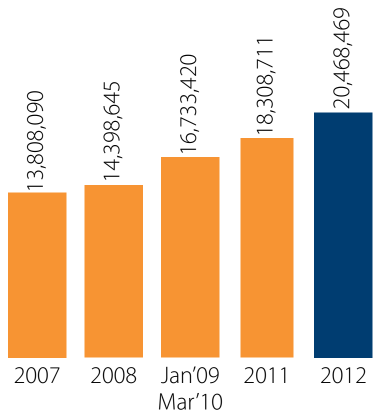
10 YEARS FINANCIAL HIGHLIGHTS (2002-2012) – Group

	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	Jan 2009- Mar 2010 RM'000	2011 RM'000	2012 RM'000
Total Shareholders Fund	349,434	353,020	507,564	523,683	713,126	737,331	702,236	1,319,131	1,361,430	**1,429,888**
Profit/(Loss) Before Tax	15,640	7,267	(26,819)	41,251	103,409	64,238	44,068	142,061	204,311	**124,144**
Profit/(Loss) After Tax	9,617	3,586	(28,720)	32,328	72,520	48,138	31,951	98,834	133,577	**84,984**
Total Assets	6,565,769	7,315,942	8,070,831	10,269,647	13,450,636	13,808,090	14,398,645	16,733,420	18,308,711	**20,468,469**
Total Deposits	6,029,351	6,846,533	7,455,010	9,373,971	12,178,691	12,172,868	12,447,970	14,920,856	16,216,173	**18,151,087**
Total Financing	2,312,405	2,272,526	2,887,415	4,154,021	5,373,343	5,870,585	6,427,747	7,037,126	7,148,160	**9,038,483**
No. of Branches	40	40	41	42	43	48	48	49	51	**58**
No. of Service Centres/Kiosk	–	7	7	6	6	3	5	6	4	**2**
No. of Offshore Branches/ Labuan	1	1	1	1	1	1	1	1	1	**1**
No. of Staff	1,174	1,244	1,241	1,145	1,380	1,454	1,419	1,584	1,763	**1,929**
RETURN ON ASSET (%)	0.26	0.10	(0.35)	0.45	0.87	0.47	0.31	0.73	1.17	**0.64**
RETURN ON EQUITY (%)	4.61	2.07	(6.23)	8.00	16.72	8.86	6.12	11.24	15.24	**8.90**

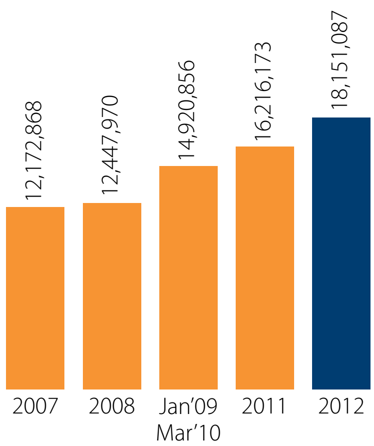
TOTAL SHAREHOLDERS FUND
(RM Million)



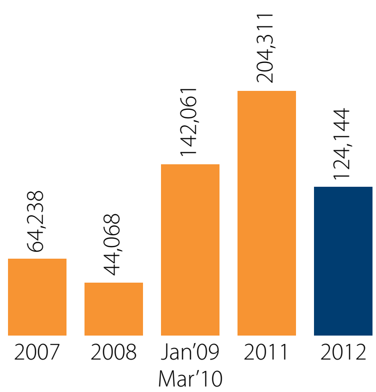
TOTAL ASSETS
(RM Million)



TOTAL DEPOSITS
(RM Million)



PBT
(RM Million)



CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN

Tan Sri Dato' Dr Mohd Munir Abdul Majid

MEMBERS

Dato' Lukman Ibrahim

Dato' Haji Mohd Redza Shah Abdul Wahid

Haji Mohd Izani Ghani

Haji Ismail Ibrahim

Haji Abdul Jabbar Abdul Majid

Tengku Dato' Seri Hasmuddin Tengku Othman

Dato' Azmi Abdullah

Dato' Haji Kamil Khalid Ariff

Dato' Sri Haji Mohd Khamil Jamil
(resigned w.e.f 4 July 2012)

COMPANY SECRETARY

Nora Shikhen Ramli (LS 01587)

REGISTERED OFFICE

20th Floor, Menara Bumiputra
Jalan Melaka
50100 Kuala Lumpur
Tel : 603-2615 7069
Fax : 603-2693 3367

AUDITORS

Ernst & Young
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur

Bank Muamalat terbitkan sukuk RM400 juta

KUALA LUMPUR 20 Jun - Bank Muamalat Bhd. (BMMB) telah berjaya menerbitkan Sukuk Subordinat Modal Islam peringkat kedua sebanyak RM400 juta untuk tempoh 10 tahun.

Sukuk itu berasaskan kepada prinsipal Musyarakah yang diberi taraf A3 oleh RAM Ratings Services Bhd. dengan tinjauan penarafan stabil.

Sukuk itu diuruskan oleh BMMB dan Maybank Investment Bank Bhd. dan terbitan itu dilaksanakan berdasarkan penempatan swasta dengan kadar keuntungan 5.15 peratus.

Sukuk itu akan diiktiraf sebagai modal kedua bagi BMMB bagi tujuan keperluan kelayakan modal Bank Negara Malaysia.

Ketua Pegawai Eksekutifnya, Datuk Mohd. Redza Shah Abdul Wahid dalam kenyataannya di sini berkata, pihaknya gembira penempatan itu menerima sambutan baik oleh para pelabur, sekali gus meng-

Bank Muamalat terbitkan sukuk RM400 juta

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"Kami percaya terbitan sukuk itu bakal meletakkan bank tersebut dalam kedudukan baik untuk melaksanakan pelan perniagaan lima tahun," kata beliau di sini.

Higher 'My First Home' ceiling will have positive impact: Rehda

KUALA LUMPUR: The Government proposal that the maximum price of houses under the 'My First Home' scheme be increased from RM220,000 to RM400,000 will have a positive impact on the housing industry.

Real Estate and Housing Developers Association (Rehda) President, Datuk Seri Michael Yam, said 2012 Budget is friendly to the real estate industry and conducive to home ownership.

"We view the 2012 Budget announced by Prime Minister Datuk Seri Najib Tun Razak as positive for the housing and property industry as it encourages home ownership and long-term investment rather than short-term and possible speculation that is being addressed by increase in Real Property Gains Tax (RPGT) in the first two years."

announcement will encourage house buyers to hold their properties for long-term capital appreciation and enhance their personal wealth.

Yam said Rehda is thankful to the Government for not introducing measures that will have drastic impact on the property industry, a key economic contributor to the country's economic wealth.

"Increasing the RPGT in the first two years of ownership to 10 per cent will help reduce property speculation and promote a more stable, healthy and orderly growth of the housing industry."

He also supported stamp duty exemption on loan agreement under the PR1MA programme that will promote home ownership among young families.

Bank Muamalat Deputy Chief Executive Officer, Musa Abdul Malek, said most young people earning less than RM3,000 could take housing loans as it has been improved to allow for husband and wife.

"We (the Bank) think it's a good move because banks will provide maximum loans as required," he added.

Tabling the budget, Prime Minister Datuk Seri Najib Tun Razak said the Government launched the scheme in March 2011 to meet the needs of those earning less RM3,000 monthly and changes are made to improve it.– Bernama

Bank Muamalat naik taraf 56 cawangan

BANK Muamalat Malaysia Bhd memperuntukkan RM56 juta bagi menaik taraf 56 cawangannya di seluruh negara secara berperingkat bermula tahun ini.

Pengarahnya, Datuk Azmi Abdullah, berkata 14 cawangan akan dinaikkan taraf atau dipindahkan ke lokasi lain yang lebih sesuai tahun ini dengan anggaran kos antara RM700,000 hingga RM1 juta bagi setiap cawangan.

Perluaskan segmen Ar-Rahnu

BESUT – Bank Muamalat Malaysia Bhd. (Bank Muamalat) kini dalam proses memperluaskan perkhidmatan Pajak Gadai Islam (Ar-Rahnu) di setiap cawangannya.

Pengerusinya, Tan Sri Dr. Mohd. Munir Abdul Majid berkata, langkah yang diambil itu sesuai dengan usaha Bank Muamalat untuk mempertingkat perkhidmatan kepada pengguna mulai tahun depan.

Bank Muamalat buka kiosk serbaguna di Kota Kemuning

BANK Muamalat Malaysia Berhad (BMMB) berhasrat membuka 12 kiosk di seluruh negara dalam masa 24 bulan memandangkan sambutan baik daripada orang ramai selepas pembukaan kiosk pertamanya di Kota Kemuning.

Ketua Pegawai Eksekutif BMMB, Datuk Mohd Redza Shah Abdul Wahid berkata, kiosk baru itu, dibuka tujuh hari seminggu lengkap dengan mesin teler automatik (ATM) dan kakitangan.

"Pembukaan kiosk lebih murah, dari lima hingga enam kali berbanding dengan kos membuka cawangan baru.

"Selain itu, kiosk juga menerima sambutan daripada orang ramai dan menjana kira-kira RM5 juta dari segi perniagaan untuk bank dalam masa kurang 30 hari beroperasi," katanya ketika majlis pembukaan kios baru di Kota Kemuning.

Hadir sama, Pengerusinya, Tan Sri Datuk Dr Mohd Munir Abd Majid.

Menurutnya, kiosk juga menawarkan perkhidmatan seperti membuka akaun simpanan dan semasa, pembiayaan perniagaan, runcit, kediaman dan kereta serta pembiayaan peribadi berstruktur.

"Kami akan memantau jumlah urus niaga bagi menentukan faktor kejayaan kami, dan apabila ia meningkat, terutamanya dari segi pembiayaan, kami akan mempunyai lebih banyak kiosk," katanya.

Mohd Redza (tiga,kanan) dan Mohd Munir (dua,kanan) memotong reben semasa pelancaran kiosk pertama Bank Muamalat di Kota Kemuning.

Datuk Seri Zulhasnan Rafique handing goodie bags to the children while Datuk Mohd Redza Shah Abdul Wahid looks on. — *Picture by Muhd Asyraf Sawal*

Poor children, converts and homeless feted

KUALA LUMPUR: Bank Muamalat (M) Bhd (BMMB) held a breaking of fast event for 280 people at Masjid Jamek Bandaraya recently.

The buka puasa was attended by children from Rumah Amal Anak Yatim and Rumah Sentuhan Budi, and Muslim converts from Pertubuhan Kebajikan Islam Malaysia and Universiti Islam Antarabangsa, and homeless people.

BMMB chief executive officer Datuk Mohd Redza Shah Abdul Wahid said the event was held yearly to nurture the love between the bank's staff and the underprivileged.

"Our event is different as we place more emphasis on togetherness as we enjoy the food," he said.

Redza said BMMB had been distributing food throughout Ramadan.

Setiawangsa member of parliament Datuk Seri Zulhasnan Rafique handed goodie bags to the children. — *By Nor Ain Mohamed Radhi*

RM56 juta ubah suai cawangan Bank Muamalat

JOHOR BAHRU 12 Julai - Bank Muamalat Malaysia Bhd. (Bank Muamalat) memperuntukkan kira-kira RM56 juta untuk mengubah suai atau menempatkan semula 56 cawangan bank itu di seluruh negara secara berperingkat-peringkat bermula tahun ini.

Ahli Lembaga Pengarahnya, Datuk Azmi Abdullah berkata, untuk tahun ini sahaja, sebanyak 14 daripada 56 cawangan bank tersebut disasarkan sama ada untuk diubahsuai atau bertukar ke lokasi baru yang lebih strategik.

"Buat masa ini sebanyak dua cawangan telah pun menjalani proses itu iaitu masing-masing di Selangor dan Johor," katanya kepada pemberita selepas perasmian Bank Muamalat Cawangan Johor Bahru oleh Menteri Besar, Datuk Abdul Ghani Othman di Pusat Komersial Kebun Teh di sini hari ini.

Turut hadir, Ketua Pegawai Eksekutif Bank Muamalat, Datuk Mohd. Redza Shah Abdul Wahid, Timbalannya, Musa Malik, Naib Presiden Kanan Bahagian Perbankan Pengguna, Shamsudin Bahari dan Naib Presiden Kanan Kewangan, Peermohamed Ibramshah.

Pada majlis itu, Bank Muamalat turut menyampaikan sumbangan kepada masjid dan surau terpilih dan penyerahan replika kunci van kepada Pertubuhan Kebajikan Anak-anak Yatim Negeri Johor.

Mengulas lanjut, Azmi berkata, proses pengubahsuaian dan perpindahan cawangan ke lokasi baru merupakan antara langkah yang diambil pihaknya bagi memastikan perkhidmatan yang diberikan kepada pelanggan sentiasa berada pada tahap terbaik.

"Selain itu, kita juga akan memastikan proses tersebut turut melibatkan penyediaan pelbagai kemudahan yang mesra pelanggan termasuk kepada pelanggan orang kurang upaya (OKU)," ujarnya.

Dalam pada itu, beliau berkata, Bank Muamalat kini dalam peringkat untuk membuka 14 kios di tempat-tempat tumpuan orang ramai dengan memberikan perkhidmatan perbankan seperti akaun semasa, akaun simpanan dan pelbagai jenis pembiayaan.

Menurutnya, kios pertama telah dibuka di Pasar Raya Giant Kemuning Utama di Shah Alam, Selangor dan kios kedua pula dijangka dibuka di Kompleks Kastam, Imigresen dan Kuarantin (CIQ) di Bangunan Sultan Iskandar (BSI) di sini.

ABDUL Ghani Othman menyampaikan sumbangan van kepada wakil Pertubuhan Kebajikan Anak-Anak Yatim Negeri Johor sambil diperhatikan Mohd. Redza Shah Abdul Wahid (kiri) pada Majlis Perasmian Cawangan Bank Muamalat Malaysia Berhad Johor Bahru di Jalan Kebun Teh, Johor Bahru, semalam.

> Untuk tahun ini sahaja, sebanyak 14 daripada 56 cawangan bank tersebut disasarkan sama ada untuk diubahsuai atau bertukar ke lokasi baru yang lebih strategik
>
> AZMI ABDULLAH
> Ahli Lembaga Pengarah Bank Muamalat

Bertam tawar dua pusat komersial baru

Bank Muamalat sedia pinjaman 95 peratus

Oleh Amin Ridzuan Ishak
aminridzuan@bharian.com.my

PULAU PINANG: Bertam Properties Sdn Bhd (Bertam Properties), pemaju hartanah utama di Pulau Pinang membangunkan dua kawasan komersial iaitu Pusat Bandar Bertam Perdana dan BP3 Pusat Komersial di daerah Seberang Prai Utara (SPU) yang penjualannya bermula semalam.

Ketua Pegawai Eksekutif Kumpulan Bertam Properties, Datuk Roslan Ibrahim berkata, Bertam Properties menawarkan empat unit kedai di Pusat Bandar Bertam Perdana berharga dari RM559,200 sehingga RM569,500 seunit.

Diskaun sebanyak tujuh peratus diberikan kepada pembeli Bumiputera. Pembeli juga tidak perlu membayar yuran guaman kerana ditanggung oleh pemaju dan memperoleh sijil layak menduduki.

Selain itu, katanya, sebanyak 16 unit kedai juga akan dibina di BP3 Pusat Komersial yang harganya bermula daripada RM347,400 sehingga RM417,800 seunit.

Pembiayaan akhir disediakan Bank Muamalat yang menawarkan pinjaman 95 peratus, tanpa bayaran untuk tempoh 24 bulan pertama.

Roslan berkata, kemakmuran serta kemudahan disediakan kerajaan dan pihak swasta untuk pemilikan hartanah di Bertam seharusnya menjadi faktor utama kepada pembeli apabila membuat pilihan membeli rumah ataupun kedai.

Untuk keterangan lanjut, hubungi Bertam Properties di talian 04-5782020 atau layari laman web www.bertam.com.my.

Orang ramai boleh berkunjung ke Galeri Bertam Properties di No 1, Jalan Dagangan 1, Pusat Bandar Bertam Perdana, Kepala Batas bagi mendapatkan maklumat lanjut.

EMPAT unit kedai ditawarkan oleh Bertam Properties di Pusat Bandar Bertam Perdana dengan harga bermula RM559,200 sehingga RM569,500.

ENAM belas unit kedai ditawarkan di BP3 Pusat Komersial di daerah Seberang Prai Utara pada harga bermula RM347,400 sehingga RM417,800.

MEDIA
HIGHLIGHTS


Hadiah Bahasa
Institusi Perbankan 2011
Kategori Bank Islam
BANK MUAMALAT MALAYSIA
BERHAD

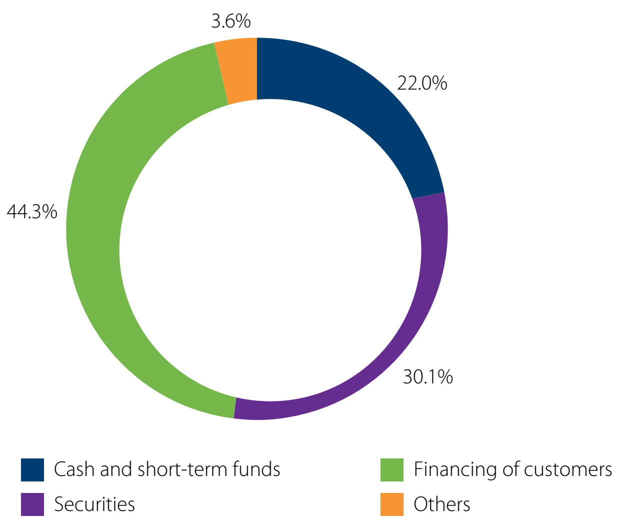
AWARDS &
RECOGNITIONS

AWARDS AND RECOGNITIONS RECEIVED DURING THE FY11/12 UNDER REVIEW

- Malaysia 1000 Awards – Industry Excellence Award in Banking and Finance category
- Hadiah Bahasa Institusi Perbankan kategori Bank Islam – Bulan Bahasa Kebangsaan 2011

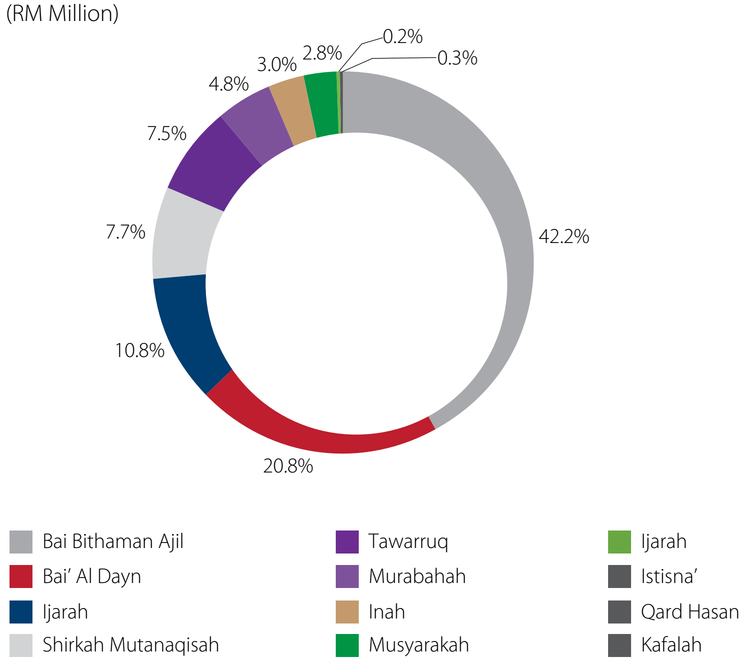
ASSET QUALITY

TOTAL ASSETS
(RM Million)



The Bank total assets improved by RM2.1 billion or 11.7% from RM18.3 billion as at 31 March 2011 to RM20.4 billion as at 31 March 2012. The improvement was mainly due to an increase in financing to customers amounting to RM1.9 billion and securities amounting to RM1.8 billion. Total assets of the Bank as at 31 March 2012 mainly consist of financing to customers (44.3%), securities (30.1%) and cash and short-term funds (22.0%).

FINANCING BY CONTRACT
(RM Million)



Based on Islamic financing contracts, the main Shariah approved concepts in the Bank's financing portfolio are BBA (42.2%), Bai Al-Dayn (20.8%) and Ijarah Thumma al-Bai' (10.8%).

COMPONENTS	2007 RM MILLION	2008 RM MILLION	2010 RM MILLION	2011 RM MILLION	31 MARCH 2012 RM MILLION
Assets					
– Gross Financing	5,870.6	6,427.7	7,037.1	7,483.4	**9,512.8**
– Investment in Securities	3,333.2	2,901.9	4,041.0	4,360.1	**6,213.7**
– Cash and Short-Term Funds	4,466.2	5,067.3	5,775.4	6,447.3	**4,501.5**
Gross NPF	506.2	592.2	513.8	378.3	**452.3**
Gross NPF Ratio	8.1%	8.7%	6.9%	4.8%	**4.8%**
Industry Average	5.6%	4.1%	3.6%	3.3%	**2.4%**
Financing Loss Reserve	56.4%	67.6%	79.7%	89.0%	**87.8%**
Industry Average*	69.5%	76.5%	75.0%	90.8%	**105.9%**

* Bank Negara Malaysia's March 2012 Monthly Statistical Bulletin

From financial year ended 2007 to 2012, the Bank gross non-performing ratio was highest in 2008 at 8.7% and thereafter was on a downward trend to 4.8% as at 31 March 2012. The improvement was a result of introduction of better credit risk management practices, aggressive recoveries and better management of delinquent accounts.

Financing loss reserve ratio was on the increasing trend up to financial year end March 2011 but slightly reduced in financial year end March 2012 due to newly impaired accounts is either secured or partially secured.

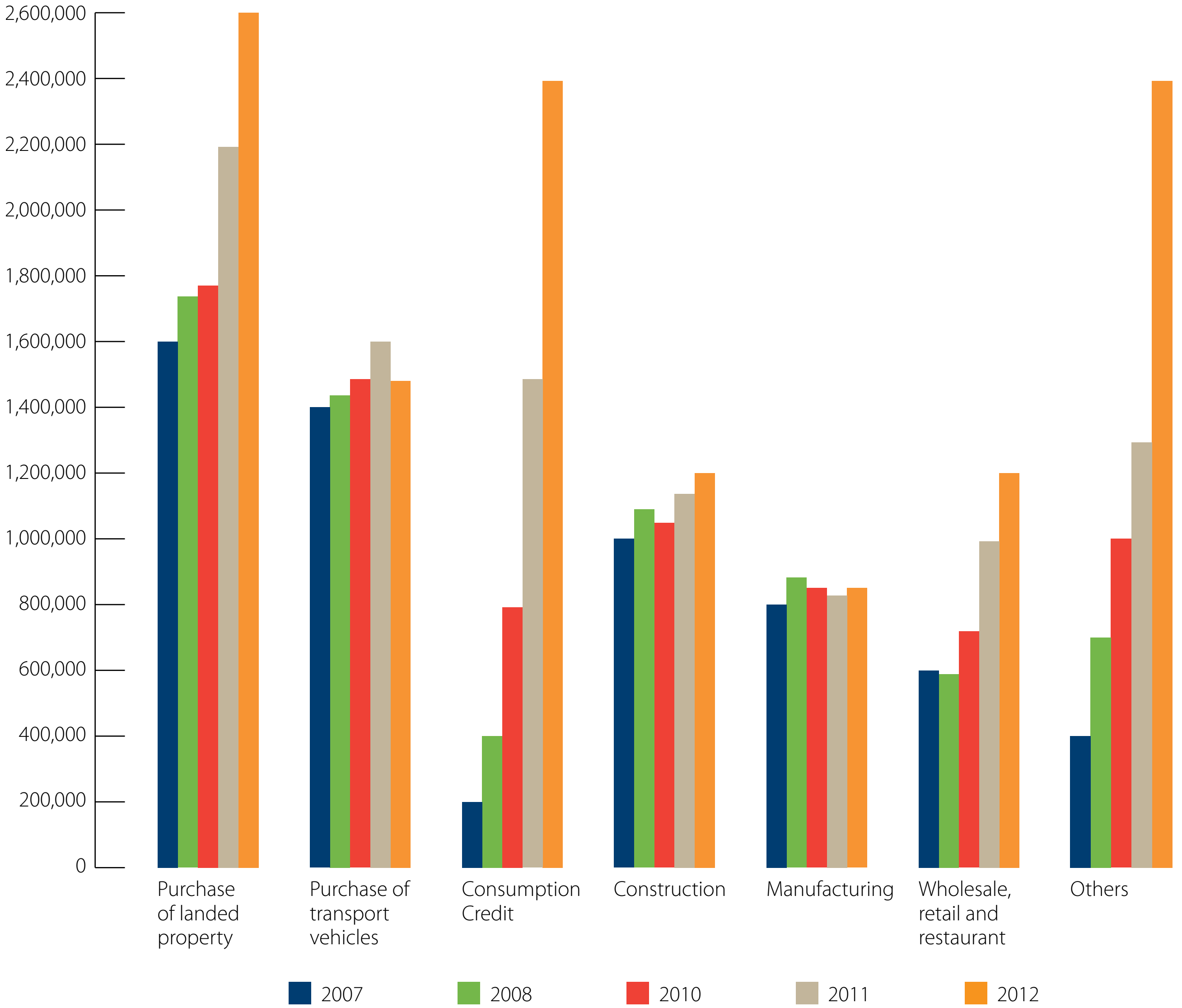
IMPAIRMENT OF FINANCING

The Bank will move towards full FRS 139 adoption, come 1 April 2012. Currently, the Bank has adopted Bank Negara Malaysia’s transitional revised GP3 option for financial year 31 March 2012.

ASSET QUALITY

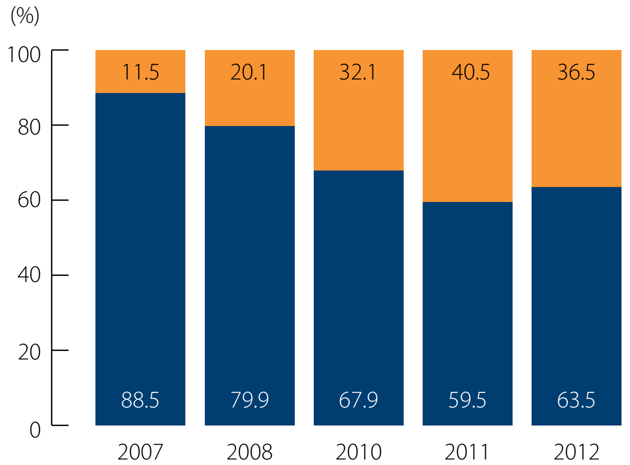
DIRECTION OF FINANCING

(RM Million)



The Bank main composition of financing as at 31 March 2012 was purchase of landed property (27.1%), consumption credit (20.5%) and purchase of transport vehicles (10.9%). Compared to last financial period, gross financing had increased by RM1.9 billion or 26.0%. Sectors which recorded significant increase during the financial year are consumption credit (RM615.9 million or 37.4%), community, social and personal service (RM391.5 million or 23.8%), financing, insurance & business services (RM375.4 million or 22.8%) and purchase of landed property (RM375.5 million or 22.8%). For the last five year period from 2007 to 2012, the main sources of increase in financing were from consumption credit (RM1.8 billion) and purchase of landed property (RM922.9 million).

FIXED AND FLOATING FINANCING

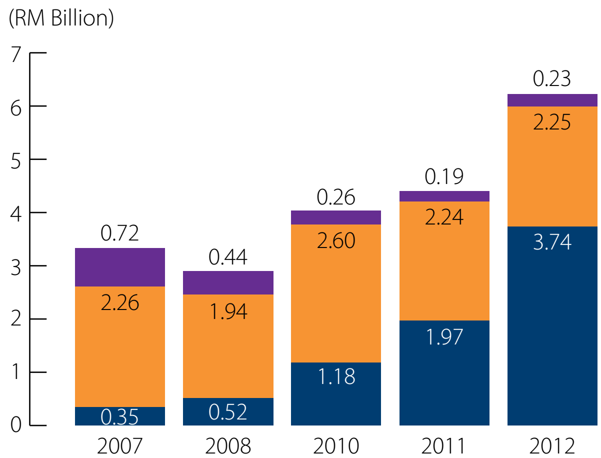


FIXED AND FLOATING FINANCING

As at 31 March 2012, fixed rate financing is still the major portion of the Bank total financing at 63.5%. These are predominantly structured under al-Bai' Bithaman Ajil, Al-Ijarah Thumma al-Bai' and Tawarruq contracts, which together consist of 51.3% of the Bank portfolio. The Bank will continue its efforts to rebalance its portfolio from fixed rate to floating rate and these efforts will make the Bank more resilient in facing any future upward movement in rates.

- Floating
- Fixed

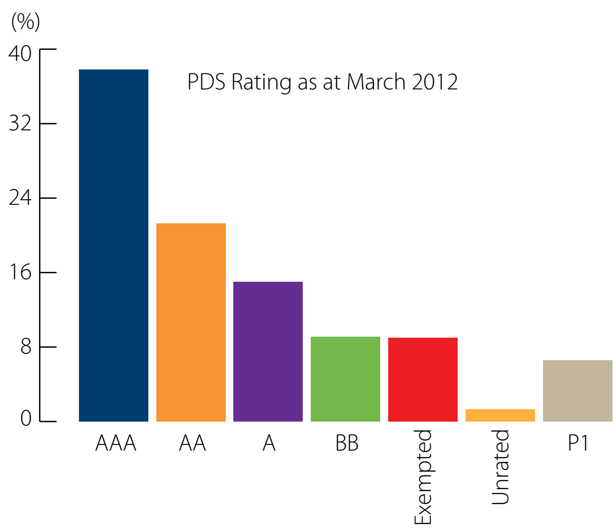
SECURITIES



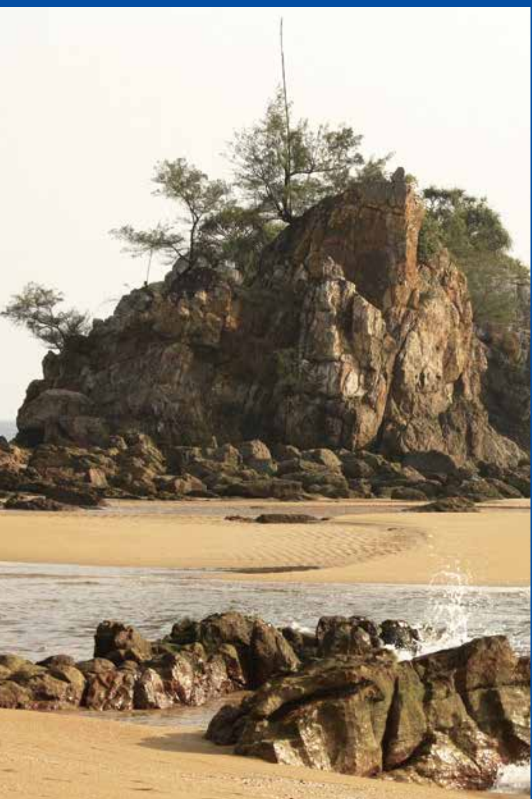
SECURITIES

The Bank has been aggressively increasing its holding in Malaysian Government Investment Certificate compared to Private Debt Securities (PDS) in order to maintain liquidity. Proportion of Malaysian Government Investment Certificate has improved from 60.0% to 44.8% in 2011. Whereas, PDS holdings has declined from 48.7% in 2011 to 36.2% in 2012. This reduction will reduce the Bank exposure to credit defaults, price and profit rate movements and liquidity risk.

- Malaysian Government Invested Certificate
- Private Debt Securities
- Others



- AAA
- AA
- A
- BB
- Exempted
- Unrated
- P1



Surah At Tawbah: 105

And say: "Work (righteousness): soon will Allah observe your work, and His Messenger, and the Believers: soon will you be brought back to the Knower of what is hidden and what is open: then will He show you the truth of all that you did."

BOARD OF DIRECTORS

From Left to Right

Haji Ismail Ibrahim, Tengku Dato' Seri Hasmuddin Tengku Othman, Tan Sri Dato' Dr Mohd Munir Abdul Majid, Haji Abdul Jabbar Abdul Majid, Dato' Haji Kamil Khalid Ariff, Dato' Haji Mohd Redza Shah Abdul Wahid, Haji Mohd Izani Ghani, Dato' Azmi Abdullah, Dato' Lukman Ibrahim

PROFILE OF BOARD OF DIRECTORS

TAN SRI DATO' DR MOHD MUNIR ABDUL MAJID

Chairman

Tan Sri Dato' Dr Mohd Munir Abdul Majid is Chairman of the Bank and was appointed to the Board of the Bank on 3 June 2008. He is also the Chairman of Veto Committee.

He obtained a B.Sc (Econ) from the London School of Economics and Political Science (LSE) in 1971 where he also obtained his PhD in International Relations in 1978. He taught at the Department of International Relations in LSE from 1972-1975. He was a research analyst for Daiwa Europe NV in London from 1975-1978.

Dr Munir joined the New Straits Times Press (NST) at the end of 1978 as leader writer and progressed to become the Group Editor. During his time at the NST, he had published numerous articles on national and international politics, and economics. He left NST in 1986 to become the CEO of a small merchant bank, Pertanian Baring Sanwa (PBS), whose name he changed to Commerce International Merchant Bankers (CIMB) which was then transformed into one of Malaysia's leading merchant banks. He was invited by the Government of Malaysia to establish and become the first and founding Executive Chairman of the Securities Commission in 1993, where he served for two terms until 1999. In 1997, he received the Cranfield Management Excellence award. After leaving the Securities Commission, he served as Senior Independent Non-Executive Director of Telekom Malaysia Berhad for 4 years until June 2004, and was Chairman of its mobile subsidiary Celcom (M) Berhad from 2002-2004.

In June 2004, Dr Munir joined the Malaysian Airline System Berhad Board of Directors and later in August 2004 was appointed its Non-Executive Chairman until July 2011.

He has served on various governmental boards and committees, such as Malaysian Industrial Development Authority (MIDA), Kuala Lumpur Stock Exchange (KLSE, now Bursa Malaysia), Foreign Investment Committee (FIC), as well as various private sector companies and organisations such as Kuala Lumpur Options and Financial Futures Exchange (KLOFFE), Council of the Association of Merchant Banks Malaysia (AMBM), Malaysian International Chamber of Commerce and Industry (MICCI).

He was the founder and President of the Kuala Lumpur Business Club (2003-2008) and is now the Chairman of its Advisory Council. In May 2004, he was appointed a member of the Court of Fellows of the Malaysian Institute of Management.

In December 2005, he was made an Honorary Fellow of the London School of Economics and Political Science. In 2008 he was made a Visiting Senior Fellow at LSE IDEAS (Centre for the Study of International Affairs, Diplomacy and Strategy) where he heads the Southeast Asia International Affairs Programme. Dr Munir is Adjunct Professor of Universiti Utara Malaysia (UUM).

Dr Munir is also a member Board of Trustees of PINTAR Foundation (a body designed to oversee voluntary educational activities in schools by government-linked companies) and Malaysia-Europe Forum. He is a member of the International Institute for Strategic Studies (IISS) in London. He conceived a TV programme, Fast Forward, on Radio Television Malaysia (RTM)1, which he has hosted.

Born in Penang in 1948, Dr Munir received his early education at St Mark's Primary School in Butterworth and the Bukit Mertajam High School. He received his upper secondary education at the Royal Military College in Sungei Besi near Kuala Lumpur where he was awarded the Commandant's Prize for being the best all-round student in 1967. He left for London the next year.

PROFILE OF BOARD OF DIRECTORS

DATO' LUKMAN IBRAHIM

Non-Independent Non-Executive Director

Dato' Lukman Ibrahim was appointed as a Non-Independent Non-Executive Director of the Bank, nominated by DRB-HICOM Berhad (DRB-HICOM) on 18 November 2011. He is the Chairman of the Board Muamalat Banking Solutions Steering Committee.

Dato' Lukman obtained a Bachelor of Business Administration (Magna Cum Laude) in 1989 and Master of Business Administration in 1990 from Temple University, Philadelphia, USA. He is a Fellow of Association of Chartered Certified Accountants (ACCA), a member of Malaysian Institute of Certified Public Accountant (CPA) and Malaysian Institute of Accountants (MIA).

Dato' Lukman started his career in 1989 with Sun Refining and Marketing, Philadelphia, USA before joining Automotive Corporation (Malaysia) Sdn. Bhd. in 1990. He then joined Proton Berhad (now known as Proton Holdings Berhad (Proton)) in 1991 and established his career with Proton over a period of 17 years. His appointment immediately prior to joining DRB-HICOM was the Managing Director of PHN Industry Sdn. Bhd. on secondment from Proton.

Dato' Lukman joined DRB-HICOM as Group Chief of Finance in 2008, a position which was later re-designated as Group Chief Financial Officer. He was promoted to the Group Chief Operating Officer in June 2011. Consequent to the recent acquisition of Proton by DRB-HICOM, Dato' Lukman was seconded to Proton to lead the Post Acquisition Integration and Consolidation Team, effective 9 April 2012.

Dato' Lukman's current directorships in the companies within the DRB-HICOM Berhad Group include POS Malaysia Berhad and several private limited companies.

DATO' HAJI MOHD REDZA SHAH ABDUL WAHID
Chief Executive Officer

Dato' Haji Mohd Redza Shah Abdul Wahid is Chief Executive Officer (CEO) of the Bank and was appointed to the Board of the Bank on 1 November 2008.

He holds a Bachelor of Science in Economics in Industry and Trade (Honours) from London School of Economics, University of London in 1986 and Master of Science Economic's in International Banking and Finance from University of Wales, Cardiff.

Dato' Haji Mohd Redza Shah became an Associate Chartered Accountant (ACA) whilst he started his career with Touche Ross & Co, London (now known as Deloitte & Touche) in 1988 as Trainee Accountant. At the end of 1992 he joined Arab Malaysian Corporation Berhad as an Internal Audit Manager and progressed to become the Corporate Finance Manager.

He then joined Khazanah Nasional Berhad when it commenced operations in July 1994 as a Senior Finance Manager and later moved to Silterra Malaysia Sdn Bhd, a subsidiary of Khazanah Nasional Berhad as Chief Financial Officer. He left Silterra Malaysia Sdn Bhd to spearhead Tradewinds Corporation Berhad as the Group CEO from September 2002 to November 2005 and Acting CEO of Tradewinds (M) Berhad where he served from May 2004 until November 2005, prior to his position as Group Chief Operating Officer of DRB-HICOM Berhad.

He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the FSTEP Steering Committee. He also serves as a member in the Board of Accountants in Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI), the body which issues accounting and auditing policies on Islamic Banking.

Dato' Haji Mohd Redza Shah is the President of Association of Islamic Banking Institutions Malaysia (AIBIM) and also sits on the Boards of Malaysian Electronic Payment System Sdn. Bhd. (MEPS) and the Bank's subsidiaries.

PROFILE OF BOARD OF DIRECTORS

HAJI MOHD IZANI GHANI

Non-Independent Non-Executive Director

Haji Mohd Izani Ghani was appointed as a Non-Independent Non-Executive Director, nominated by Khazanah Nasional Berhad, on 1 March 2009. He is a member of Board Risk Management, Remuneration and Nomination Committees.

He graduated from the London School of Economics and Political Science in 1991 with BSc (Economics) specialising in Accounting and Finance. After graduating from LSE, he pursued his professional accounting qualification from the Association of Chartered Certified Accountants (ACCA) and admitted to fellowship in 2000. He is also a member of Malaysian Institute of Accountants.

He is currently the Director/Chief Financial Officer of Khazanah Nasional Berhad. He joined Khazanah in March 2005, initially handling funding and treasury operations. On funding front, he was deeply involved in the issuance of the world's first exchangeable sukuk for USD750 million in 2006, followed by other landmark exchangeable sukuks in 2007 and 2008. In relation to RM funding, he was instrumental in the setting up of various sukuk programmes.

His first exposure to the corporate world was in 1993 when he joined the then Renong Group. In 1999, he joined the concession holder of Putrajaya township development, Putrajaya Holdings Sdn. Bhd. to assist in the financing for the construction of the Government office buildings and staff quarters. He left Putrajaya Holdings in 2005 to join the Finance division of Khazanah Nasional Berhad.

He is currently a director in the special purpose companies, which are wholly owned by Khazanah Nasional Berhad i.e. Rantau Abang Capital Berhad, Feringghi Capital Ltd, Klebang Capital Ltd, Lido Capital Ltd and Cenang Capital Ltd. He is also a director of Malaysia Airports Holdings Berhad.

HAJI ISMAIL IBRAHIM

Non-Independent Non-Executive Director

Haji Ismail Ibrahim was appointed as a Non-Independent Non-Executive Director nominated by Khazanah Nasional Berhad on 23 March 2001. He is also a member of the Board Audit, Remuneration, Nomination, Veto and Board Muamalat Banking Solutions Steering Committees.

He holds a Degree in Accounting from Universiti Kebangsaan Malaysia and a member of the Malaysian Institute of Accountants. He is currently the Vice President of Khazanah Nasional Berhad. He joined Khazanah Nasional Berhad as Accountant/Finance Manager in 1995. He started his career in 1985 with the Accountant General's Department during which he served as Treasury Accountant in the Investment and Loan Division until 1991 and subsequently, he was appointed as Assistant Director in the Funds Management Division until 1995.

PROFILE OF BOARD OF DIRECTORS

HAJI ABDUL JABBAR ABDUL MAJID
Independent Non-Executive Director

Haji Abdul Jabbar Abdul Majid was appointed as an Independent Non-Executive Director of the Bank since 13 October 2004. He is a Fellow Member of the Institute of Chartered Accountants, Australia, as well as a member of the Malaysian Institute of Accountants. He is also a member of the Executive Council of the Malaysian Institute of Certified Public Accountants (MICPA).

He is the Chairman of Board Audit and member of the Board Risk Management, Remuneration and Nomination Committees.

Haji Abdul Jabbar began his career in 1974 as Senior Manager in the Internal Audit and Organisation Department of Bank Pertanian Malaysia. In 1977, he joined KPMG Malaysia as Manager and was admitted to the partnership two years later. In 1993, he was promoted to Deputy Senior Partner and was made Senior Partner in 1995, a position he held until his retirement in 2000.

Haji Abdul Jabbar then joined Malaysia Derivatives Exchange Berhad in 2001 and retired as Executive Chairman on 28 February 2004. He was a past president of MICPA. He was an Adjunct Professor of the Faculty of Economics and Accounting of the International Islamic University and a member of the Senate of the Open University Malaysia Board.

He also sits on the Boards of Tradewinds Corporation Berhad and Opcom Holdings Berhad.

TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN

Independent Non-Executive Director

Tengku Dato' Seri Hasmuddin Tengku Othman was appointed as a Non-Independent Non-Executive Director of the Bank since 18 April 2006 and was subsequently redesignated to Independent Non-Executive Director by Bank Negara Malaysia on 16 February 2009.

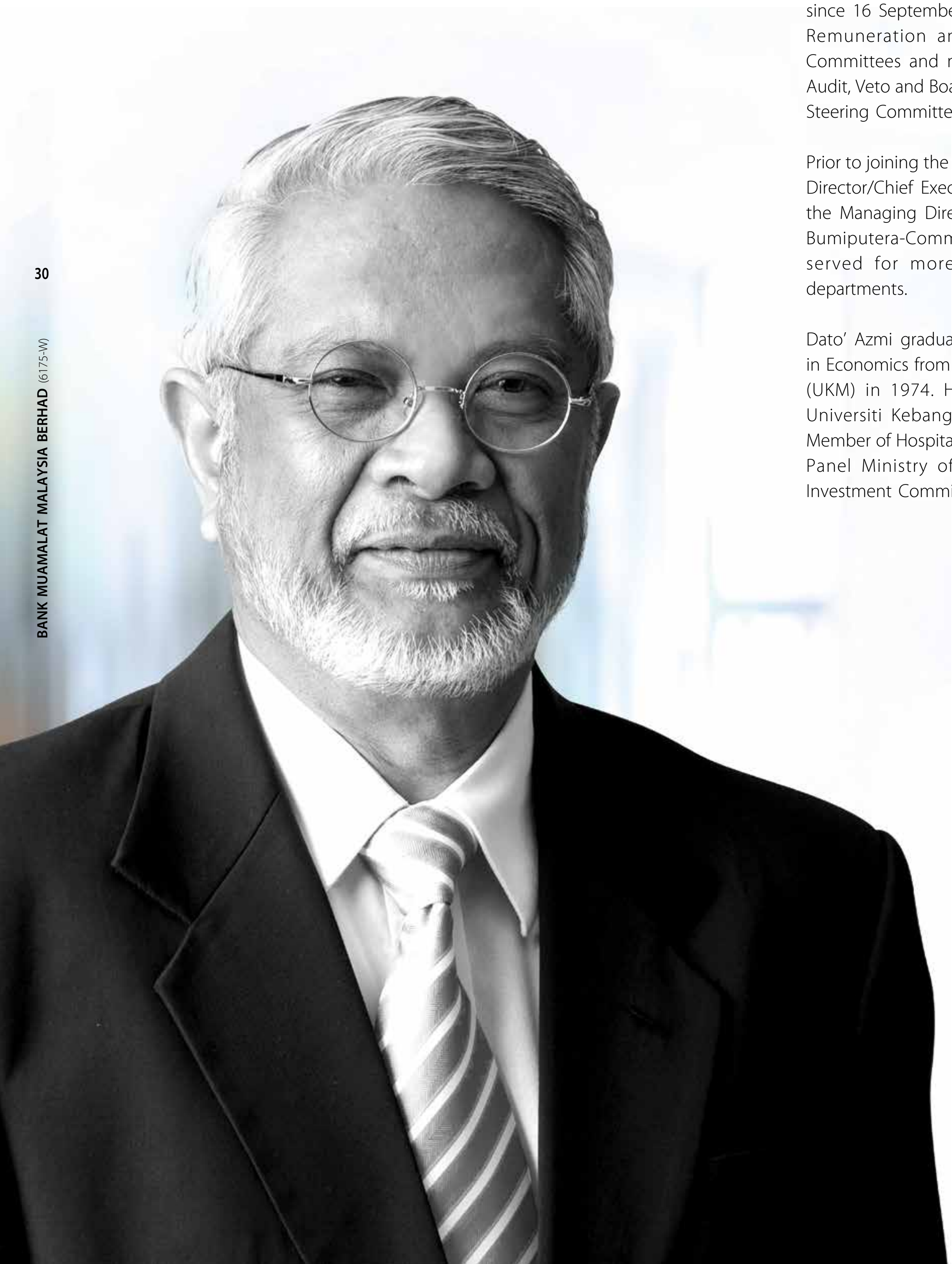
He is the Chairman of Nomination Committee and is a member of Board Audit, Board Risk Management, Remuneration and Veto Committees.

Tengku Dato' Seri Hasmuddin holds a Bachelor of Laws (Hons) from University of Malaya and was admitted to the Bar in 1987. He is a practicing lawyer and is currently the principal partner of Messrs Hisham, Sobri & Kadir. His areas of expertise include the various expects of Islamic banking and finance, corporate banking and project financing, corporate matters, corporate Muamalat Islamic banking and litigation as well as matters relating to Syariah.

He is a director of a number of companies including Aliran Ihsan Resources Berhad, Institut Jantung Negara Sdn. Bhd, HSK Corporate Advisory & Consultancy, Rangkaian Hotel Seri Malaysia Sdn. Bhd. and Amanah Ikhtiar Malaysia.

He is also a member of Task Force on Islamic Finance for Labuan IOFC, Member of Jawatankuasa Pemantauan dan Pengawasan Syarikat Jaminan Pembiayaan Perniagaan Berhad and Investment Committee Member of Amanahraya-Reit.

PROFILE OF BOARD OF DIRECTORS



DATO' AZMI ABDULLAH
Independent Non-Executive Director

Dato' Azmi Abdullah was appointed as an Independent Non-Executive Director of the Bank since 16 September 2009. He is the Chairman of Remuneration and Board Risk Management Committees and member of Nomination, Board Audit, Veto and Board Muamalat Banking Solutions Steering Committees.

Prior to joining the Bank, he was the first Managing Director/Chief Executive Officer of SME Bank and the Managing Director/Chief Executive Officer of Bumiputera-Commerce Bank Berhad, where he served for more than 26 years in various departments.

Dato' Azmi graduated with a B.A. (Hons) Degree in Economics from Universiti Kebangsaan Malaysia (UKM) in 1974. He is presently a Director of Universiti Kebangsaan Malaysia and a Council Member of Hospital UKM, Malaysia, the Tax Review Panel Ministry of Finance and a member of Investment Committee of Amanah Raya Berhad.

DATO' HAJI KAMIL KHALID ARIFF
Independent Non-Executive Director

Dato' Haji Kamil Khalid Ariff was appointed as an Independent Non-Executive Director of the Bank on 29 September 2011. He is a member of Board Audit, Board Risk Management and Board Muamalat Banking Solutions Steering Committees.

He graduated with MBA in International Business from Michigan, USA in 1979. Prior to this, he obtained BSc in Management from Syracuse University, New York and Diploma in Public Administration from ITM. His last position was as Managing Director/Chief Executive Officer of Mahkota Technologies Sdn. Bhd. (formerly known as General Electric Company of the UK) – dealing mainly in electrical engineering/supply Industry. Upon his recent retirement, he has been retained as Advisor to the Mahkota Group.

In the last 30 years, he served in numerous Management and Board positions in several large corporate entities viz, The New Straits Times, Kumpulan Perangsang Bhd, Kumpulan Guthrie Bhd. and Idris Hydraulic Bhd. During this time, he was exposed to various multi facet industries viz advertising & publishing, trading, manufacturing and engineering. He was also the founder and Director of the Kuala Lumpur Tin Market, which he, as part of a Government Steering Committee, helped set up in the mid 1980s.

Dato' Haji Kamil Khalid also sits on the Board of Uni.Asia General Insurance Berhad, Uni.Asia Life Assurance Berhad and Board of Indah Water Konsortium and its several Board Committees as an Independent Director.

SHARIAH COMMITTEE

From Left to Right:

HAJI AZIZI CHE SEMAN
Chairman of Shariah Committee

ENGKU AHMAD FADZIL ENGKU ALI
Alternate Chairman/Member of Shariah Committee

ASSOC PROF DR MOHAMAD SABRI HARON
Member of Shariah Committee

DR AB HALIM MUHAMMAD
Member of Shariah Committee

DR ZULKIFLI MOHAMAD AL-BAKRI
Member of Shariah Committee

WAN MARHAINI WAN AHMAD
Member of Shariah Committee






PROFILE OF SHARIAH COMMITTEE
& TERMS OF REFERENCE

HAJI AZIZI CHE SEMAN (CHAIRMAN)

Haji Azizi Che Seman is currently a lecturer at the Islamic Studies Academy, University of Malaya, a position he has held since 2002. He has been with the Bank since 1 April 2005. Until now, he is entrusted to be the Chairman for the Bank's Shariah Committee. In terms of qualification, he is now pursuing his studies in the field of Sukuk (Bond), he holds a Master Degree in Economics from International Islamic University of Malaysia in 2001 and a Bachelor of Islamic Studies from University Malaya in 1996. His specialisation areas are in Islamic Capital Market, Islamic Economics, Fiqh Muamalat and Research Methodology.

ENGKU AHMAD FADZIL ENGKU ALI

Engku Ahmad Fadzil Engku Ali has obtained his early education at Malay College Kuala Kangsar until 1986. He has furthered his study in a Bachelor Degree in Laws (Second Class Honors Upper) from International Islamic University of Malaysia and graduated in 1993. In the subsequent year, he graduated from the same university with a Bachelor Degree in Shariah Law with First Class Honors. He was called to the bar, admitted and enrolled as an Advocate and Solicitor of the High Court of Malaya in 1995. He then pursued his studies at Jordan University and in the year 2000, he successfully obtained a Masters Degree in Islamic Judiciary. Since then, he served as a lecturer at the International Islamic University of Malaysia. Some of the subjects that he teaches are Islamic Law of Successions, Islamic Jurisprudence and Islamic Criminal Laws. He has been a member of the Bank's Shariah Committee since 2005.

ASSOC PROF DR MOHAMAD SABRI HARON

Assoc Prof Dr Mohamad Sabri Haron is a lecturer at the Centre of General Studies, National University of Malaysia. He is also an Associate Senior Fellow at Institute of West Asian Studies. He obtained a Diploma in Islamic Studies from Kolej Sultan Zainal Abidin in 1985 and Bachelor of Islamic Studies (Al-Quran and Al-Sunnah) from National University of Malaysia in 1988. He has completed his Master of Comparative Law at International Islamic University of Malaysia in 1993. He succeeded in obtaining his PhD. in Islamic Law (Fiqh and Usul Fiqh) in 1998 from University of Jordan. He has been with the Bank since December 2003. His specialisation areas are in Islamic Economics and Islamic Civilisation. He also been seconded to the Securities Commission as the Senior Manager in Islamic Capital market starting from 1 June 2009 until 31 May 2010.

DR AB HALIM MUHAMMAD

Dr Ab Halim Muhammad graduated in 1972 with a Bachelor's Degree of Shari'ah from Al-Azhar University, Cairo, Egypt and completed his studies in PhD of Shari'ah at St. Andrew, Scotland University in 1977. He served as a lecturer and became the Head of Department of Quran & Sunnah, Faculty of Islamic Studies Universiti Kebangsaan Malaysia. Some of the subjects that he taught were Islamic Jurisprudence (Muamalat, Islamic Banking & Islamic Finance and Takaful), Principles of Islamic Jurisprudence and Islamic Criminal Laws. However, he has retired as a lecturer now. He used to be the first Chairman of Shariah Committee of BMMB prior to joining National Shariah Advisory Council of Bank Negara Malaysia in 2004. Currently, he is a retired lecturer and also a member of Shariah Committee of Security Commission. He has been re-appointed as a member of the Bank's Shariah Committee since 30 November 2009.

DR ZULKIFLI MOHAMAD AL-BAKRI

Dr Zulkifli Mohamad Al-Bakri is a scholar in Malaysia. He obtained his early education at Sek. Men. Agama (Atas) Sultan Zainal Abidin, Terengganu and furthered his study in Bachelor's Degree at Universiti Islam Madinah, Arab Saudi prior to entering Universiti Ilmu-Ilmu Islam Dan Arab, Syria to finish his Masters. He succeeded in obtaining his PhD at USM, Pulau Pinang in 2004. He served as a lecturer in Universiti Sains Islam Malaysia from 2006-2009. He is now focusing more on writing and has written many books in Fatwa, Islamic Law and Islamic Jurisprudence. He has a vast experience in Islamic Banking as he was formerly the Chairman of Shariah Committee of Bank Pertanian Malaysia prior to joining the Bank on 1 April 2011. He is also an expert and capable in providing fatwa, as he serves as a member of Fatwa's Committee for state of Negeri Sembilan and the Chairman for Shariah Committee in World Fatwa Management and Research Institute (INFAD) at USIM.

WAN MARHAINI WAN AHMAD

Wan Marhaini Wan Ahmad is currently a lecturer at the Finance and Banking Department, University of Malaya, a position she has held since 2002. Previously, she was appointed as Shariah Committee Member for EONCAP Islamic Bank Berhad since April until November 2011. In terms of qualification, she is currently completing her PhD in University of Edinburgh, United Kingdom with her dissertation on Zakat Investment in Malaysia. She holds a Master Degree in Economics from International Islamic University of Malaysia in 2002 concentrating on Economics and Finance and her dissertation is related to Study of Gharar in Insurance and Takaful. She also graduated from Islamic Academy, University of Malaya for her Bachelor degree in 1996. Her specialisation areas are in Fiqh Muamalat, Islamic Economics, Islamic Finance and Banking. In University of Malaya, she teaches undergraduate and Masters programmes (MBA and MM) and the courses taught among others are Islamic Finance, Financial Decision-Making, Managerial Finance, Economics for Managers, International Finance and Communication & Thinking Skills.

PROFILE OF SHARIAH COMMITTEE & TERMS OF REFERENCE

TERMS OF REFERENCE OF SHARIAH COMMITTEE

The Bank activities are subject to the Shariah compliance and conformation by the Shariah Committee consisting of minimum five (5) members appointed by the Board of Director for a two (2) years term. The terms of reference of the Shariah Committee are governed by the Shariah Governance Framework for Islamic Financial Institution issued by the Bank Negara Malaysia (BNM). The main duties and responsibilities of the Shariah Committee are as follows:

(1) **Responsibility and accountability**
The Shariah Committee is expected to understand that in the course of discharging the duties and responsibilities as a Shariah Committee member, and responsible and accountable for all Shariah decisions, opinions and views provided by them.

(2) **Advise to the Board and Bank including the Bank's subsidiaries**
The Shariah Committee is expected to advise the Board, Management including the Bank's subsidiaries and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.

(3) **Endorse Shariah policies and procedures**
The Shariah Committee is expected to endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.

(4) **Endorse and validate relevant documentations**
To ensure that the products of the Bank comply with Shariah principles, the Shariah Committee must approve:

i. the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and

ii. the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

(5) **Assess work carried out by Shariah review and Shariah audit**
To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

(6) **Assist related parties on Shariah matters**
The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

(7) **Shariah Advisory Council, Bank Negara Malaysia**
The Shariah Committee may advise the Bank to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC of BNM) on Shariah matters that could not be resolved.

In cases where there are uncertainties and differences of opinions, the Bank may seek advice and refer for a ruling from the SAC. The request for advice shall be communicated through the Secretariat of the SAC.

Members of the Shariah Committee must not act in a manner that would undermine the rulings and decisions made by the SAC of BNM or the committee they represent. They are required to respect and observe the published Shariah rulings issued by the SAC and shall not go against the decisions of the committee that they represent in public.

In cases of disputes and court proceedings relating to Islamic financial business or any Shariah issues arising from the Bank's business operations, both the court and the arbitrator shall take into consideration the published rulings of the SAC or refer such issues to the SAC for its ruling. Any ruling made by the SAC arising from a reference made shall be binding on the Bank and the court or the arbitrator. In the event where the decision given by the Bank's Shariah Committee is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the Shariah Committee is allowed to adopt a more stringent Shariah decision.

(8) Provide Written Shariah Opinions
The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank refers to the SAC for further deliberation, or where the Bank submits applications to the Bank for new product approval.

(9) Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.

(10) Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.

(11) Report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.

(12) Provide Shariah advisory and consultancy services in all matters relating to the Bank's products, transactions and activities as well as other businesses involving the Bank.

(13) Scrutinise and endorse the annual financial report of the Bank.

(14) Provide training to the staff as well as notes or relevant materials for their reference.

(15) Represent the Bank or to attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.

(16) The Shariah Committee shall maintain the confidentiality of BMMB's internal information and shall be responsible for the safe guarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.

(17) The Shariah Committee shall ensure the quality and consistency of the Shariah decisions.

Most of the issues submitted to the Shariah Committee for deliberation are resolved via meetings. For the financial year 2011/12, 20 series of meetings were held. The details of their attendance are as follows:

Shariah Committee Members	Attendance
Haji Azizi Che Seman (Chairman)	20/20
Engku Ahmad Fadzil Engku Ali	20/20
Prof Madya Dr Mohamad Sabri Haron	20/20
Dr Ab Halim Muhammad	17/20
Dr Zulkifli Mohamad Al-Bakri	18/20

REMARKS FROM CHAIRMAN OF SHARIAH COMMITTEE

The Bank's consciousness of the importance of Shariah has given a significant impact in its attempt to move forward to position itself as one of the leading Shariah compliant banks recognised by the industry. Committed adherence to the Guideline of Shariah Governance Framework for Islamic Institution issued by Bank Negara Malaysia (BNM) has placed us as one of the best governance of Islamic Financial Institution.

This strategic initiative exemplifies the Bank's deep concern and seriousness in Shariah compliance as much as to be the true Shariah bank that promotes and upholds the role of Islamic banking and financing in the industry at large.

We would like to record our sincerest congratulations to the Board of Directors and the Management for showing genuine concern and strong passion to ensure not only the productivity and profitability of the Bank, but also the Shariah dictates and requirements, in so performing, are properly observed and adhered to.

As the Shariah Committee of the Bank, we have given and contributed our utmost dedication to quality and demonstrated our commitment to achieve the set objectives in terms of products, process, documentations and other related matters.

Indeed, we are very thankful and proud of such cooperation received especially from the Management and generally from the relevant staffs, in providing the committee with the adequate information and materials in ensuring our deliberations on each issue would be resolved correctly and accordingly.

The Bank is also encouraged to explore new concepts in Muamalat especially in something that can enhance our innovation in Islamic Banking and at the same time fulfill the need of Maslahah Ammah of the ummah such as waqf and rahn.

It is highly hoped and reasonably anticipated that this Bank becomes profitably successful in business while upholding the Shariah implementation and application in the Islamic banking and Business without undermining the never-ending quest for the ultimate goal of gaining Allah's blessing and pleasure.

Thank you

Regards

Chairman
Shariah Committee

SENIOR MANAGEMENT

From Left to Right:

DATO' HAJI MOHD REDZA SHAH ABDUL WAHID
Chief Executive Officer

MUSA ABDUL MALEK
Deputy Chief Executive Officer

MOHD ASRI AWANG
Chief Risk Officer

HAJI ISMAIL IBRAHIM
Executive Vice President, CEO's Office

PEERMOHAMED IBRAMSHA
Executive Vice President, Finance

LIM TECK GAM
Executive Vice President, Credit Management

FARIDAH HASHIM
Executive Vice President, Human Resources

DATO' HAJI SALAMAT HAJI WAHIT
Executive Vice President, Strategic Liaison








PROFILE OF SENIOR MANAGEMENT TEAM

DATO' HAJI MOHD REDZA SHAH ABDUL WAHID

Dato' Haji Mohd Redza Shah Abdul Wahid is Chief Executive Officer (CEO) of the Bank and was appointed to the Board of the Bank on 1 November 2008.

He holds a Bachelor of Science in Economics in Industry and Trade (Honours) from London School of Economics, University of London in 1986 and Master of Science Economic's in International Banking and Finance from University of Wales, Cardiff.

Dato' Haji Mohd Redza Shah became an Associate Chartered Accountant (ACA) whilst he started his career with Touche Ross & Co, London (now known as Deloitte & Touche) in 1988 as Trainee Accountant. At the end of 1992 he joined Arab Malaysian Corporation Berhad as an Internal Audit Manager and progressed to become the Corporate Finance Manager.

He then joined Khazanah Nasional Berhad when it commenced operations in July 1994 as a Senior Finance Manager and later moved to Silterra Malaysia Sdn Bhd, a subsidiary of Khazanah Nasional Berhad as Chief Financial Officer. He left Silterra Malaysia Sdn Bhd to spearhead Tradewinds Corporation Berhad as the Group CEO from September 2002 to November 2005 and Acting CEO of Tradewinds (M) Berhad where he served from May 2004 until November 2005, prior to his position as Group Chief Operating Officer of DRB-HICOM Berhad.

He is a member of the Institute of Chartered Accountants in England and Wales (ICAEW) and the FSTEP Steering Committee. He also serves as a member in the Board of Accountants in Accounting & Auditing Organisation for Islamic Financial Institutions (AAOIFI), the body which issues accounting and auditing policies on Islamic Banking.

Dato' Haji Mohd Redza Shah is the President of Association of Islamic Banking Institutions Malaysia (AIBIM) and also sits on the Boards of Malaysian Electronic Payment System Sdn. Bhd. (MEPS) and the Bank's subsidiaries.

MUSA ABDUL MALEK

Musa joined the Bank as the Deputy Chief Executive Officer on 1 September 2010. He graduated with a Bachelor Degree in Business Administration in 1979. As a Deputy Chief Executive Officer his portfolio is not only assisting the Chief Executive Officer on all banking matters but also overseeing the various departments in the Business Banking, Consumer Banking, Product Development & Management and Marketing.

Musa brings with him more than 31 years of wealth of experience in the Banking industry. Prior to joining the Bank, Musa was holding various positions in HSBC Bank Malaysia Berhad. His last position was Executive Director and Chief Executive Officer with HSBC Amanah Malaysia Berhad.

MOHD ASRI AWANG

Asri is currently the Chief Risk Officer with direct oversight of Risk Management and Credit Assess Departments and the Regional Approving Center and serves as a member of the Bank's management committee, executive risk management committee, investment committee and ALCO. Previously he was the Executive Vice President, Wholesale Banking with overall business portfolio responsibilities of treasury and capital market, corporate and commercial banking, investment banking, private equity and asset management.

Prior to joining the Bank, Asri was the CEO of Malaysian Rating Corporation, a domestic rating agency. His previous appointments include being the Head of Corporate Planning and Business Development at MIDF Berhad, overseeing the group's formulation of strategic plans, business acquisition, joint ventures and strategic alliances; Country Treasurer and Vice President of the then Chase Manhattan Bank Malaysia; General Manager, Treasury and Southern Region of a domestic commercial bank; Chief Executive Officer of a domestic finance company and Treasurer of a merchant bank.

Asri is an Economics graduate from Macquarie University, Sydney.

PROFILE OF SENIOR MANAGEMENT TEAM

HAJI ISMAIL IBRAHIM

Haji Ismail Ibrahim joined the Bank as Executive Vice President, CEO's Office in April 2012.

Prior to joining the Bank, Haji Ismail was on the Board of Kuwait Finance House (Malaysia) Berhad as Independent Non-Executive Director. He started his career in Agro Bank Malaysia Berhad (formerly known as Bank Pertanian Malaysia Berhad), and later moved to United Overseas Bank (Malaysia) Berhad [formerly known as Chung Khiaw Bank (Malaysia) Berhad/Lee Wah Bank Limited] and Affin Bank Berhad (formerly known as Perwira Habib Bank Berhad).

In 1992, he joined Public Bank Berhad as Director, Credit Operations overseeing credit evaluation, credit administration and loan recovery. He was also a pioneer staff in the development of Islamic banking in Public Bank Berhad and played a key role in the establishment of Public Islamic Bank Berhad, a wholly owned subsidiary of Public Bank Berhad.

He was appointed as the Chief Executive Officer of Public Islamic Bank and remained on the post until his retirement in January 2011. Haji Ismail brings with him a wealth of 39 years of banking experience in areas of credit evaluation, loan recovery, credit administration, branch management and Islamic banking operations.

PEERMOHAMED IBRAMSHA

PeerMohamed Ibramsha currently serves as Executive Vice President, Finance. His current portfolio covers Finance, Information Technology, Project Management and Legal. He holds a Bachelor Degree in Accountancy and is also a member of the Malaysian Institute of Accountant and a Fellow CPA with CPA Australia. He has been with the Bank since November 2008. Prior to this, he was the CFO of Alam Flora Sdn Bhd for approximately 2 years and CFO of Glenmarie Properties Sdn Bhd Group of companies for approximately 10 years.

LIM TECK GAM

Lim Teck Gam is currently the Executive Vice President of Credit Management Division. He joined the Bank in November 2008 as Senior Vice President of Business Support Division. His portfolio was extended to include Credit Supervision and Recovery Department in July 2009. Teck Gam holds a Bachelor of Business from Royal Melbourne Institute of Technology University, Australia. He is a Chartered Accountant and a Certified Practising Accountant. Prior to joining the Bank, Teck Gam has held various positions at DRB-HICOM Berhad (DRB-HICOM) Group, namely, the Chief Financial Officer of Edaran Otomobil Nasional Berhad and General Manager of DRB-HICOM. Teck Gam has also served in public listed companies and in an international accounting firm prior to joining DRB-HICOM.

FARIDAH HASHIM

Faridah Hashim joined the Bank as Executive Vice President of Human Resources in September 2010. Her portfolio covers Talent Management, Learning & Development, Organisational Development, Manpower Planning, Recruitment, Compensation & Benefits Management and Employee & Industrial Relations.

She holds a Master in Business Administration from the University of Bath, United Kingdom. She has over 26 years of working experience in the various functions, mostly in the Human Resources in the banking industry. Prior to joining the Bank, she worked with several commercial local banks and merchant banks such as Bank Bumiputra Malaysia Berhad, Amanah Merchant Bank Berhad and Alliance Merchant Bank Berhad. Her last position prior to joining the Bank was as Head of Human Resources in Asian Finance Bank.

DATO' HAJI SALAMAT HAJI WAHIT

Dato' Haji Salamat is the Executive Vice President of Strategic Liaison and is on secondment from DRB-Hicom Group. He graduated with a Bachelor of Mechanical Engineering (Hons.) from University of Technology Malaysia in 1981.

As the Head of Strategic Liaison, his main job is to develop strategic networking and maintain/build good rapport with Government Ministries, Departments and Agencies. He also performs marketing activities and business development with DRB-Hicom Group of Companies, explores new markets & developing businesses through strategic alliances and assist the Bank in securing clearances and approvals from the relevant Authorities.

Dato' Haji Salamat brings with him a total of 31 years of working experience, 13 years in the public sector and 18 years in the private sector. Prior to his secondment of the Bank, he was the Head, Institutional Liaison & Business Development for DRB-Hicom Group. Prior to that he was the Chief Executive Officer, PUSPAKOM Sdn Bhd.

He is a member of Board of Examiners (BOE) for International Collage of Automotive (ICAM), Pekan, Pahang and a Board Member of Feasible Services Sdn Bhd and Saganet Sdn Bhd.

Surah Al Ra'd: 11

For each (such person) there are (angels) in succession, before and behind him; they guard him by command of Allah. Verily never will Allah change the condition of a people until they change it themselves (with their own souls). But when (once) Allah will a people's punishment, there can be no turning it back, nor will they find, besides Him, any to protect.

CHAIRMAN'S STATEMENT

DEAR FELLOW STAKEHOLDERS,

OPERATING ENVIRONMENT

The last financial year proved to be another challenging period for the Bank and the country as a whole. Global markets were affected by the ongoing concerns surrounding the Euro zone sovereign debt, the European banking system, the US Federal budget deficit and its economic prospects as well as the geo-political developments in the Middle East and North Africa region. During the first quarter of 2012, Asian markets were equally concerned over the emergence of asset bubbles in China that has escladed the fear of a wider economic slowdown in the region.

TAN SRI DATO' DR MOHD MUNIR ABDUL MAJID
Chairman

CHAIRMAN'S STATEMENT

These developments firstly had an impact on Malaysia's economic growth which slowed down to 5.1% in 2011. Secondly, it led to greater risk aversion by investors and strengthened expectations that there will be a protracted slow growth environment which has caused a pronounced flattening of the market yield curve.

Coupled with ample market liquidity, price competition intensified further which led to historically low pricing for both house and car financing products. Consequently, the overall income spread narrowed further following increases in both the overnight policy rate (OPR) and statutory reserves requirement during the year.

PERFORMANCE REVIEW

The flattening of the yield curve and the resultant narrowing of the spread between shorter term and longer term maturities caused an inevitable impact on our financial performance. Our profit spread narrowed more than anticipated resulting in a significant reduced fund based income. Our asset growth saw continued build up in fixed rate exposures specifically in the consumer financing and fixed income investment portfolios.

Our total income grew by 8.8% to RM893.6 million during the financial year ending March 2012. Profit-Before-Tax (PBT) however was RM124.1 million, down by RM80.2 million. In addition to the squeezed margin, the PBT was also adversely affected by a write-off made on our IT solutions which was not successfully implemented.

Despite the challenges faced, total assets grew by 11.8% to RM20.5 billion contributed mainly from strong growth in both consumer and business financing portfolios. Both portfolios increased by 18.4% and 25.8% respectively, a clear reflection of our efficacious efforts in growing the structured personal financing to army personnel, civil servants and sizeable financing of government related projects.

Better inherent qualities in new asset acquisition at the retail and wholesale levels and improved risk management practices have ensured an overall resilience in our asset quality performance. The non-performing financing (NPF) ratio registered an overall improvement to 4.7% from 4.8% previously.

Total deposits grew at a comfortable rate of 11.9% to RM18.2 billion. More importantly, we managed to grow our consumer and retail deposit base considerably and diversify our wholesale deposit base further. In preparation of our compliance to the future Basel III liquidity requirements, our liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) was at 94% and 109% respectively as at the end March 2012.

Our capital base remains strong, with the core capital ratio at 14.4% and risk weighted capital ratio at 19.7%, well above the industry average of 13.2% and 15.7% respectively. Emphasising the importance of keeping a healthy capital level to sustain our business plan and capitalising on the still favourable market condition, we also raised a 5 year subordinated sukuk of RM400 million in June 2011 to replenish and top-up the existing RM250 million subordinated sukuk which was maturing in September 2011. The leverage ratio as at end of March 2012 stood at 6.7%, well within the limit prescribed under Basel III.

PROGRESS AND CHALLENGES

During the last financial year, we continue to implement strategic initiatives to further strengthen our infrastructure whilst growing our core businesses. Firstly, we embarked on a process improvement initiative through putting in place several Six Sigma projects. The most notable improvements were the reduction in our turnaround time (TAT) for a number of key customer processes which are now comparable to industry standards. Our vehicle financing approval process has now reached a same day TAT whilst our house financing disbursement TAT has been reduced from an average 85 days to 66 days.

Secondly, we have launched kiosk banking to explore alternative and cost effective transaction banking channels. The initial results from our two maiden kiosks at the Giant supermarket in Kota Kemuning Shah Alam and Johor Bahru Sentral are surprisingly encouraging and have prompted us to plan for further sites to offer our community a faster and convenient transaction banking channels.

Thirdly, some selected branches have been given a facelift with a new "look and feel" and equipped with ATMs and new cash deposit machines to provide a better level of customer service. This initiative will continue in the coming financial year and cover a broader branch network in the country.

Our collaboration with Pos Malaysia, our new sister company in the DRB-Hicom group, is our fourth strategic initiative. The initial launching of cheque deposit boxes at selected Pos Malaysia outlets will be followed by several other banking services once a collaboration agreement is put in place.

The introduction of our fifth strategic initiative; a pawn broking service, Ar-Rahn at selected branches of the Bank is meant to expand the range of our financial services to our customers. The initial results from Ar-Rahn operations at our Pekan, Kampong Raja, Johor Bahru, Ipoh, Kelang, Seremban and Temerloh branches were equally encouraging and we have plans to offer the services at more outlets. The success has also prompted us to explore providing such services at selected Pos Malaysia branches. A joint-venture undertaking with Pos Malaysia and another party is currently being explored.

Our sixth strategic initiative involved implementing an incentive scheme our deposit and wealth management sales team to support our drive to gather more consumers and retail savings and current deposits as well as diversifying our fee based business respectively.

On the risk management front, at the beginning of the financial year, we were severely challenged by a spate of resignations of senior staff members. That took place during one of the most demanding periods of trying to meet a host of new regulatory requirements and expectations including the implementation of the Internal Capital Adequacy Assessment Process (ICAAP), FRS 139, a more granular analytical and reporting regime, establishment of a risk appetite statement, implementation of a new credit scoring solution and a funds transfer pricing implementation. We took the challenge in our stride and despite being under-manned for the most part of our financial year, we eventually completed most of our deliverables in a timely manner. Currently, all but one of the vacant senior executive positions at Risk Management have been filled. We recognised the importance and are fully committed to inculcate a strong risk management culture throughout the Bank.

We are currently in the 2nd phase of our 3 phase Business Plan 2009-2014. The over-arching objective of this second phase is to 'Meet the Benchmark' in terms of our financial targets. Though we fell short of those targets in the last financial year, we have continued to strengthen our infrastructure and organisation that has now built our core competencies and prudent business portfolio. Although the market conditions may have been less facilitative and the delay in implementing our core banking system has slowed down our progress, we are optimistic that our efforts were not wasted and in fact have put us on a stronger footing that will enable us to build on a more sustainable undertaking.

As a responsible citizen, our CSR activities continued unabated. Our Tabung Mawaddah, the Bank's own zakat fund, made generous contributions to mosques and orphanages located in selected localities where we are present. Our flagship programme "Masih Ada Yang Sayang (MAYS)" was involved in a community donation drive in Daerah Kota Marudu, Sabah whilst our Ramadhan activities continued to focus on the breaking fast and donation programme with orphans and the handicapped. In promoting Islamic banking, we focused on giving talks at mosques near our branches, creating awareness and educating the public and our community on shariah-compliant banking products and services.

PROSPECTS

Amid the challenging external environment, the Malaysia economy is projected to grow at a steady pace of 4% to 5% in 2012. Domestic demand will continue to be the driver of growth. The risks to the growth prospects largely hinge on an escalation of the euro zone sovereign debt crisis and much slower growth in countries that are our major trade partners. Reflecting a moderation in global commodity prices and a more modest growth in domestic demand, headline inflation is expected to moderate to between 2.5 % to 3% in 2012. With ample liquidity expected to persist, profit rate is therefore projected to be relatively stable.

Premised on the above prospects, we are optimistic that there will be sufficient opportunities for the Bank to grow its financing as well as investment assets. Capital market and investment banking activities however may be more subdued as compared to last year. Consumer demand on the other hand, is expected to continue to remain resilient whilst the thrust of business banking will be more selective as the economy registers a relatively slower growth rate.

While risks remain, we will be equally alert to the opportunities that may arise. Competition is expected to continue to intensify as banks direct their excess liquidity to financing productive and growth sectors. We remain confident that our business plan which puts greater emphasis on growing our consumer financing and intensifying our drive for consumer and retail deposits will bear positive results. In that respect, our relationship with Pos Malaysia which has an extensive network nationwide has yet to be fully tapped and the prospects of us working together will bring tremendous opportunities and mutual benefits.

ACKNOWLEDGEMENT

I wish to welcome both Dato' Haji Kamil Khalid Ariff and Dato' Lukman Ibrahim who joined the Board on 29 September 2011 and 18 November 2011 respectively. I am confident that both will bring invaluable experience and expertise and strengthen the board further. I also would like to welcome Puan Wan Marhani Wan Ahmad who has been appointed as a member of our Shariah Committee effective from 1 April 2012.

I thank the management and staff for their unrelenting support and commitment and my fellow board members for their valuable guidance and insight. My sincere gratitude also goes to our customers for their confidence in our ability to serve their needs and our shareholders for continuing to share our journey.

Last but not least, I also wish to thank the relevant authorities, in particular Bank Negara Malaysia, the Securities Commission and Ministry of Finance for their kind assistance and guidance.

Yours Sincerely,

Tan Sri Dato' Dr Mohd Munir Abdul Majid

STRATEGIES
MOVING FORWARD

VALUE PROPOSITION

- Pure-play Shariah-compliant bank
- A mid tier universal bank that is solution oriented and specialised in its approach and partnerships with clients
- A "two-house" bank comprising the consumer business and wholesale business, taking on a "selected" market approach

"Balanced growth and managing asset quality";

22% **growth in gross financing**

Despite competition in the individual segment, retail banking remains a cornerstone of the financial services industry. Accordingly, the Bank's Consumer Banking will continue to fulfill the needs and demand of its existing and new customer. On the consumer financing forefront, the bank is focused on enhancing and accelerating growth in its Personal Financing portfolio leveraging on its strong ties with several government related entities, especially the Armed Forces. Home Financing, the largest component of consumer portfolio, remains as another primary thrust of the Bank with growth expected to be sustained next year. In the Auto segment, the bank anticipated for a modest growth, pursuing selective vehicle financing growth by focusing on Proton models and at the same time expected to improve its portfolio quality as the bank moves towards risk-based pricing methodology in this segment.

The bank today has developed and established a more capable team to support its overall platform for wholesale and corporate banking businesses. Next year, capitalising on the government initiatives to spur domestic growth, major business activities are expected to be centered at the Economic Transformation Programs (ETP). The bank aims to concentrate on high growth sectors under the ETP such as oil and gas, palm oil and business services for its business banking segment. Trade Financing will be another area of growth to be driven by the expanded range of facilities and services offerings.

While growing its asset base, the Bank remains vigilant in its financing practices to maintain its portfolio quality. Over the years, the bank has gradually improved its asset quality through its rigorous credit-risk management infrastructure and stringent credit processes.

"CASA driven deposits";

22% **growth in CASA**

CASA (Current and savings account) continue be the Bank's focus area moving forward. The bank is targeting for more retail and wholesale CASA and at the same time continues to further diversify its customer base. Competition for deposits is expected to stay intense as banks compete for cheaper source of funds in view of the compressed margin environment and simultaneously building up liquidity buffers.

Enhancement of network presence is key to mobilise deposits rapidly and for wider market penetration. The Bank has been continuously improving its banking network by relocating branches to more strategic locations. More kiosks will be opened to provide convenient and simpler banking services to the customer. On potential collaboration with Pos Malaysia, amongst others include allowing certain banking services of the Bank to be offered at Pos Malaysia branches. This will be a significant initiative that would enhance the Bank's network coverage and enlarge customer base.

At the same time, the Bank's investment in electronic channels (ATM, CDM and CDT machines) will be another important initiative which allows existing and new customers to perform banking conveniently. The Bank views mobile banking as an emerging and complimentary channel for banking as a longer term growth opportunity.

As part of the bank's aim to increase CASA, a more comprehensive spectrum of deposit products are planned to be introduced next year.

“Acceleration of fee based businesses”;

49% **growth in fee based income**

In line with the Bank’s aspiration to increase contribution from fee-based business, the Bank will focus on expanding its Ar-Rahnu (Islamic pawn broking) business and deepen its wealth management as well as bancatakaful services.

Ar-Rahnu business introduced last year at the Bank’s selected branches has shown positive development and next year will see further expansion as the bank plans to equip more of its branches with Ar-Rahnu facilities. Realising the potential of Ar-Rahnu business, the Bank had established a joint venture with Pos Malaysia and Permodalan Kelantan Berhad to offer Ar-Rahnu services. The first pilot branch was launched at the General Post Office Kuala Lumpur.

The bank has undertaken major recruitment drive to increase the number of sales forces to drive the growth of wealth management and bancatakaful businesses. Currently the bank is only offering bancatakaful and wasiat. Unit trust will be another main product for this segment, whereby it is expected to contribute to the major portion of the total wealth management income going forward.

Additionally, the Bank sees greater opportunities in its investment Banking operations, especially in the debt capital market, by leveraging on the DRB HICOM Group deal referrals. The bank will gradually scale up its Investment Banking team and focus on more comprehensive product offering at par with other competing industry players. A number of sizeable mandates have been obtained this year which reflects the market growing acceptance of the Bank’s capability to support deal transactions.

“Prudent Cost Management & Business Process Improvement”;

Cost to income ratio to gradually reduce to industry average

Costs remain a key strategic focus for the Bank. The bank’s prudent and proactive cost management will drive the overall Bank’s objective to reduce its cost-to-income ratio to a relatively stable position, within the industry range of 45-55%. At the same time, various process enhancement initiatives led by Business Process & Transformation Team via amongst others Six Sigma & Process Improvement, 5S and Kanban, are key to ensure continuous process improvement, which could ultimately lead to significant savings to the Bank. The Bank’s investment in an integrated and adequate IT infrastructure will eventually improve the efficiency of operations and business activities while at the same time eliminate wastages in terms of man hours.

2012 will be another challenging and exciting year. The progressive stance in reinforcing Malaysia as a leading international centre for Islamic finance continues to position the bank favourably going forward. At the same time, the new Financial Sector Blueprint 2011-2020, which promotes internalisation of Islamic finance, provides new and alternative opportunities for growth. Importantly, the bank has developed a stronger foundation to continue building its core competencies and prudent business portfolio; and simultaneously seize the opportunities that lie ahead.

CONSUMER
BANKING

The consumer banking segments consisting primarily of home financing, auto financing and personal financing remained highly competitive and the main area of focus for commercial banks. The stiff competition in this segment amidst a background of rising operational costs and competitive pricing saw further pressure placed on margins.

Within this challenging environment of shrinking opportunities and increased competition, the Bank Consumer Banking has stood firm, challenging the more established groups, wisely and prudently chose to compete in selected profitable segments wherein it has significant advantages over its competitors.

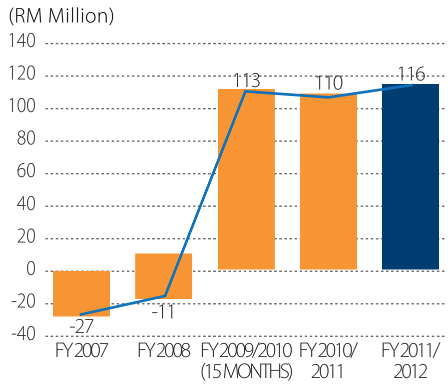
PERFORMANCE REVIEW

Over the past financial year, Consumer Banking registered a Profit Before Tax and Zakat (PBT&Z) of RM116 million, representing more than half of the Bank's total PBT&Z.

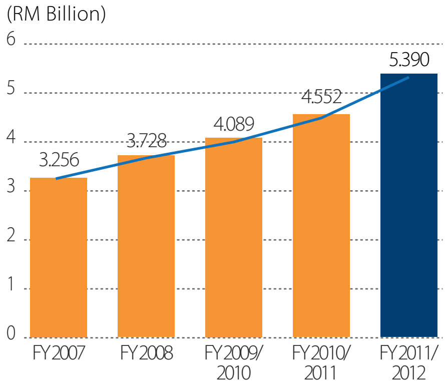
In line with our principles to be the leading Islamic financial service provider committed towards responsible financing, the Bank, through its Consumer Banking Division (CBD) endeavored to inform and educate its potential customers and the public in general by providing briefings on Financial Planning before actually providing the facility. This is not just a Corporate Social Responsibility on the part of CBD but also goes towards responding to the call by Bank Negara Malaysia (BNM) on responsible financing.

BNM's preemptive measures to contain household debt on the domestic front had created a challenging business environment in the financial industry on the back of poorer external conditions in the Euro zone. Amidst this challenging market scenario, Consumer Banking has managed

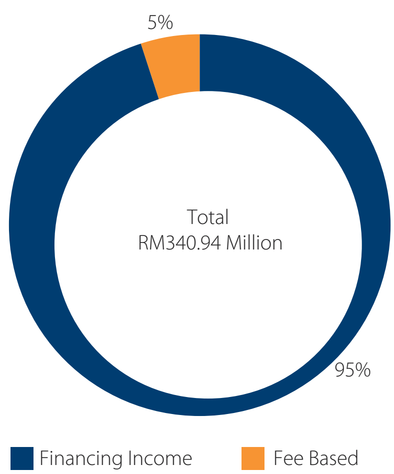
CONSUMER BANKING:
PROFIT BEFORE TAX TREND



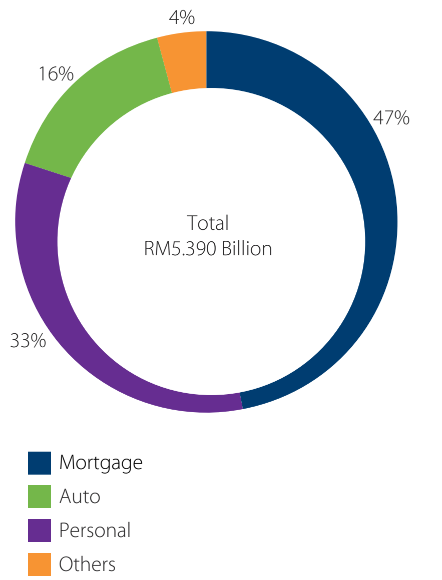
CONSUMER BANKING:
TOTAL FINANCING ASSET TREND



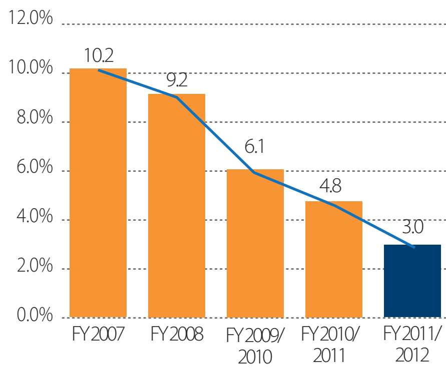
CONSUMER BANKING:
INCOME COMPOSITION
AS AT FY2010/2011



CONSUMER BANKING:
FINANCING COMPOSITION
AS AT FY2010/2011

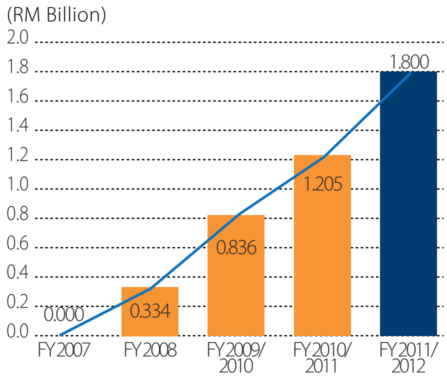


CONSUMER BANKING:
OVERALL NPF RATIO TREND



to grow total financing asset by an impressive 18.4% to RM5.39 billion. This was primarily driven by robust growth in the Personal Financing portfolio and strategic focus on other key market segments. For example, selected housing development above RM250,000 and financing of popular mid range marques within the automobile sector. This has contributed immensely to improving our asset quality as seen by the decreasing trend in the overall NPF ratio.

CONSUMER BANKING:
PERSONAL FINANCING TREND



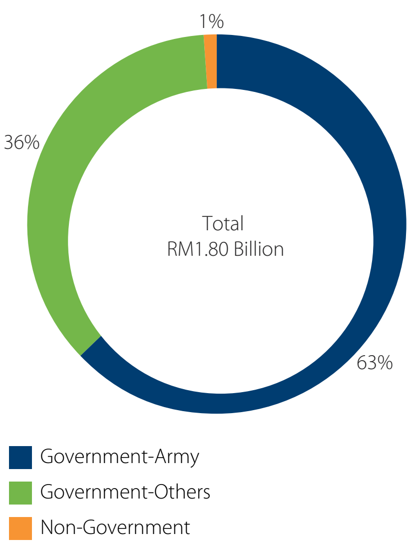
STRUCTURED PERSONAL FINANCING

Structured Personal Financing (SPF) continues to outperform expectations – again achieving double digit growth despite the intense competition. As at FYE 31.3.2012, net personal financing asset outstanding stood at RM1.8 billion, reflecting an increase of almost 50% over the previous year's figure of RM1.205 billion. Our business strategy of focusing on the government sectors as our main customer base has augmented well with an increase of RM595 million from last financial year end and a low non-performing financing ratio of less than 1%.

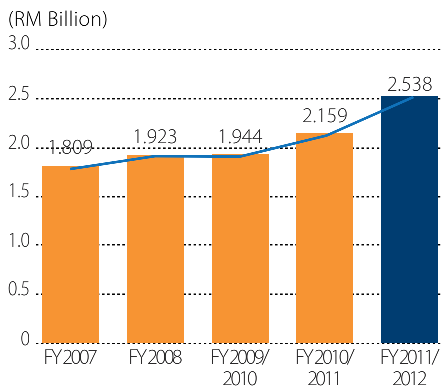
HOME FINANCING

In the Residential Property sector, the Bank's prudent credit evaluation and approval processes which take criteria such as the pricing of the properties, the location and even the track record of the developer into consideration has helped it to maintain a low risk exposure. The Bank continued its strategy of offering exceptional end-financing packages with attractive and flexible terms as well as special tie-ups with selected developers. These strategies and product internal credit procedures assisted greatly in recording credible growth, increasing from RM2.15 billion to RM2.53 billion despite intense competition in the home financing sector. The strong market sentiments can be seen in the domestic banking industry's annualised growth in residential property financing of 12% in 2011. Regardless, the Consumer Banking had put in a commendable performance to record a 17.5% growth, outperforming the industry. A positive uptake on this is that a substantial portion of this amount will be drawn down over the upcoming financing year, thus contributing greatly towards financing revenue for the following 2012-2013 financial year.

CONSUMER BANKING:
PERSONAL FINANCING COMPOSITION
AS AT FY2010/2011



CONSUMER BANKING:
HOUSE FINANCING TREND

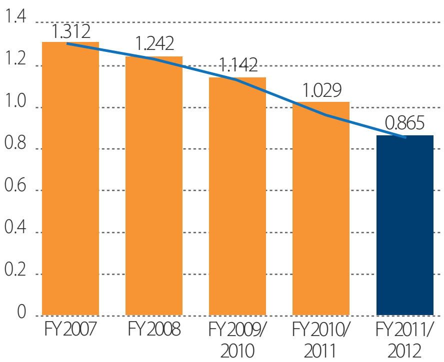


CONSUMER
BANKING

AUTO FINANCING

The Auto sector took a further beating in this past year, shrinking further to RM865 million as compared to RM1.029 billion FYE 31 March 2011. However, this decline in the auto market was widely anticipated and affected all players in the industry. Moving forward, with DRB's investment in Proton, Consumer Banking foresees synergistic business potential in the national car market and anticipates moderate growth in this sector for the upcoming financial year.

CONSUMER BANKING: AUTO FINANCING TREND



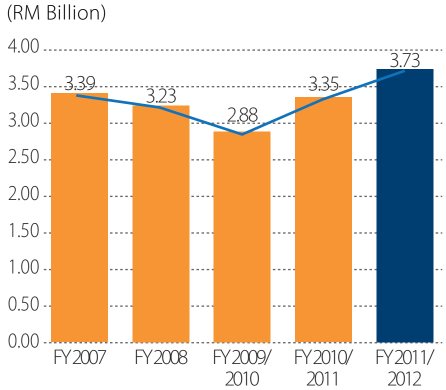
DEPOSITS

Total deposits FYE 31 March 2012 was registered at RM13.52 billion, reflecting an increase of 4.9% over the previous year end total. This is a crucial aspect in support of the Bank's strategy for growth. Moving the deposit profile towards Current and Savings deposits (CASA) was a major goal, reflecting ongoing efforts to grow low cost deposits. Notwithstanding, General Investment Accounts/Term Accounts continued to dominate the deposit base, constituting 72% of total deposits whilst Current Accounts and Savings Accounts made up 22% and 6% respectively.

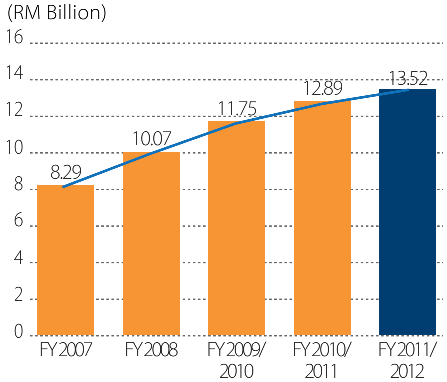
SHAREHOLDERS' EQUITY INCREASED TO

RM 30.180 million

CONSUMER BANKING: CASA DEPOSIT TREND

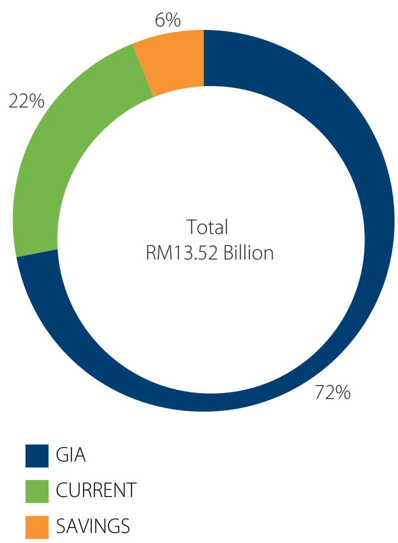


CONSUMER BANKING: CORE DEPOSIT TREND



CONSUMER BANKING: CORE DEPOSIT COMPOSITION

AS AT FY2010/2011



CONSUMER PRODUCT

FY2011/2012 witnessed a major growth in Consumer Financing, thanks not just to an overwhelming response to our promotions and product enhancement but also to improvements in customer experience brought about by process enhancements and new product launches.

Financing

During the year, financing segment focused on existing products whilst providing enhancement and improving process to be competitive in the market. Progress was underpinned by a comprehensive review of our financing business value chain that enabled us to streamline and simplify the process from origination to recovery. This will materially benefit our customers.

In our drive to become more customer focused in terms of financial services, we launched a new financing product to meet an emerging customer need, Auto Graduate Financing-i under concept of Bai Bithaman Ajil which is offering higher margin of financing up to 100%. This scheme is specially designed for the young graduate executive segment with a minimum of 3 months service. Meanwhile, the Skim Rumah Pertamaku (My First Home Scheme) under mortgage financing, backed by Cagamas, caters specifically to first time buyers, in line with the Government objective to promote greater home ownership.

In meeting shariah issues on mortgage financing via the Bai Bithaman Ajil (BBA) concept in financing property under construction which is claimed non compliant by Middle East Islamic Scholars, we have launched a new product, Home Financing Tawarruq-I which uses commodities trading as the underlying transaction.

Meanwhile, in the effort to stem the attrition rate of existing customers, we launched the Customer Retention Program (CRP) under Personal Financing Cash (Tawarruq) to existing personal financing customers under the Bai Al Inah contract. Under this program, we offered a pre approved facility with new financing amount specifically for customers that have maintained good conduct of account throughout their financing tenure.

Ar Rahnu

Ar Rahnu-i is an Islamic pawn broking service that allows gold jewellery to be used as surety against credit. The Bank will retain the gold as collateral and charge for safekeeping service. The gold will be valued at the prevailing market price and the financing amount is up to 70% of the current market value. The safekeeping period is determined and agreed upon by both parties and at the end of the period, the financing must be paid to the Bank and the collateral reclaimed. Ar-Rahnu, an Islamic collateral-based financing system, was introduced as a shariah-based alternative and easier source of financing, with gold as collateral in exchange for cash.

CONSUMER BANKING

Since inception of our 1st outlet in July 2011, the number of branches providing this service has grown to 9 by year end, reflecting the positive potential seen in this segment. The target group for this microcredit scheme is petty traders and small business operators such as restaurant owners, hawkers, tailors and low-income earners in rural areas. The current market penetration of Islamic pawnbroking in the country is still less than 50 per cent. To date, the cumulative financing for the Ar-Rahnu market totals RM5.4 billion, with more than 4.3 million people having benefited since its introduction by the Malaysian Islamic Economic Development Foundation (YaPEIM) in 1993.

Deposit

Retail Banking Deposit continues to spearhead the bank's aspiration to become a deposit led business. Our primary aim during the year was to grow our low cost CASA from the retail, SME and Business Banking Segments.

The continued growth in the number of consumer financing accounts has indirectly swelled the number of new accounts opened especially from Personal Financing customers. The requirement to transfer the salary accounts to us has resulted in a positive growth on Savings Account Deposit by 14%.

OUTLOOK

Consumer Banking is the main contributor to the Bank's success and the wheels are already in motion to build a sustainable consumer business via improving direct banking channels such as internet banking. The sales and service culture put in place last year is already starting to bear fruit and we will continue to deliver customer value propositions based on our core values and Islamic creed centered around Care, Integrity, Innovation and Service Orientation. Sales and service excellence is a vital differentiating factor and along with other products, the Bank will continue to invest in these areas. Contribution from Wealth Management is expected to increase substantially to the group. Additionally, the Bank's Ar-Rahnu project which started with its first outlet in Pekan branch in July 2011 has now grown to 9 outlets within the year. We foresee the Ar-Rahnu business to be a profitable venture and contributing strongly. Given this, we plan to open more outlets at selected branches, continue to introduce new innovative products and to increase product holdings per customer.

BUSINESS BANKING

The financial year was a challenging year for business banking. It was against the backdrop of the economic problems faced by the United States of America, the euro zone financial crisis, the slowing down of Asian economies namely China and India and at home, the uncertainties of the economic situation and the stiff competition in the financial industry. This was further hampered by the shrinking margin of financing as a result of certain measures implemented by the authority during the year.

FINANCING ACTIVITIES

Strengthening and increasing quality assets were the objectives of Business Banking coming into the year. Attention was placed on the phasing out of low quality assets and at the same time increasing financing assets through the acquisitions of quality assets. The result was commendable as we have achieved the quality assets ratio which was set at the beginning of the year.

During the year under review, financing assets of Business Banking grew by more than 20% in the financial year and exceeded the growth set target. The growth was contributed from the acquisitions of quality financing assets and the utilisation of existing financings which saw a high rate of utilisation. The financing growth was contributed by the Bank's corporate portfolio while there was a decrease of about 11% for the commercial portfolio. Notwithstanding, the commercial portfolio reported a commendable profit before tax.

During the year, we led and arranged and co-arranged two financings involving the Private Financing Initiative (PFI) and also participated in a 7-year financing to the Government of Malaysia (GOM) by acquiring a block from another financial institution. The acquisition of the GOM financing involved a new product introduced by the Bank, Bay al Dayn bi as Sila', which we recognised as the first in the country.

In response to the recommendations made by the Bank's Shariah Committee, we have introduced a new product to replace the existing Inah term financing. The Bank has come out with the term financing under the concept of *Tawarruq*. In addition, working capital financing under the same concept has also been formulated and its introduction is now pending approval from the authority.

The Bumiputra commercial and retail financing scheme under the *Skim Jaminan Usahawan Mara* was well sought by *Bumiputra* businesses and entrepreneurs. The good response was due to the road shows organised in several states together with the officers from the Majlis Amanah Rakyat. Until the end of the financial year, financing approved under the scheme has reached 75% of the fund allocated.

TRADE FINANCE ACTIVITIES

Under the new business model where trade finance is now a profit centre, it has embarked on an aggressive marketing strategy to acquire new trade customers as well as to ensure a high utilisation of existing lines. Trade finance assets exceeded previous year's performance, however, total revenue fell slightly short due to the shrinking margin.

The activities organised by the trade finance team during the year among others were:

- Trade finance workshop for the customers and internal staff;
- Road shows and seminars for customers within and outside the Klang Valley;
- Participated in the DRB-Hicom Berhad Group Vendor Programme by providing briefings on trade products;
- Participated in exhibitions namely the Kuala Lumpur Islamic Financial Forum and the Small and Medium Enterprise Entrepreneur Expo and visits to MATRADE, Muslim Biz World 2011 and MIHAS to explore potential trade business; and
- Implementing a new process flow for trade products.

In our effort to improve product deliveries and in view of the request made by the Bank's corporate clients, we have also developed foreign currency trade financing. The launch of this product is also dependent on the approval from the authority. With the introduction of this financing, we expect to further expand our trade finance revenue. Further, we have opened up a trade window in Johor Bahru to serve the southern region better whilst more trade windows will be introduced in the coming year.

CUSTOMER
SERVICE

MYSTERY SHOPPER AND SURVEY RESULTS

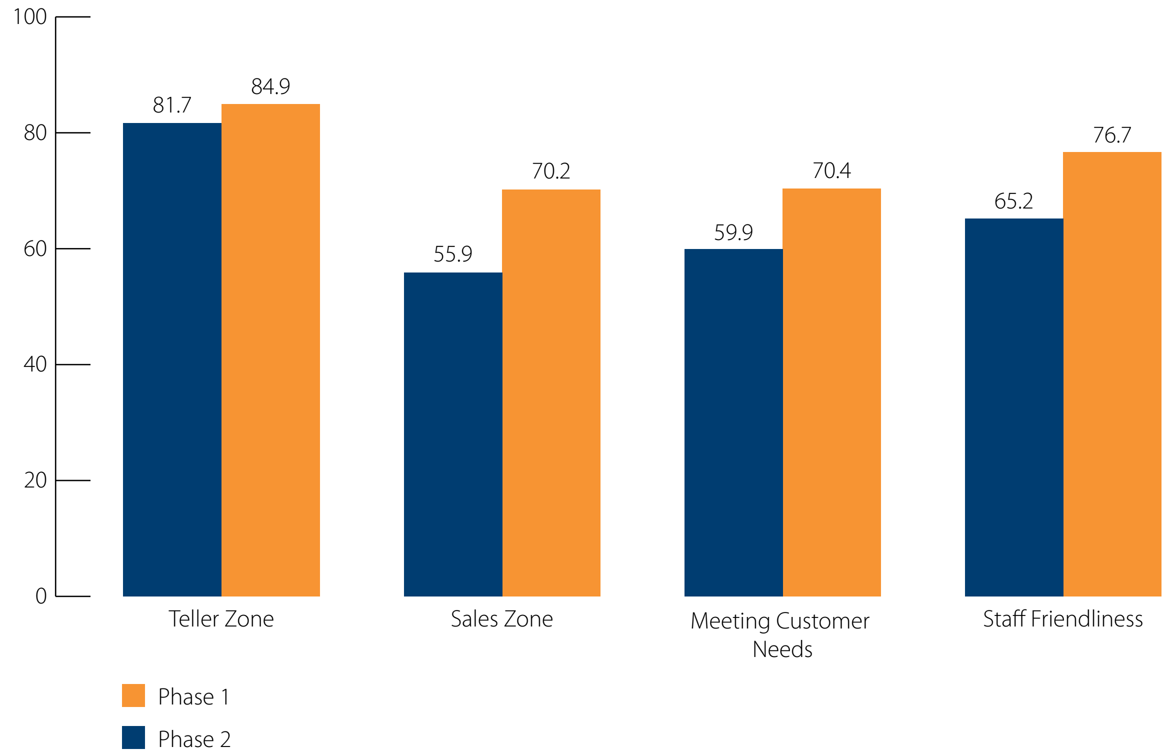
The Bank understands the need to deliver and sustain a consistent high level of customer service and this has been a key focal point over the past few years. After having successfully initiated its customer service programme known as "Program Ceria Tetamu" in 2009, the Bank had in August 2011 employed the services of independent third parties to assess its service capabilities and customer's commitment through bank wide mystery shoppers and customer surveys.

The Bank initiated its first mystery shopper programme in August 2011 and has since completed phase 2 in the first quarter of 2012. The average bank wide service evaluation score for phase 2 of 82.3% showed commendable improvement compared to 75.9% in phase 1 with the biggest improvements seen in the Sales and Consultation zone and Staff Friendliness. Also, an 83% rating of between "good" and "wonderful" experiences by the mystery shoppers demonstrate the consistent high levels of service provided by the Bank's personnel.

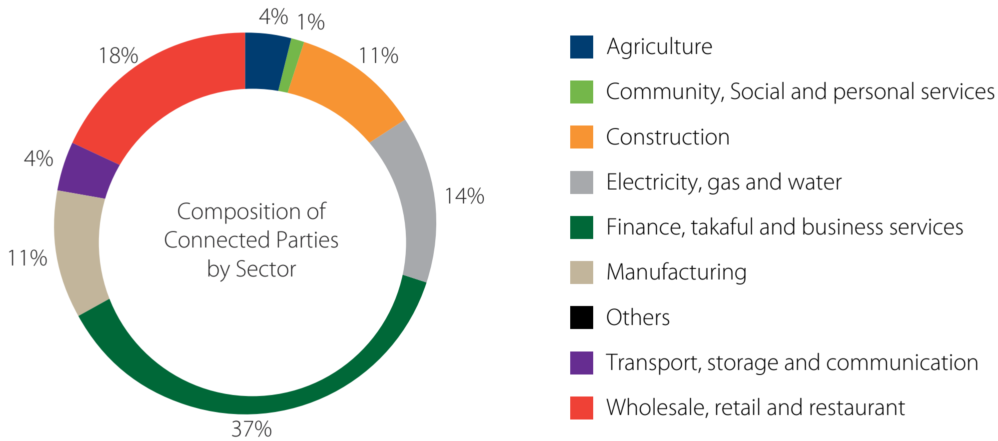
In August 2011 the Bank initiated a customer survey conducted by an internationally renowned research company to measure the satisfaction and loyalty measure of its customer's experience. The survey shows a particularly strong acceptance in the East Coast region and when compared against the benchmark of Asean financial institutions and world retail banking institutions, indicate that the Bank's index of 90 scores within the top ten percentile of Asean financial institutions and close to the top ten percent of banks worldwide, indicating higher customer satisfaction and loyalty across customer segments, surpassing Finance Asia's benchmark.

The 2011-2012 year also witnessed the second annual employee survey wherein approximately 96% of the Bank's staff participated in providing feedback on matters pertaining to employee satisfaction and commitment, management relationship as well as other issues related to working at the bank. The index score of 3.61 and 3.73 of score range 1-5 indicate very positive attitudes and high levels of loyalty to the company. In line with the previous year, relationship with the management team also reflected among the top scores, indicating staff satisfaction and trust in the current management team.

The mystery shopper and survey indexes of 82 and 90 respectively reflect the consistent quality services provided by the Bank's personnel and the satisfaction level of its customers. Also, the affirmative feedback from the employee survey further exemplifies the positive attributes of the Bank and provides a strong platform from which to move forward.

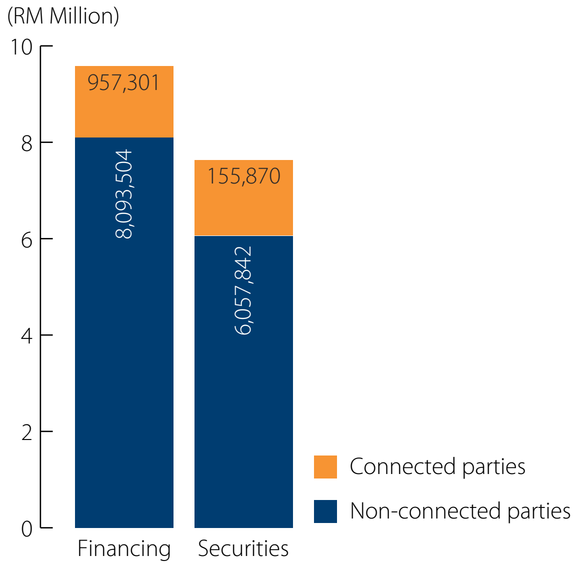


BUSINESS CONNECTED
PARTIES TRANSACTION



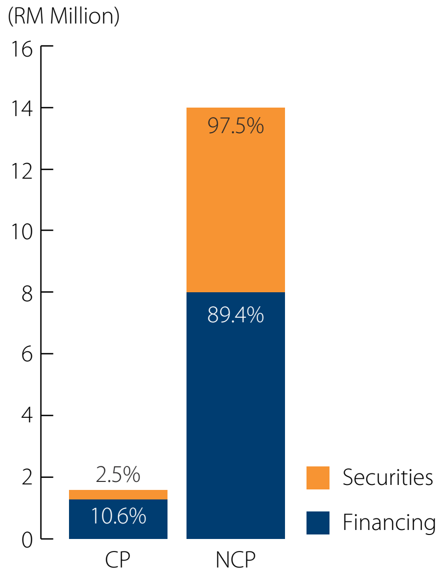
CONNECTED PARTIES EXPOSURE BY FINANCIAL INSTRUMENT

AS AT 31 MARCH 2012



CONNECTED PARTIES (CP) VS NON-CONNECTED PARTIES (NCP) EXPOSURE

AS AT 31 MARCH 2012



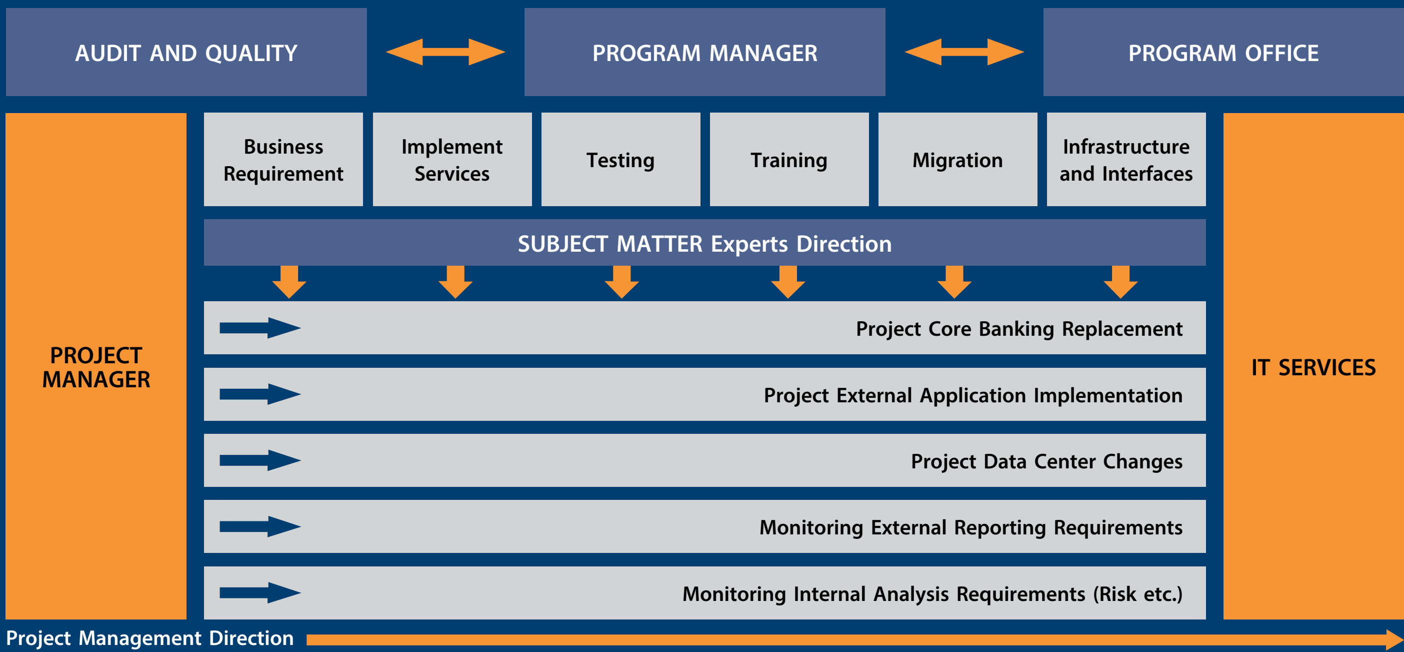
As per BNM Guidelines on Credit Transactions and Exposures with Connected Parties, the Bank's total outstanding credit exposures to all connected parties (including credit exposures through subsidiaries or other entities that are under the Bank's control), except those under exemption, shall not exceed 100% of the capital base or 25% of total outstanding credit exposures, whichever is lower.

As at 31st March 2012, Connected Parties (CP) credit exposure totaled RM1,113.17 million from the total credit exposure of RM16.54 billion (6.73%). Of the CP credit exposure, financing formed the bulk at RM957.3 million (86.0%), and followed by securities at RM155.87 million (14.0%). Percentage wise the CP credit exposure stood at 56.77% against the bank's capital base of RM1.96 billion.

Based on the performance of internal rating, the weighted average rating distribution for CP exposures is one notch better than Non-CP exposures where the mode of Non-CP customer is under "Average" rating classification. There is no record of non-performing financing (NPF) for Connected Parties to date.

INFORMATION TECHNOLOGY TRANSFORMATION

PROGRAM ORGANISATION



New laws and market requirements are forcing us to proceed to modernise our core systems. Regulators and Shareholders are demanding improved data and transparency, whilst our customers are looking for integrated service across a growing range of channels.

Along with competitive pressures driving us to deliver a constant stream of new products and services, we have come to the decision that the time for change is upon us.

Whilst we have invested a great deal of time and money in our current core technology platforms these systems have served us well. But now, after a decade, since our inception, of quick fixes and workarounds, these same systems are now holding us back.

Most of our core banking systems have been with us for over ten years and have existed within other banks for much longer. After countless modifications and add-ons these have become so complex in processing and data management that it has become difficult to fully understand and maintain them further.

It can also make these legacy systems difficult and expensive to support and improve.

Many banks spend half of their IT budget simply maintaining their core systems we are no different and whenever we need to modify these systems to handle a new product, channel or market, the cost and time to market is often not justified.

To make matters worse, it is becoming increasingly difficult to find IT staff with the skills to support our legacy technology.

ARCHITECTURAL RELATIONSHIPS

ARCHITECTURAL LEVEL	SCOPE	DETAIL	IMPACT	AUDIENCE
ENTERPRISE	ORGANISATION	LOW	STRATEGIC	STAKEHOLDERS
SEGMENT	BUSINESS	MEDIUM	BUSINESS	BUSINESS OWNERS
SOLUTION	FUNCTION	HIGH	OPERATIONAL	USERS AND DEVELOPERS

Many modern core banking platforms are flexible and scalable – designed to adapt to the bank's changing needs. Also, many of these platforms are designed to provide real-time capabilities to improve the customer experience and help us manage risk more effectively.

These solutions are already adopted in Europe and Asia by many of our local and international competitors and will form the core of our investigation and selection process.

Replacing our core banking systems can and will be overwhelming for the bank and its resources however we have already taken steps to plan for these changes and to alleviate pressure on the organisation; its customers; and its staff.

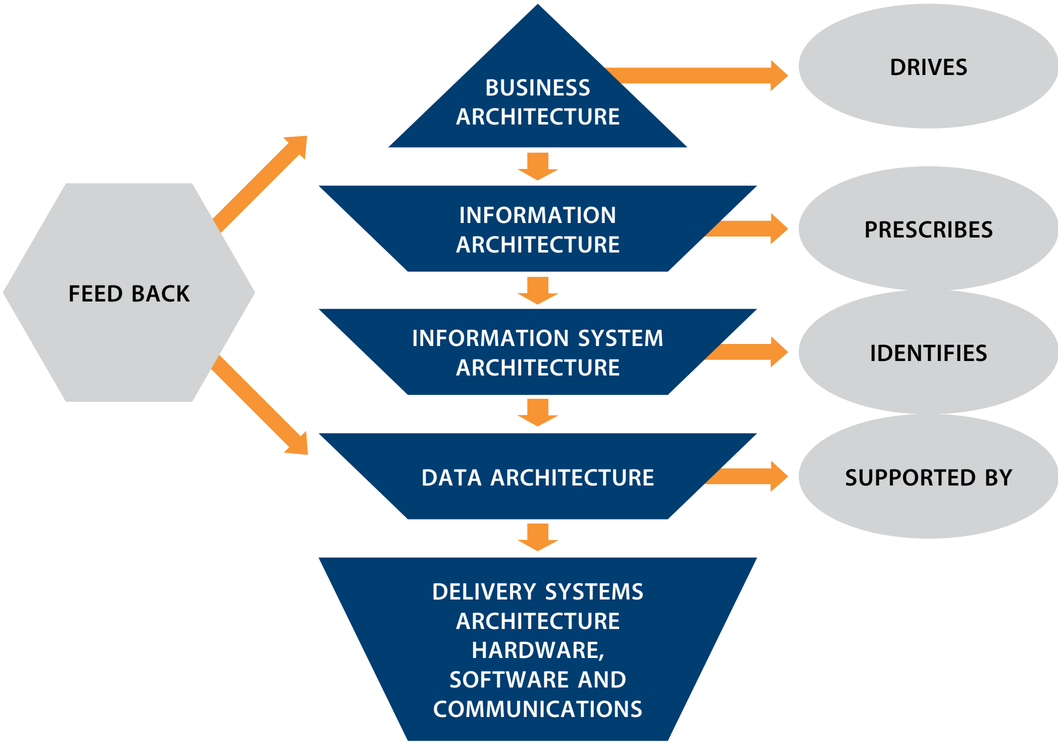
- We have made a commitment to the journey of our core systems replacement which will be handled as a series of coordinated rollouts, rather than a big bang. Reaching the destination will require a sustained commitment from the bank and its resources over several years.

- We are prepared to replace the processes and workflows associated with our current core banking systems. Most of the solutions we are reviewing come with state-of-the-art processes.

- We will differentiate our business by developing new products and services – not by modifying the application code. We have learnt from the past that customised code makes it hard to maintain and upgrade the system,

INFORMATION TECHNOLOGY TRANSFORMATION

ENTERPRISE ARCHITECTURE MODEL



which can be disastrous in Malaysia an environment where regulations and market requirements are constantly changing.

- A major systems replacement is not just a technology change, but a fundamental transformation of the business. Actively preparing for the shift and addressing organisational resistance is part of our advance planning.

Our major transformation will be driven through the Muamalat Banking Solution (MBS) program. The MBS program will transform the Bank into an innovative and competitive player on the financial markets both domestic and international. The new solution will be driven by modern forms of technology and system techniques. This will allow the bank to create current and future products and services into the new solution with much less customisation, thus minimising the overall implementation risks and time to market. MBS will meet the following goal key requirements of the bank:

- Increase agility in bringing new products to market
- Provide superior customer service through a single customer view
- Gain flexibility and adaptability in complying with new regulation
- Increase operational efficiency
- Benefit from front-to-back business process integration

BUSINESS PROCESS & TRANSFORMATION

Bank Muamalat Malaysia Berhad (the Bank) recognised the need to provide excellent customer experience and service delivery to our customers. With this aspiration to be competitive in delivering our services, in 2011, the Bank embarked on process transformation and improvement programme. This program is championed by Business Process & Transformation Department (BP&T).

Business Process & Transformation Department was established in 2011, with 2 key sections, Business Improvement & Change Delivery and Process Control & Standard. Key roles and responsibilities of this department are to plan, provide and execute process transformation and improvement roadmap for the Bank. Aside to this, BP&T is also the custodian of formalised processes, procedures, framework and guidelines for the Bank.

Process transformation and improvement initiative started from 29th February 2011, focusing on improvement of turn-around-time for Home & Auto Financing's approval. Establishment of a new interim financing system, Financing Tracking & Origination System (FiTOS), which was launched in July 2011 is one of the most impressive achievement realised from this effort as it has significantly reduced non-value added processes in the approval cycle. This process improvement allows for straight through submission and tracking process via system. The turn-around time for approval process reduced from 5 days to 2 days for home financing and 3 days to 1 day for auto financing. This has also allowed for process cycle efficiency to improve from less than 1% to 98% for both home and auto financing approval.

BUSINESS PROCESS & TRANSFORMATION

In the 2011/2012 financial year, there are 33 small to medium scale improvement initiatives undertaken by Business Process & Transformation Department with collaboration from Head of Departments/ Divisions. These projects encompass processes from various areas covering critical process areas such as AMLA, Risk Management, Trade Finance and many more.

Another momentous achievement in the 2011/2012 financial year, the Bank has, for the first time, participated in DRB's 7th QIT Convention. The QIT Convention was held on 10 March 2012, at Holiday Inn Kuala Lumpur Glenmarie Shah Alam. The Bank was represented by Meteor Team presenting the improvement project on "Increase Process Cycle Efficiency for Consumer Financing Approval Process at Regional Approving Centre". The team's presentation has certainly set a new benchmark at the QIT Convention and they bagged the Best Presentation Award and a consolation prize.

OUR TRANSFORMATION & IMPROVEMENT JOURNEY:

Our transformation and improvement journey will continue until end of financial year 2014/2015 to build, strengthen and sustain continuous improvement as a working philosophy and culture in the Bank. There are more programmes related to improvement initiatives that will be rolled out for these coming years such as:

- Continuous Improvement Programme – 'Think and Do Better', which will consist of Work Smart Program, Lean Six Sigma 2nd Phase and 5S programme;
- Introduction of initiatives to pursue MS1900:2005 certification to seal the improvement and adherence to processes; and
- Lean for Banking training to promote waste elimination in processes;
- Structure rewards and recognition programme on improvement 'high flyers' and many more.

ECM-EDMS
ENTERPRISE CONTENT MANAGEMENT
– Electronic Document Management System

With the commencement of ECM-EDMS initiative last year, the goal of a paperless office in the Bank continues to get closer. This tactical initiative has not only provided the Bank with a more convenient and quick retrieval of documents but also has shown a significant improvement in operational efficiency via standardised document handling process flow.

In the initial phase, paper documents were securely kept in a dedicated central storage facility, while the electronic copy can be easily accessed remotely within the bank's secured network system. Key improvement areas and benefits that are already realised in this phase are:

- Consistent customer banking experience through standardised process flow of credit files and security documents throughout the bank
- Optimised cost and staff productivity, ensuring instant access to the right information from a shared but controlled information base
- Preservation of data confidentiality and integrity by ensuring secure access of customer records only by authorised personnel

In the coming years, usage of ECM-EDMS shall be extended to other business units as well as supporting departments allowing us to route, review, comment on, and approve various other types of documents. This will enable the Bank to enhance collaboration, information sharing and knowledge management with our business partners and customers.

HUMAN CAPITAL

People are our greatest asset and it is their passion, professionalism, talent and commitment that forms the backbone of our success and it remains at the heart of our agenda.

Better performance management, attracting, developing and retaining talents, strengthening operational efficiency and developing human capability are our continued focus in ensuring a sustainable development of the Bank to remain dynamic and competitive. Therefore, it is imperative that we continue our commitment to invest in human capital development and several key initiatives have been undertaken throughout the last financial year to ensure that commitment and to keep up the momentum.

STRENGTHENING HUMAN CAPITAL PERFORMANCE

Strengthening human capital performance is one of HR's major initiatives for the year. The implementation of the new performance management system emphasises on setting up of a comprehensive performance planning with granular targets that are in line with the business objectives. This has been introduced to inculcate a high performance culture amongst human capital.

Apart from performance, employees are assessed on Core Competencies and Leadership Competencies to a balanced work force in the organisation.

HR has taken extra miles in educating employees through a series of briefings and road shows nationwide in implementing this new performance management system. Managers are trained in-depth to develop better understanding in the implementation of the new performance management system.

While developing the new performance management system, the Management also addresses its concern on non-performers through comprehensive performance coaching and mentoring programme. Managing Improvement Plan Programme has been introduced in BMMB to allow the non-performers to improve their performance under a structured process in line with the legal parameters.

EMPLOYEE SATISFACTION SURVEY

The Management believes in the importance of employee-employer relationship. the Bank has conducted Employee Satisfaction Survey to gauge their satisfaction level towards the organisation. Numerous initiatives have been implemented based on feedbacks received from the survey.

As the Management is serious about this, the Customer Satisfaction Index captured from the Employee Satisfaction Survey, has been incorporated in the Corporate Key Performance Indicator (KPI) for the year.

ATTRACT AND RETAIN TALENTS

We have in the last financial year focused on getting talents in the area of sales in line with the Bank objectives to create the sales culture. To-date the Bank has more than 140 sales staff and in order to strengthen the foundation, we have embarked on the sales training program for all the sales staff, branch managers and assistant branch managers.

In terms of building up talent from outside and within, we are also guided by the requirements of Bank Negara Malaysia (BNM) to ensure that all recruitments of talent are meeting the fit and proper criteria set forth for all financial institutions. The recently approved guidelines to be implemented in the coming financial year emphasise the criteria for the identified responsible personnel to have the necessary qualities, competencies and experience that will allow them to perform the duties and carry out the responsibilities required of the position in the most effective manner. Efforts are also taken to ensure that effective recruitment methods and strategies are put in place to attract the right talent. Among others, the focus will be on building up psychometric tools to gauge the working personality and building up competency requirements to ensure the right talent is recruited for the right position.

MAINTAIN EFFICIENCY AND EFFECTIVENESS

In order to continuously improve the HR efficiency and effectiveness, we have put in place the Human Resource Policies and Standard Operating Procedure. Service Level Agreements are also put in place for recruitment, compensation and benefits to keep up with the demands of the business. We have also embarked into enhancing and customising our Human Resource Information System (HRIS) to cater for the needs of the business not only in Human Resources but the business units, thus providing better accuracy and efficiency in deriving the information. In addition, with the self-service modules implemented, it will also improve the data quality and substantially reduce administrative processes in a paperless environment. To keep abreast with the market, we have introduced the short message systems as a platform to service the employees better.

BUILDING HUMAN CAPABILITY

For Financial year 2011/2012, RM4.542 million has been spent on training and development including internal and external training.

Numerous learning activities have been put in place to strengthen employees' competencies particularly in the areas of Sales, Process Improvement, Shariah, Product Knowledge and Compliance.

Under the Sales training which was designed to equip the sales professionals with key competencies in benefit selling, effective probing and skillful management of sales process, all Customer Service Executives, Personal Financial Consultants and Branch Managers attended this training with the objective to increase sales.

In the area of Process Improvement, the Green Belt and Yellow Belt training programmes were introduced to equip the Heads of Department and Heads of Sections respectively with the knowledge and competencies to display improvement in their respective work processes and procedures.

To continuously enhance the Shariah knowledge in Islamic Banking, refresher programmes were conducted throughout the Bank and have been attended by about 90% of employees from all levels.

Product Knowledge training was also conducted particularly to all Branch employees to equip them with the knowledge of the Bank's products for better customer service and sales.

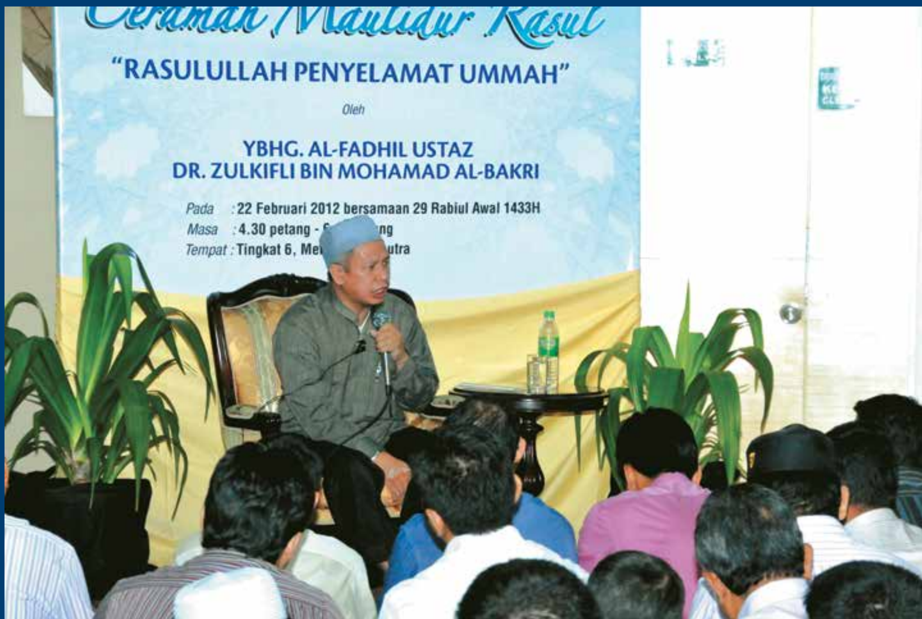
The Bank's compliance to Anti-Money Laundering Acts (AMLA) continues to be an important agenda to the Bank. We have also continued with the E-Learning on Islamic Banking and AMLA to compliment the classroom training. Efforts have also been made to ensure the minimum professional standard of core competency in credit by continually conducting the Certified Credit Professional (CCP) training.

SUSTAINING GOOD RELATION AND WORKPLACE HARMONY

During the Financial Year, the Bank negotiated and renewed the 4th Collective Agreement (CA) with the in-house union – Kesatuan Pegawai-Pegawai Bank Muamalat Malaysia Berhad (KEPAK). The CA covers all employees at executive level.

A total of 868 employees benefited from the renewed CA which took effect from 1 July 2010 until 30 June 2013.

CORPORATE RESPONSIBILITY



Corporate Responsibility (CR) forms an integral part of our financial business culture in our pursuit of business excellence. CR is a company's obligation to be accountable to all of its stakeholders in its operations and activities, with the primary aim of achieving sustainable development in the economical, social and environmental realms.

CR is a magical tool that propels a business to improve its corporate image and clout for acceptance and visibility by the public and society. After all, CR contributions are perceived as a philanthropic gesture that will not even put a dent on the bottom line of a business. For the Bank CR means optimising the impacts of our financial business on our employees, communities and the environment in which we operate, as well as the society at large.

The Bank and our philanthropic arm, Tabung Mawaddah, work very closely with local organisations, government agencies and NGOs to support projects most relevant to community needs, therefore opening engagement of our business with communities to help them grow and prosper.

Our programmes include supporting of our community's priorities in uplifting the standard of living. Aside from the obligatory 2.5 per cent of our operating income being given each year to zakat, we are also committed to giving back to the society through community initiatives such as in education, supporting orphanages and old folks' homes, supporting the mosques and suraus, and ensuring supply of food to the homeless in KL. This ongoing commitment has been a part of the Bank's fabric since our earliest days.

Financial contributions are one of the measures of our commitment, along with product donations and investing our time, expertise and resources through volunteerism. In 2011/2012, the charitable contributions made by the Bank through our CR and Tabung Mawaddah programmes totalled RM6.3 million.

A GOOD WORKPLACE

The Bank's Social Responsibility revolves around people thus our employees are treated with utmost respect and dignity across their gender, cultural and individual divides.

We are committed to creating a working environment free from discrimination and harassment. The investments we undertake to continuously improve workplace standards solidify our reputation as a socially responsible company and a convetable workplace.

All our staff are given the opportunities in continually increase their knowledge base and enhance their skill levels so as to gain better productivity. We endeavour in identifying employees who have the potential to grow in their current as well as future roles, in order to ensure that they are provided with the exposure and tools required to prepare for greater leadership positions within the Bank.

In ensuring the health and safety of our employees, the Bank conducts regular briefings on health awareness and fire drill exercises. To encourage human resource development and to keep the staff current in their banking knowledge, various trainings on AMLA and Shariah are conducted.

COMMUNITY

All the Bank's CR programmes, which are in line with the philosophy of "We Care, We Share" are fully supported and endorsed by its Board of Directors and Management. The Management reports to the Board on a monthly basis about the Bank's CR activities and is responsible to implement specific line of approving authority, control and monitoring for financial support of such activities.

We hold strongly to our belief in making a positive and sustainable impact to the community we operate in. Our business supports the economic growth through the expansion of products and services, employment and the creation of knowledgeable workers. We believe that we can contribute significantly in enhancing the living standards of the community through initiatives such as sponsorships, charitable contributions, disaster relief efforts.

MARKETPLACE

As a reflection of our continuing commitment to the investment community, our shareholders and our customers, a number of platforms for open discussion that we have instituted are still in place, where stakeholders can share their observation or seek clarification. To this end, our corporate website still remains as one of the main channels for us to provide information to all parties. The Bank adheres to all of Bursa Malaysia's regulatory on timely corporate announcements, circulars to shareholders and annual reports.

CONCLUSION

The Bank believes that in order to become a successful business entity, it is not just about generating revenues or making profits but it is also about giving back to the community and fulfilling our responsibility as socially responsible corporate citizens. We will continue to pursue improvements in our operations and business outcome through responsible corporate governance and committed-adherence to CR principles. As a corporate entity, we acknowledge that our ability to develop and grow into a sustainable business is highly dependent on the concerted efforts that we undertake in elevating our relationship with our customers, employees, suppliers, shareholders, regulators as well as the community.

As we work towards achieving a higher stakeholder value through our current businesses and future endeavours, we will always emphasise on the importance of taking care of our staff, community and the marketplace.

CALENDAR OF EVENTS

29 March 2011
Signing Ceremony BMMB & The Combine Bus Services Sdn. Bhd.

19 March 2011
Signing Ceremony IIUM-BMMB and Launching of BMMB-CERDAS Universiti Islam Antarabangsa (UIAM)

4 April 2011
Durian Feast Bank Muamalat Malaysia Berhad

28 April 2011
Industri Kecil & Sederhana Negeri Melaka

6 June 2011
Launch of Bank Muamalat PKNS Branch PKNS Complex Shah Alam

29 June 2011
Launch of Bank Muamalat KIOSK in Kemuning Utama Giant Hypermarket, Shah Alam

12 July 2011
Launch of Bank Muamalat Branch in JB JB Branch, Jalan Kebun Teh

21 July 2011
Ceramah Hutang Dalam Islam dan Pengagihan Wang Sumbangan Kepada Anak-anak Yatim dan Fakir Miskin Surau Mutiara Damansara

27 – 30 July 2011
Management Roasdshow VI HQ and Regional

30 July 2011
DRB Hicom Go-Kart CEO Race Series 2 Taman Tasik Pekan Go-Kart Track

3 August 2011
Employee Care Program (Lambaian Kaabah 2011)

9 August 2011
Distribution of Bubur Lambuk Bank Muamalat Malaysia Berhad

13 August 2011
Majlis Berbuka Puasa Bersama Ahli NUBE dan KEPAK Utara Hotel Swiss Inn, Sungai Petani, Kedah

20 August 2011
Majlis Berbuka Puasa Bersama Anak-Anak Yatim Dan Anak-Anak OKU Swiss Inn Hotel

24 August 2011
Program Titipan Kasih anjuran bersama Harian Metro Tanjung Karang

14 September 2011
M1000 Awards Palace of the Golden Horses

21 September 2011
1 Malaysia, Kampungku (Hari Raya Celebration) HQ & Jalan Melaka

20 August 2011
Majlis Berbuka Puasa Bersama Anak-Anak Yatim Dan Anak-Anak OKU Swiss Inn Hotel

3 – 6 October 2011
KLIFF – Kuala Lumpur Islamic Finance Forum Hotel Istana, KL

19 October 2011
Bank Muamalat Malaysia Berhad Treasury & Capital Markets Client Luncheon Crown Plaza Hotel

31 October 2011
Bank Muamalat Launches New Branch In Kg Raja, Besut Kampung Raja, Besut, Terengganu Darul Iman

12 July

5 – 7 December

7 February

31 October

3 – 6 October

go online at www.**muamalat**.com.my

CALENDAR OF EVENTS

5 – 7 November 2011
Program Kembara Ibadah Qurban & Aqiqah di Kemboja 2011

21 November 2011
Launch of Bank Muamalat in Kulai Johor Kulai Johor Launch of Bank Muamalat KIOSK in JB Sentral JB Sentral Terminal

2 December 2011
Majlis Bacaan Surah Yassin Dan Doa Selamat Cawangan Jalan Melaka Bank Muamalat, Jalan Melaka Branch

5 – 7 December 2011
Motivation Camp "Kem Anak Soleh" Kem Sri Raudhah, Batu 12 Gombak

14 December 2011
Launch of Bank Muamalat in Kajang, Selangor Bank Muamalat, Kajang Branch

30 January 2012
Perasmian Cawangan Bank Muamalat Seberang Jaya & Lebuh Pantai Pulau Pinang Pulau Pinang

7 February 2012
Bank Muamalat Golf Closed Tournament 2012 Kajang Hill Golf Club

20 February 2012
Launch of Bank Muamalat Temerloh Branch Bank Muamalat, Temerloh Branch

22 February 2012
Ceramah Maulidur Rasul Conference Room, Menara Bumiputra

1 March 2012
Majlis Bacaan Surah Yassin Dan Doa Selamat BMMB Cawangan Kelang Bank Muamalat, Kelang Branch

5 March 2012
BMMB Appointed as Zakat Agent for PPZ Bank Muamalat Labuan Branch

15 March 2012
Forum Perdana "Generasi Y Tentera Darat, Pencorak Lanskap Masa Hadapan Tentera Darat" Kem Angkatan Tentera Sg Besi

16 March 2012
Launch of Bank Muamalat Seremban Branch Bank Muamalat Seremban Branch

20 March 2012
Program Bicara Semanis Kurma "Keluarga Syurgawi" Conference Room Menara Bumiputra


15 March


28 April

14 September

Surah Al Baqarah: 281

And fear the Day when you shall be brought back to Allah. Then shall every soul be paid what it earned, and none shall be dealt with unjust.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (the Board) of the Bank acknowledges that good corporate governance practices form the cornerstone of an effective and responsible organisation. The Board is fully committed to the recommendations of the Malaysian Code of Corporate Governance 2012 (MCCG 2012) as well as the Guidelines of the Corporate Governance for Licensed Islamic Banks (Revised BNM/GP1-i) issued by Bank Negara Malaysia (BNM).

Therefore the Board continuously strives to ensure that the most excellent practices are adopted and applied in establishing accountability and integrity of the Board and Management. Hence the Board will continue to ensure that the right leadership, policy, strategy and internal controls, are well in place in order to continuously deliver and sustain the Bank's value propositions for the benefit of its stakeholders generally and at the same time, ensure continuing momentum towards reaching the Bank's aspirations to become the preferred Islamic financial services provider.

BOARD OF DIRECTORS

Board Structure, Composition and Processes

The present size and composition of the Board is well balanced. As presently constituted, the Board has the stability, continuity and commitment as well as the capacity to discharge its responsibilities effectively.

The Board comprises of ten (10) members, comprising one (1) Chief Executive Officer (CEO)/Executive Director and nine (9) Non-Executive Directors, of which five (5) are independent. The Non-Independent Non-Executive Directors are the representatives of the shareholders namely DRB-HICOM Berhad and Khazanah Nasional Berhad. The current composition of the Board is in compliance with Revised BNM/GP1-i.

The Non-Executive Directors do not participate in the day-to-day management of the Bank and do not engage in any business dealing or other relationship with the Bank in order that they are capable of exercising independent judgment and act in the best interests of the Bank and its shareholders.

The brief profiles of the Directors are presented on pages 22 to 31 of this Annual Report.

Directors' Code of Ethics

The Directors continue to observe the code of ethics based on the code of conduct expected of Directors of financial institutions as set out in the BNM/GP7- Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the

Banking Industry and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Responsibilities of the Board

The Board has the responsibility of ensuring the strategic guidance of the Bank, the effective monitoring of management, and accountability to the Bank and shareholders. In discharging their duties, the Board act on well-informed basis, in good faith, with due diligence and care, and in the best interests of the Bank and stakeholders.

The Directors in discharging their duties and responsibilities are constantly mindful of the public interests and concerns of the business community, particularly those of customers, shareholders and all other stakeholders.

The key duties of the Board include the following:-

- Provides guidance on the Bank's annual business plans and the overall strategic direction
- Approves the Bank's annual budget and carries periodic review of the progress made by the various operating divisions against their respective business targets
- Oversights of the Bank's business operations and financial performance
- Identifies and manages the principal risks of the Bank
- Reviews the adequacy and integrity of the Bank's internal control system
- Reviews and approves the appointments of directors and directors' emoluments and benefits in accordance with relevant guidelines
- Reviews and approves the appointment and compensation of the Shariah Committee members and key senior management personnel holding the function of CEO and such other functions as determined by the Board from time to time
- Approves changes to the corporate organisation structure
- Institutes comprehensive policies, process and infrastructures to ensure Shariah compliance in all aspects of the Islamic bank's operations, products and activities
- Ensures that the Islamic bank has a beneficial influence on the economic well-being of its community

Directors may also seek independent professional advice, at the Bank's expense, when deemed necessary for the proper discharge of their duties.

Board Meetings and Access to Information

The Bank's Board Meetings are scheduled in advance before the end of the financial year, specifically before the end of the calendar year, so as to allow members of the Board to plan ahead and fit the coming years' Board and Board Committees meetings into their respective schedules.

The Board meets every month with additional meetings convened as and when urgent issues and important decisions are required to be taken between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

The Directors are provided with the agenda and the meeting papers containing information relevant to the matters to be deliberated in advance of the meeting dates for their perusal. At each meeting, the Board receives updates from the respective Chairmen/representatives of the Board Audit Committee and Board Risk Management Committee on matters that have been deliberated at both committees, as well as on matters that require attention.

The Board has direct access to the information of the Bank through the Senior Management as well as the services of the Company Secretary. The Company Secretary also ensures that a quorum is present at the commencement of each Board and Committees meeting in order to constitute a valid meeting.

The Board has convened thirteen (13) meetings for the financial year ended 31 March 2012. The attendance of each director in office during the financial year is set out below:-

Directors	Number of meetings and Attendance
Tan Sri Dato' Dr Mohd Munir Abdul Majid (Chairman/Independent Non-Executive Director)	13/13
Dato' Sri Haji Mohd Khamil Jamil (Non-Independent Non-Executive Director)	13/13
Dato' Lukman Ibrahim (Non-Independent Non-Executive Director) *appointed w.e.f. 18 November 2011	5/5
Dato' Haji Mohd Redza Shah Abdul Wahid (Executive Director/Chief Executive Officer)	13/13
Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	10/13
Haji Ismail Ibrahim (Non-Independent Non-Executive Director)	12/13
Haji Abdul Jabbar Abdul Majid (Independent Non-Executive Director)	11/13
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	12/13
Dato' Azmi Abdullah (Independent Non-Executive Director)	13/13
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director) *appointed w.e.f. 29 September 2011	6/6

Training Programme for Directors

The Board assumes the responsibility to further enhance the skills and knowledge of the members on the relevant new laws and regulations and changing commercial risks, as well as to keep abreast with developments in the financial services industry. Each director attends at least one training programme, which will be specifically identified by the Bank for its directors during the financial year.

Board Appointment Process

The Bank is governed by the Revised BNM/GP1-i in respect of the appointment of new directors and the re-appointment of its existing directors upon the expiry of their respective tenures of office as approved by BNM. All appointments of directors are subject to the approval by BNM.

The delegation of appointment/re-appointment of directors is managed by the Nomination Committee. The Nomination Committee comprises of non-executive directors, with the Chairman and the majority of whom are independent. In line with the Revised BNM/GP1-i, the Nomination Committee recommends to the Board suitable candidates for directorships and appointment of key senior personnel of the Bank and relevant subsidiaries. The Nomination Committee also ensures candidates satisfy the relevant requirements on the skills and core competencies of a director and are deemed fit and proper to be appointed as director in accordance with the Fit and Proper criteria.

The Nomination Committee has, during the year under review evaluated and recommended the appointment of Dato' Lukman Ibrahim (nominee of DRB-HICOM Berhad) as a non-independent non-executive director in the Board of the Bank. In addition, the Board also considered and approved the recommendation of the Nomination Committee on the appointment of Dato' Haji Kamil Khalid Ariff as an independent non-executive director.

SHAREHOLDERS' EQUITY INCREASED TO

RM 1,429.89 million

The Nomination Committee also during the year under review evaluated and recommended the re-appointments of the following Directors to the Board of the Bank:-

- Haji Abdul Jabbar Abdul Majid as an Independent Non-Executive Director
- Dato' Azmi Abdullah as an Independent Non-Executive Director
- Dato' Haji Mohd Redza Shah Abdul Wahid as Chief Executive Officer/Executive Director
- Haji Mohd Izani Ghani (nominee of Khazanah Nasional Berhad) as a Non-Independent Non-Executive Director

In addition, the Board also considered and approved the recommendation of the Nomination Committee on the re-appointments of the abovenamed Directors.

The Board considered that the recent appointment and re-appointments of the above directors who brought their own unique skills, experience and knowledge in the commercial sector with exposure in the financial related industry will ensure that the critical competencies gaps identified by the Board will be appropriately addressed and provide fresh insights that would help the Bank to overcome challenges ahead.

Re-election of Directors

In accordance with the Bank's Articles of Association, all directors are subject to retirement by rotation at due intervals of rotation. Nevertheless, they are eligible to offer themselves for re-election and thus enables the shareholders to vote them back into office.

Directors who are appointed as additional directors or to fill casual vacancies during the year are subject for re-election by the shareholders at the next Annual General Meeting following their appointment.

Annual Board Assessment

One of the broad responsibilities of the Nomination Committee is to provide a formal and transparent procedure for the assessment of effectiveness of individual directors and the board as a whole. In line with the Revised BNM/GP1-i and for this purpose, the Nomination Committee had conducted and established a clear selection criteria, processes and procedures to assess each director's ability to contribute to an effective decision making by the Board. In addition, assessment would also be undertaken to gauge the effectiveness of the relevant Board Committees.

The annual board assessment exercise was primarily based upon the answers to a customised questionnaire which was prepared internally. The Nomination Committee upon its recent annual review carried out is satisfied that the size of the Bank Board is optimum and there is an appropriate mix of knowledge, aptitude and core competencies in the composition of the Board. All the Directors comply with the "fit and proper" criteria as established by BNM in the Revised BNM/GP1-i.

BOARD COMMITTEES

The Board has established several Board Committees whose compositions and terms of reference are in accordance with the Revised BNM/GP1-i as well as best practices prescribed by MCCG 2012.

The Board Committees in the Bank are as follows:-

1. Board Audit Committee

The Board Audit Committee comprises of members of the Board, responsible to fulfill the oversight function in relation to the adequacy and integrity of system of internal controls and financial reporting, risk management and compliance with internal policies, procedures and external applicable rules and regulations.

The Board Audit Committee is authorised by the Board to investigate any activities within its terms of reference and has unrestricted access to both the internal and external auditors and Senior Management team of the Bank.

The composition of the Board Audit Committee and the attendance of the meetings held in the year under review are as follows:-

Members of Audit Committee	Number of Meetings and Attendance
Haji Abdul Jabbar Abdul Majid (Chairman/Independent Non-Executive Director)	20/20
Haji Ismail Ibrahim (Non-Independent Non-Executive Director)	17/20
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	19/20
Dato' Azmi Abdullah (Independent Non-Executive Director)	20/20
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director) *appointed as a member on 31 October 2011	9/9

The objectives and activities carried out by the Board Audit Committee during the year under review are summarised in the Statement of Internal Control as stated in page 81 of this Annual Report.

2. Nomination Committee

The Nomination Committee provides a formal and transparent procedure for the appointment of directors, Chief Executive Officer and members of Shariah Committee as well as assessment of effectiveness of board as a whole, Shariah Committee members and performance of Chief Executive Officer and key senior management officers.

The Nomination Committee comprises on non-executive directors and the Chairman who is independent. Meetings are held as and when required for the Nomination Committee to deliberate on related matters. The members of the Nomination Committee and the attendance for the year under review are as follows:-

Members of Nomination Committee	Number of Meetings and Attendance
Tengku Dato' Seri Hasmuddin Tengku Othman (Chairman/Independent Non-Executive Director)	7/7
Dato' Sri Haji Mohd Khamil Jamil (Non-Independent Non-Executive Director)	5/7
Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	6/7
Haji Ismail Ibrahim (Non-Independent Non-Executive Director) *appointed as a member on 29 April 2011	5/6
Haji Abdul Jabbar Abdul Majid (Independent Non-Executive Director)	7/7
Dato' Azmi Abdullah (Independent Non-Executive Director)	7/7

The primary duties and responsibilities of the Nomination Committee are as follows:-

- Establishes minimum requirements for the board that is, the required mix of skills, experience, qualification and other core competencies required of a director. The Nomination Committee is also responsible for establishing minimum requirements for the CEO.
- Recommends and assesses the nominees for directorship, board committee members, and Shariah Committee members as well as the CEO.
- Oversees the overall composition of the board, in terms of the appropriate size and skills, and balance between executive directors, non-executive directors and independent directors through annual review.

- Recommends to the board the removal of a director/CEO/Shariah Committee member from the board/management/committee if the director/CEO/Shariah Committee member is ineffective, errant and negligent in discharging his responsibilities.
- Establishes a mechanism for the annual formal assessment on the effectiveness of the board as a whole, assessment of the performance individual directors, the performance of the CEO and other key senior management officers (Executive Vice President (EVP) and above).
- Oversees the appointment, management succession planning and performance evaluation of key senior management officers.
- Recommends to the board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities.

3. Remuneration Committee

The Remuneration Committee provides a formal and transparent procedure for developing a remuneration policy for Directors, CEO and key senior management officers and ensuring that the Bank's compensation package is competitive and consistent with its culture, objectives and strategies.

In addition, the Remuneration Committee is also responsible for developing remuneration policy for the Shariah Committee members that commensurate with their roles and responsibilities. The Remuneration Committee will then recommend the proposed remuneration package to the Board for its approval.

The composition and the attendance for the year under review of the Remuneration Committee are as follows:-

Members of Remuneration Committee	Number of Meetings and Attendance
Dato' Azmi Abdullah (Chairman/Independent Non-Executive Director)	6/6
Dato' Sri Haji Mohd Khamil Jamil (Non-Independent Non-Executive Director)	5/6
Haji Mohd Izani Ghani (Non-Independent Non-Executive Director) *appointed as a member on 29 April 2011	4/4
Haji Ismail Ibrahim (Non-Independent Non-Executive Director)	6/6
Haji Abdul Jabbar Abdul Majid (Independent Non-Executive Director)	5/6
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	5/6

The specific responsibilities of the Remuneration Committee include amongst others, the following:-

- Provide a formal and transparent procedure for developing the remuneration for directors, board committee members, CEO, Shariah committee and key senior management officers and to ensure that their compensation is competitive and consistent with the Bank's culture, objectives and strategy.
- Recommend to the Board on the policies, strategies and framework for the Bank in relation to the remuneration, rewards and benefits.
- Recommend the remuneration of the Shariah Committee members for the full board's approval. The remuneration shall commensurate and reflect the roles and responsibilities of the Shariah Committee.

4. Board Risk Management Committee

The Board Risk Management Committee is authorised to oversee Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process is in place and functioning. In addition, the Board Risk Management Committee is also responsible for ensuring that a comprehensive risk management infrastructure is in place for managing the risk associated with Mudharabah and Musharakah financing or investments.

The composition and the attendance for the year under review of the Board Risk Management Committee are as follows:-

Members of Board Risk Management Committee	Number of Meetings and Attendance
Dato' Azmi Abdullah (Chairman/Independent Non-Executive Director)	15/15
Haji Mohd Izani Ghani (Non-Independent Non-Executive Director)	12/15
Haji Abdul Jabbar Abdul Majid (Independent Non-Executive Director)	14/15
Tengku Dato' Seri Hasmuddin Tengku Othman (Independent Non-Executive Director)	15/15
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director) *appointed as a member on 31 October 2011	15/15

The objectives and activities carried out by the Board Risk Management Committee during the year under review are summarised in the Risk Management Statement as stated in pages 83 to 87 of this Annual Report.

5. Shariah Committee

The Shariah Committee was established in accordance with the requirements of the Islamic Banking Act, 1983 as well as the Bank's Articles of Association, which prescribed the setting up a Shariah body to ensure that Bank Muamalat's conduct its affairs in accordance with the Shariah principles. Members of the Shariah are scholars renowned for their knowledge and experience in Fiqh Muamalat.

Further details of this Shariah Committee are set out on pages 32 to 35 of this Annual Report.

6. Board Muamalat Banking Solutions Steering Committee

In addition to the above committees, the Board has also established a Board Muamalat Banking Solutions Steering Committee (Board MBS Committee) on 19 January 2012. The special board committee is formed to provide direction, guidance and oversight for IT solutions development, implementation and maintenance for the Bank and also to provide recommendation to the Board on the proposed solution.

The composition and the attendance for the year under review of the Board MBS Committee are as follows:-

Members of Board MBS Committee	Number of Meetings and Attendance
Dato' Lukman Ibrahim (Chairman/Non-Independent Non-Executive Director)	3/3
Haji Ismail Ibrahim (Non-Independent Non-Executive Director)	3/3
Dato' Azmi Abdullah (Independent Non-Executive Director)	3/3
Dato' Haji Kamil Khalid Ariff (Independent Non-Executive Director)	3/3

The specific responsibilities of the Board MBS Committee include amongst others, the following:-

- To ensure the Muamalat Banking solutions align in accordance to the business objectives and needs and to be implemented to the project schedule.
- To ensure proper project management including project organisation, kick-off, tracking and monitoring are carried out.
- To ensure the provision of adequate and competent resources in terms of manpower and financials for the implementation.

7. Internal Audit and Control Activities

The Board has the overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as internal procedures and guidelines.

The Statement on Internal Control and activities of the Bank are summarised on page 81 of this Annual Report.

8. Related Party Transactions

The details of related party transactions of the Bank are disclosed on page 57 under the Audited Financial Statement for the financial year ended 31 March 2012 of this Annual Report.

9. Management Reports

At every Board meeting, a progress report on on-going projects of the Bank pertaining to products and services, information technology, recruitment, human resource, policies and procedures, regulatory requirement as well as income and expenses are submitted to the Board for review.

10. Corporate Responsibility

As part of its shared values, the Bank is continuously developing and strengthening its relationship with the community. Through its Corporate Responsibility initiatives, the Bank willingly gives back to the community not just in monetary terms but also through the provision of products, services as well as educating the public on the importance of Islamic financial services through a series of 'ceramahs'.

Further details of the Corporate Responsibility Initiatives are set out on pages 66 to 67 of this Annual Report.

BOARD AUDIT COMMITTEE





From Left to Right:

HAJI ABDUL JABBAR ABDUL MAJID – Chairman

HAJI ISMAIL IBRAHIM

TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN

DATO' AZMI ABDULLAH

DATO' HAJI KAMIL KHALID ARIFF

STATEMENT ON INTERNAL CONTROL

The Board Audit Committee (BAC) acknowledges its responsibility to ensure that the Bank system of internal controls is adequate and effective to manage the risk profile within the Bank's risk appetite. However, such a system is designed to manage the Bank's key areas of risks within an acceptable risk appetite, rather than to guarantee total elimination of the risk of failure to achieve the Bank's objectives and goals. As such, the system of internal controls can only provide a reasonable rather than an absolute assurance against risk of material misstatements and financial information and records or against fraud or losses.

For the financial year under review up to the issuance date of the annual report and financial statements, the BAC is of the view that the system of internal controls in place at the Bank is sound and adequate to safeguard the stakeholder's interest and the Bank's assets.

The BAC is supported by the Internal Audit Department (IAD), which forms an integral part of the governance processes in the Bank. The Internal Auditors evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach. The IAD assists BAC by providing reasonable assurance and value-added recommendations on the adequacy, integrity and effectiveness of the system of internal controls and financial reporting, and compliance with internal policies, procedures, and external applicable rules and regulations.

The IAD conducts independent risk-based audits based on annual audit plan approved by BAC. In preparation of the audit plan, IAD has taken the business strategy, objectives, risk and internal control environment of the Bank, and activities of its operating and support units into consideration.

The IAD evaluates the risks, internal controls and compliance matters through a structured risk-based audit approach and periodic audit on units, branches, and key business processes of which, the frequency is determined by the level of risk assessed and provides independent and objective reports for BAC's review and deliberation in their periodic meeting.

The BAC reviews all the significant findings, observations, recommendations and action plans reported by the IAD, Management, external auditors, and regulators. The status of actions taken on the Internal Auditors' recommendations are deliberated at the Audit Resolution Monitoring Committee (ARMC) whose members comprise of senior management. The Minutes of the ARMC meetings are tabled to the BAC for deliberation.

Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in the respective manuals, guidelines, and directives issued by the Bank and the regulatory authorities, which are updated from time to time.

BOARD RISK MANAGEMENT COMMITTEE





From Left to Right:

DATO' AZMI ABDULLAH – Chairman

HAJI MOHD IZANI GHANI

HAJI ABDUL JABBAR ABDUL MAJID

TENGKU DATO' SERI HASMUDDIN TENGKU OTHMAN

DATO' HAJI KAMIL KHALID ARIFF

RISK
MANAGEMENT

OVERVIEW

BMMB manages its risk through a structured risk management approach that is intended to provide a comprehensive view of the risks entrenched in the various business operations. The Bank's approach to risk management is built on formal governance processes and relies on individual responsibility and collective oversight, informed by comprehensive reporting.

Integral to this approach is the systematic process of identifying and measuring risk, establishing risk appetite, ensuring business plans and profiles aligned, and subsequently developing the appropriate strategies to manage risk. Under this approach, the management and control over the principal risk areas of Market Risk, Asset and Liability Management, Credit Risk, Operational Risk and Shariah Compliance Risk are integrated and optimised to secure a strategic competitive advantage.

Broadly, the Bank's primary risk management objectives are:

- Identify the significant risks exposures and their impact;
- Establish the risk appetite and ensure business strategies and plans are consistent;
- Ensure risk/return decisions are optimised and aligned to the business goals;
- Ensure that business growth plans are supported by an effective risk infrastructure;
- Formulate sound policies and procedures in line with the Group's and the Bank's strategy, business lines and nature of operations;
- Set out an enterprise-wide organisation structure with well-defined roles and responsibilities that promotes strong and independent review; and
- Instill the risk culture in the Bank towards enhancing value preservation and creation.

RISK GOVERNANCE

Whilst the responsibility for risk management resides at all levels within the Bank, risk management governance starts with the Board. The Board is responsible for the overall framework of risk governance and management which includes determining risk strategy, setting the Bank's risk appetite and ensuring that risk is monitored and controlled effectively. It is also responsible for establishing a clearly defined risk management structure with distinct roles and responsibilities. Within that structure, line managers are responsible for the identification, measurement and management of the risks within their areas of responsibilities.

In addition to individual responsibilities of risk management, there is a structure of committees delegated by the Board, that carries the responsibility of defined aspects of risk management.

RISK GOVERNANCE

	Risk Management Organisation Structure	**Audit Committee**
Board *Establish Risk Appetite & Policy*	Board of Directors (BoD) Board Risk Management Committee (BRMC) Shariah Committee (SC)	Board Audit Committee (BAC)
Management *Ensure Implementation of Policy & Compliance*	Executive Risk Management Committee (ERMC) Asset-Liability Management Committee (ALCO) Credit Committee (CC) Investment Committee (IC) Operational Risk Management Committee	Internal Audit Committee (IAC)
Working Level *Implement & Comply with Risk Policy*	Risk Management Department (RMD) Credit Assessment Department (CAD) Retail Approving Centre (RAC) Compliance Department Shariah Department (SD) Bank's Line Management	Internal Audit Department (IAD)

RISK MANAGEMENT

At the management level, several risk committees are set up to oversee specific risk areas and related control functions, namely on the asset-liability management, credit evaluation and management, investment, and operational risk management.

To carry out the day-to-day risk management functions, a dedicated Risk Management Department that is independent of the business units supports the above committees.

RISK APPETITE

The Bank's risk governance and management structure is based on a "distributed function" approach, where:

- The First Line of Defense lies within the business lines, which are primarily responsible for managing specific risks assumed by them in their day-to-day activities.
- The Second Line of Defense provides the specialized resources for developing risk frameworks, policies, methodologies and tools for the management of material risks taken by the Group as a whole.
- The Third Line of Defense involves internal audit and compliance, whose task would be to independently review on the adequacy and effectiveness of the risk management process.

For the system to be effective, the Bank has developed a Risk Appetite framework that clearly defines the processes, policies, metrics, governance and on-going review of the risk appetite as part of the overall business strategy and risk management objectives. The risk appetite is applied to business and strategic planning as well as to the day-to-day business operation and risk management. It is jointly developed with the business lines, thus ensuring accountability and on-going adherence, and is reviewed and approved by the Board on a periodic basis.

The Risk Appetite statement, which defines the risk appetite, risk tolerance and risk limits of the Bank, is formulated based on its financial position, risk capacity and strength of its core earnings. The Risk Appetite statement sets out the principles and policies that guide the Bank's behaviour for all risk taking activities and guides the decision making process towards achieving an optimal balance between risk and return. It provides a clear and structured approach to the management, measurement and control of risks across all business activities.

The Risk Appetite statement, together with the risk tolerance and threshold, is formulated to cover over seven key risk metrics, namely credit, market, liquidity and funding, operational, strategic, shariah compliance and reputational risks.

CREDIT RISK MANAGEMENT

Credit risk is the potential financial loss caused by a retail customer or wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all exposures and includes credit risk on guarantees and irrevocable undrawn facilities. To a lesser degree, the Bank is also exposed to other forms of credit risk, such as those arising from settlement activities where the risk is a consequence of undertaking the activity, rather than a driver for it.

Risks arising from changes in credit quality remain a central feature of the Bank's business. Adverse changes in the credit quality of a customer or a general deterioration in the economic conditions could affect the recoverability and value of the Bank's assets and therefore its financial performance.

A credit risk framework has been established as part of the overall governance framework to measure, mitigate and manage credit risk, where risk exposures are controlled and managed at every stage of the credit process. At the credit approval stage, the appropriate level of approving authority and limits have been clearly defined and these authority and limits are duly sanctioned by the Board and are subject to periodic review to assess its effectiveness as well as compliance. To enhance the risk identification process and ensure overall quality of credit proposals, independent credit reviews and risk assessments are carried out by relevant credit assessment departments on financing proposals prior to approval by the respective approving authority.

In addition, the Bank conducts constant review of its credit exposures based on concentration and portfolio segments to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for risk management strategy and policy formulation.

The management of credit risk is governed by a set of credit-related policies, namely the Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP) and related operating procedures. These policies and procedures outlines the appropriate risk policies and prudential limits, risk rating and financing underwriting standards, delegated approving authority, risk mitigation, review, rehabilitation and restructuring, and provisioning for impaired financing. These policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

MARKET RISK & ASSET-LIABILITY MANAGEMENT

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Asset-Liability Management (ALM) refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with Bank's strategic plan.

The Bank has an independent market risk control function that is responsible for measuring market risk exposures in accordance with the policies and guidelines. The unit reports to the ALCO Working Committee on a monthly basis to proactively discuss the balance sheet and capital management of the Bank that later escalates any recommendations and decisions to the ERMC, BRMC and Board respectively.

The Bank's effective market risk and ALM management process which includes the risk identification, measurement, mitigation, monitoring and reporting is translated into the following policies & guidelines:-

- Market Risk & ALM Policies and Guidelines ("MRAPG").
- Trading Book Policy Statement ("TBPS").

Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank's assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Risks	Definition
Repricing Risk	• Timing differences in the maturity and repricing of the Bank's assets and liabilities.
Yield Curve Risk	• Unanticipated yield curve shifts that have adverse impact on the Bank's income and economic values.
Basis Risk	• Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics.
Optionality	• The risk arises from option embedded in many Bank's assets, liabilities and off-balance sheet portfolio.
Displaced Commercial Risk	• The risk that the Bank may confront under commercial pressure to pay returns higher that the rate that has been earned on its assets financed by investment account holders.

Liquidity Risk Management

Liquidity risk is best described as the inability to fund the increase in assets and failing to provide financial resources to meet the obligations as they come due.

Thus, it is the Bank's priority to manage and maintain stable financial resources towards fulfilling the depositors' expectation. Through effective balance sheet management, the Bank ensures sufficient availability of cash and liquid assets to meet short and long-term obligations as they fall due.

The Bank adopts several liquidity management strategies, namely:

- Management under normal condition: Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.
- Management under crisis condition: Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due.

OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people, and systems, and/or from various external events. The objective of Operational Risk Management is to effectively manage risk to minimise possible financial losses due to these operational risks.

In relation to operational risk management, the key risk organs which play a critical role in the overall integrated risk management framework are the Operational Risk Management unit, Operational Risk Management Committee (ORMC), the Internal Audit and the business lines.

Operational Risk Management Committee (ORMC)

The ORMC comprises heads of department of respective business/support units, who are collectively responsible for the effective implementation of the ORM Framework within the Bank. The ORMC deliberates, reviews and recommends all policies pertaining to ORM on a monthly basis. Among the responsibilities of the ORMC are:

- Evaluate and recommend operational risk appetite.
- Report material operational risk and loss incidents to Board and Management committees for their oversight and decision making.
- Supervise the adequacy of the Bank's operational risk mitigation strategies.
- Ensure that periodic risk reporting of business/support units are timely done and in accordance with the operational risk management framework.
- Review periodically the adequacy of ORM policies, controls and systems in place within the Bank.

Risk Agent

The Risk Agents are the eyes and ears of ORMC and ORM unit. These agents are appointed personnel within each business and support unit. Under a self risk-assessment culture, a Risk Agent performs the required risk management processes on his or her unit using the standard tools as per Basel II requirement.

Internal Audit Department

Internal Audit Department (IAD) acts as an independent party to provide independent assessment and evaluation on the effectiveness of the Group's and the Bank's ORM in the following areas:

- Assess the operational risk management process.
- Assess the methods for monitoring and reporting its operational risk profile.
- Assess the procedures for the timely and effective resolution of operational risk events and vulnerabilities.
- Ensure operational risk mitigation efforts in terms of effectiveness and efficiency.

In addition, IAD works together with the ORM Unit, business/support units and departments by sharing information pertaining to the risk and control on the Bank's operations, thus contributing towards overall operational risk management.

Business/Support Lines

Operational risk, by its nature, is inherent in any business. The Business / Support Units are responsible for the day-to-day management of these risks arising from their business activities.

Among their responsibilities are:

- Implement and execute the ORM Framework.
- Create awareness of the operational risk control environment within each business unit.
- Ensure adequate and effective controls are in place.
- Assess and manage the day-to-day operational risks in their respective units;
- Report operational risk issues to ORM Unit on periodic basis.

Business Continuity Management

The Bank adopts BNM Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that enable the institution to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

SHARIAH RISK MANAGEMENT

Shariah compliance risk defined as "the risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils or committees."

Shariah Risk Management was established in May 2011 pursuant with the requirement of BNM's Shariah Governance Framework (SGF) for Islamic Financial Institutions. The function is carried out by the Shariah Risk Management Unit (SRMU) which is responsible for managing the Shariah risk within the Bank's integrated risk management framework. SRMU has to ensure that the Shariah risk areas, which may interrelate with operational risk, credit risk and market risk, are proactively identified, assessed, controlled, mitigated, monitored and reported to the Management and Board of Directors.

The general responsibilities of the SRMU are:

- Formulate policies and guidelines on Shariah compliance risk management.

- Identify and assess Shariah compliance risks in business operations and activities as well as in products and services.

- Assess the effectiveness of the existing controls and recommend appropriate controls or mitigation plan.

- Monitor Shariah compliance risk and periodically report the risk to the Board, Shariah Committee and Management.

- Identify any potential profit arising from business operations and activities that could not be recognised as a halal (lawful in Shariah) income to the Bank due to non-adherence with Shariah requirements.

- Formulate procedures on cleansing of non-halal income and monitor the de-recognition process.

- Conduct training and awareness program on Shariah compliance risk to inculcate a Shariah compliance risk culture.

- Assess new products and new/existing operating procedures from Shariah compliance risk perspective.

REPUTATIONAL RISK MANAGEMENT

The Bank acknowledges that reputational risk, which is defined as the risk to the organisation's reputation that could adversely impact its shareholder's value, arises from the failure to effectively manage all the other types of risk. As a full-fledged Islamic financial institution, the Bank places high importance on its overall risk governance, particularly in ensuring compliance to the shariah tenets, as negative perception on the part of its customers and other stakeholders could lead to potentially adverse consequences for the Bank.

STATEMENT ON COMPLIANCE

The Bank, as a licensed Islamic financial institution under the Islamic Banking Act 1983 (IBA) recognises legal and regulatory requirements imposed by various regulators such as Bank Negara Malaysia (BNM), Perbadanan Insurans Deposit Malaysia (PIDM), the Companies Commission of Malaysia and the Securities Commission (SC). The regulatory requirements are to be complied, managed proactively and effectively with compliance and culture embedded across all business activities of the Bank.

Managing the ever evolving regulatory compliance requirements and ensuring the Bank's compliance to these requirements have been done strategically and systematically, as the impact of non-compliance is not limited to just legal or regulatory sanctions, but also potential financial losses or loss of reputation to the Bank. As the regulators strive to improve governance and build a robust and resilience financial system, they would from time to time, introduce or vary various regulatory requirements and guidelines imposed on financial institutions.

Compliance is defined as adherence to regulatory requirements, internal policies and procedures including the code of conduct of the Bank and standards applicable to the banking activities of the Bank.

To better managing the risk, Compliance Framework and Charter (Framework) that deal with the Bank's strategies, approaches and processes to ensure adherence to applicable regulatory requirements have been developed and adopted by the Board of Directors (the Board), Chief Executive Officer (CEO) and Senior Management.

The objectives of the Compliance Framework are to:

- Embed a compliance culture across the Bank;
- Identify and manage compliance risk and obligations;
- Prevent incidences of non-compliances;
- Detect non-compliance incidences in a timely manner; and
- Respond and resolve non-compliances incidences effectively and expeditiously

It was built on the following principles:

- Commitment to comply with relevant regulatory requirements and ensuring that the Bank's operations, internal policies and procedures, code of conduct and standards applicable to its banking activities are conducted in line with regulatory requirements.
- Shared responsibility for regulatory compliance premised on the following concept of 3 lines of defense:
  - The management, and business and support units are the primary party responsible for managing compliance risk and obligations, and the delivery of compliant outcomes (1st line of defense);
  - The Compliance Department will provide oversight, coordination, consultation and validation of the Bank's state of regulatory compliance (2nd line of defense); and
  - Internal Audit Department will provide an independent assurance to the Board that the overall Compliance Framework operates as intended.
- Dedicated compliance function coordinates the management of the Bank's compliance risk; implement a compliance programme across the Bank to ensure effective operationalisation of the Compliance Framework.
- Embedding the Compliance Framework within the operations of the Bank, thus making regulatory compliance risk management an integral part of the Bank's business activities.

The Board and management of the Bank further pledge to ensure the implementation of the following key elements and processes for effective compliance culture:

- **Leadership principle:**
  - The Board and Management are fully committed to ensuring compliance risk and obligations are managed effectively;
  - Management at all levels are engaged in building and maintaining a compliance culture; and
  - Allocating adequate and appropriate resources for the compliance programme.
- **Culture principle:**
  - A culture of compliance is consciously promoted Bank-wide; and
  - Behaviours that create and support and compliance are encouraged and behaviours that compromise compliance are not tolerated.
- **Training and Communication Principle:**
  - Compliance competency and training needs (Bank-wide) are identified and addressed; and
  - Compliance knowledge and awareness are continuously reinforced and communicated to all.
- **Compliance Risk Identification & Assessment Principle:**
  - Compliance risks and obligations are proactively identified; and
  - Early warning system is in place to identify new or changing compliance obligations.

- **Compliance Management and Mitigation Principle:**
  - Effective policies, processes and internal controls are in place to mitigate non-compliance risk;
  - Policies and procedures are communicated to ensure that they are understood; and
  - There is management oversight over control operation and overall compliance.
- **Compliance Monitoring Principle:**
  - Performance of compliance controls and compliance programme is monitored, measured and reported.
  - The compliance programme is regularly reviewed and continuously improved.
- **Compliance Reporting and Resolution Principle:**
  - Appropriate mechanisms are established and maintained to identify, capture, escalate, analyse and respond to issues or breaches associated with compliance obligations.

ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM (AML/CFT)

Money Laundering has become an increasing matter of concern in a number of jurisdictions particularly in many emerging financial service sectors, where criminals take advantage of the vulnerability of the financial systems in attempt to conceal the true origin and ownership of the proceeds of their criminal activities or unlawful activities. Nonetheless, not all terrorist activities are financed through illegal sources, but the methods used to cipher their funds are of similar nature. Hence, governments and other authorities in various jurisdictions have sought to strengthen existing legislations and regulations to eliminate or reduce money laundering and terrorist financing. Conversely, if this is left unchecked, it will continuously encourage criminal activities and ultimately weaken the social fabric and collective ethical standards of society.

The Bank also explicitly recognises the importance of maintaining continuous efforts and initiatives in assisting the Government and BNM in combating illicit and money laundering activities as well as the financing of terrorist activities through the use of the banking system. With infrastructure and processes in place, the Bank has demonstrated its full commitment and support in ensuring compliance with Anti-Money Laundering and Terrorist Financing Act, 2001 (AMLATFA) as one of the responsible Reporting Institution (RI). The building blocks of the infrastructure are the AML/CFT Policy and the Internal Guidelines that sets out the following:

- Roles, responsibilities and accountabilities of all employees in combating money laundering and terrorist financing activities;
- Regular education and training to instill employees' awareness on the importance of AML/CFT so as to assist in preventing and detecting suspicious activities;
- Customer Due Diligence process to proactively identify and profile the customers based on selected key criteria;
- Use of subscribed database and management information system for on-going screening of customers transactions to facilitate timely detection and reporting of the suspicious activities to Financial Intelligence Unit (FIU) and BNM;
- Assist the enforcement agencies in providing required information and suspicious transaction in a timely manner;
- Maintain record keeping of all identification and transaction details in accordance with statutory requirements;
- Avenue to escalate and deliberate issues surrounding AML/CFT on monthly basis with Senior Management and the Board to reaffirm the commitment and enhance the oversight function;
- Regular independent review by Internal and external parties to assess the adequacy, effectiveness of the internal controls and state of compliance with the policy and guideline; and
- Strict enforcement of appropriate disciplinary action based on established disciplinary procedures on employees who are found to have contravened with such policy and guideline.

All entities, business units and branches within the Bank are strongly committed in complying with the AML/CFT Policy and Internal Guidelines as well as the applicable regulations and legislation.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors of Bank Muamalat Malaysia Berhad have pleasure in submitting their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are Islamic banking business and related financial services.

The principal activities of the subsidiaries are as disclosed in Note 11 to the financial statements.

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

RESULTS

	Group RM'000	Bank RM'000
Net profit for the year	84,984	84,370

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

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

DIVIDEND

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

DIRECTORS

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

Tan Sri Dato' Dr. Mohd Munir Abdul Majid

Dato' Sri Haji Mohd Khamil Jamil

Dato' Haji Mohd Redza Shah Abdul Wahid

Haji Ismail Ibrahim

Haji Abdul Jabbar Abdul Majid

Tengku Dato' Seri Hasmuddin Tengku Othman

Haji Mohd Izani Ghani

Dato' Azmi Abdullah

Dato' Haji Kamil Khalid Ariff (appointed 29 September 2011)

Dato' Lukman Ibrahim (appointed 18 November 2011)

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Bank and its related corporations are as follows:

	Number of ordinary shares of RM1.00 each			
	As at 1.4.2011	**Acquired**	**Disposal**	**As at 31.3.2012**
Interest in Etika Strategi Sdn Bhd, ultimate holding company:				
Dato' Sri Haji Mohd Khamil Jamil	30,000	–	–	30,000

None of the other directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, an interest in shares of the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 28 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for certain directors who received remuneration from a subsidiary company of the immediate holding company.

OTHER STATUTORY INFORMATION

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

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

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

OTHER STATUTORY INFORMATION (CONT'D.)

(b) As at the date of this report, the directors are not aware of any circumstances which would render:

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

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

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

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

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

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

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

(f) In the opinion of the directors:

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

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

COMPLIANCE WITH BANK NEGARA MALAYSIA'S GUIDELINES ON FINANCIAL REPORTING

In the preparation of the financial statements of the Group and the Bank, the directors have taken reasonable steps to ensure that Bank Negara Malaysia's Guidelines on financial statements have been complied with, including those as set out in the Guidelines on Financial Reporting for Financial Institutions and the Guidelines on Classification and Impairment Provision for Loans/Financing.

BUSINESS REVIEW 2011/2012

The Group registered a profit before zakat and taxation of RM124.1 million, lower by 39% as compared with the amount posted in the previous corresponding year, despite recording moderate growth of 6% in total distributable income. Decline in profit was partly attributed to higher income attributable to depositors by RM64 million, as a result of increase in total customer deposits by 12%.

Being a relevant player in the Islamic Banking industry, the Bank maintained its core business well with expanded financing base from RM7.1 billion in March 2011 to RM9.0 billion for the year ended March 2012. Total assets of the Group grew in the twelve months period to RM20.5 billion as compared to RM18.3 billion last year. The increase was mainly due to an increase in amount of investment securities held and financing of customers.

PROSPECTS 2012/2013

Premised on the above prospects, we are optimistic that there will be sufficient opportunities for the bank to grow its financing as well as investment assets. Capital market and investment banking activities however may be more subdued as compared to last year. Consumer demand on the other hand, is expected to continue to remain resillient whilst the thrust of business banking will be more selective as the economy registers a relatively slower growth rate.

PROSPECTS 2012/2013 (CONT'D.)

The Bank is optimistic on the outlook for financing growth next year, buoyed by encouraging demand on consumer financing whilst corporate portfolio is expected to grow relatively moderate. The new Financial Sector Blueprint 2011-2020, which promotes internationalisation of Islamic finance, provides new and alternative opportunities for growth of Malaysian banking sector.

Looking ahead, the Bank will continue its focus on fee income generation in particular in the areas of trade finance, treasury activities, investment banking and transactional banking and also aims to further deepen its wealth management and Bancatakaful services. Ar-Rahnu business introduced this year has shown positive development and next year will see further expansion as the bank plans to equip more of its branches with Ar-Rahnu facilities.

Enhance of network presence and customer service delivery remains priority. Some selected branches will be relocated to more strategic locations and some will be given a facelift with a new "look and feel" to create new customers' banking experience. More kiosks will be opened to provide convenient and simpler banking services to the customer. Ongoing collaboration within the DRB-Hicom Group, in particular with Pos Malaysia, will be another significant initiative that would take the bank to a greater height.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Received
Rating Agency Malaysia Berhad	May 2012	Long term	A2
		Short term	P1
		Subordinated Bond	A3
		Outlook	Stable

DISCLOSURE OF SHARIAH COMMITTEE

The Bank's business activities are subject to the Shariah compliance and conformation by the Shariah Committee consisting of a minimum of 5 members appointed by the Board for a 2-years term. The duties and responsibilities of the Shariah Committee are governed by the Shariah Governance Framework for the Islamic Financial Institutions issued by the Bank Negara Malaysia (BNM).The main duties and responsibilities of the Shariah Committee are as follows:

(a) The Shariah Committee is expected to advise the Board and the Management including the Bank's subsidiaries and provide input to the Bank on Shariah matters in order for the Bank to comply with Shariah principles at all times.

(b) The Shariah Committee is expected to endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah.

(c) To ensure that the products of the Bank comply with Shariah principles, the Shariah Committee must approve:

   (i) the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and

   (ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

(d) To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

(e) The related parties of the Bank such as its legal counsel, auditor or consultant may seek advice on Shariah matters from the Shariah Committee and the Shariah Committee is expected to provide the necessary assistance to the requesting party.

DISCLOSURE OF SHARIAH COMMITTEE (CONT'D.)

(f) The Shariah Committee may advise the Bank to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC of BNM) on Shariah matters that could not be resolved.

(g) The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank make reference to the SAC for further deliberation, or where the Bank submits applications to the Bank for new product approval.

(h) Provide the Bank with guidelines and advice on religious matters to ensure that the Bank's overall activities are in line with Shariah.

(i) Make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.

(j) Report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.

(k) Provide Shariah advisory and consultancy services in all matters relating to Bank's products, transactions and activities as well as other businesses involving the Bank.

(l) Scrutinize and endorse the annual financial report of the Bank.

(m) Provide training to the staff as well as notes or relevant materials for their reference.

(n) Represent the Bank or to attend any meetings with the SAC or other relevant bodies concerning any Shariah issues relating to the Bank.

(o) The Shariah Committee shall maintain the confidentiality of the Bank's internal information and shall be responsible for the safe guarding of confidential information. He or she should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.

(p) The Shariah Committee shall ensure the quality and consistency of the Shariah decision.

ZAKAT OBLIGATIONS

The Bank pays zakat on its business as required by Shariah.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 June 2012.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid

Dato' Haji Mohd Redza Shah Abdul Wahid

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Haji Mohd Redza Shah Abdul Wahid, being two of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 101 to 213 are drawn up in accordance with Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines and Shariah principles and Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2012 and of the financial performance and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 1 June 2012.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid

Dato' Haji Mohd Redza Shah Abdul Wahid

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, PeerMohamed Ibramsha being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 101 to 213 are in my opinion, 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
above named PeerMohamed Ibramsha
at Kuala Lumpur in Federal Territory
on 1 June 2012.

PeerMohamed Ibramsha

Before me,

Commissioner for Oaths

REPORT OF THE SHARIAH COMMITTEE

In compliance with the letter of appointment, we are required to submit the following report:

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank Muamalat Malaysia Berhad during the year ended 31 March 2012. We have also conducted our review to form an opinion as to whether Bank Muamalat Malaysia Berhad has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

The management of Bank Muamalat Malaysia Berhad is responsible for ensuring that the financial institution conducts its business in accordance with Shariah principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank Muamalat Malaysia Berhad.

We planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank Muamalat Malaysia Berhad has not violated the Shariah principles.

To the best of our knowledge based on the information provided to us and discussions and decisions transpired and made in the meetings of or attended by the Shariah Committee of Bank Muamalat Malaysia Berhad as been detailed out in the relevant minutes of meetings and taking into account the advices and opinions given by the relevant experts, bodies and authorities, we are of the opinion that:

1. the contracts, transactions and dealings entered into by the Bank Muamalat Malaysia Berhad during the year ended 31 March 2012 that we have reviewed are in compliance with the Shariah principles;

2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

3. all earnings that have been realised from sources or by means prohibited by the Shariah principles have been considered for disposal to charitable causes; and

4. the calculation and distribution of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the operations of the Bank Muamalat Malaysia Berhad to the best of its effort, for the year ended 31 March 2012 have been conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee,

Azizi Che Seman

Engku Ahmad Fadzil Engku Ali

Date: 1 June 2012
Kuala Lumpur, Malaysia

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 2012 of the Group and the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 108 to 213.

Directors' responsibility for the financial statements

The directors of the Bank are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines and Shariah principles and the Companies Act, 1965 in Malaysia, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards, as modified by Bank Negara Malaysia Guidelines and Shariah principles and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2012 and of their financial performances and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF BANK MUAMALAT MALAYSIA BERHAD (INCORPORATED IN MALAYSIA)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

OTHER MATTERS

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

Ernst & Young
AF: 0039
Chartered Accountants

Mohd. Sukarno bin Tun Sardon
No. 1697/03/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
1 June 2012

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2012 (8 JAMADIL AWAL 1433H)

	Note	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Assets					
Cash and short-term funds	4 (a)	**4,391,223**	6,199,953	**4,391,223**	6,199,953
Cash and placements with financial institutions	4 (b)	**110,333**	251,012	**110,333**	251,012
Financial investment held-to-maturity	5 (a)	**74,494**	28,585	**74,494**	28,585
Financial investment available-for-sale	5 (b)	**6,144,018**	4,370,987	**6,139,218**	4,360,187
Islamic derivative financial assets	6	**4,150**	5,177	**4,150**	5,177
Financing of customers	7	**9,038,483**	7,148,160	**9,050,805**	7,166,034
Other assets	8	**44,371**	70,700	**37,394**	63,645
Statutory deposits with Bank Negara Malaysia	9	**527,721**	94,121	**527,721**	94,121
Deferred tax assets	10	**52,353**	38,240	**52,353**	38,240
Investment in subsidiaries	11	**–**	–	**6,384**	6,484
Property, plant and equipment	12	**81,072**	101,521	**81,072**	101,516
Prepaid land lease payment	13	**251**	255	**251**	255
Total assets		**20,468,469**	18,308,711	**20,475,398**	18,315,209
Liabilities					
Deposits from customers	14	**18,151,087**	16,216,173	**18,158,747**	16,222,790
Deposits and placements of banks and other financial institutions	15	**11,896**	14,993	**11,896**	14,993
Islamic derivative financial liabilities	6	**5,630**	3,986	**5,630**	3,986
Bills and acceptances payable	16	**310,324**	291,375	**310,324**	291,375
Other liabilities	17	**133,044**	164,398	**133,218**	164,422
Provision for zakat and taxation	18	**20,521**	5,228	**20,511**	5,228
Subordinated bonds	19	**406,079**	251,128	**406,079**	251,128
Total liabilities		**19,038,581**	16,947,281	**19,046,405**	16,953,922
Shareholders' equity					
Share capital	20	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves	21	**429,888**	361,430	**428,993**	361,287
Total shareholders' equity		**1,429,888**	1,361,430	**1,428,993**	1,361,287
Total liabilities and shareholders' equity		**20,468,469**	18,308,711	**20,475,398**	18,315,209
Commitments and contingencies	37	**4,287,269**	5,820,824	**4,287,269**	5,820,824
Capital adequacy *	41				
Core capital ratio		**14.4%**	15.2%	**14.4%**	15.2%
Risk-weighted capital ratio		**19.7%**	19.2%	**19.7%**	19.2%

* Capital adequacy ratios are computed after taking into account the credit, market and operational risks.

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

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (8 JAMADIL AWAL 1433H)

	Note	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Income derived from investment of depositors' funds and others	22	**838,499**	757,951	**838,499**	757,951
Income derived from investment of shareholders' funds	23	**55,092**	63,632	**54,401**	63,547
Allowance for impairment on financing	24	**(41,451)**	(36,127)	**(47,451)**	(36,127)
Provision for commitments and contingencies	17(a)	**–**	(32,861)	**–**	(32,861)
Impairment writeback on investments	25	**10,317**	59,617	**16,217**	59,699
Other expenses directly attributable to the investment of the depositors and shareholders' funds		**(20,752)**	(18,345)	**(20,752)**	(18,345)
Total distributable income		**841,705**	793,867	**840,914**	793,864
Income attributable to depositors	26	**(364,565)**	(300,499)	**(364,736)**	(300,641)
Total net income		**477,140**	493,368	**476,178**	493,223
Personnel expenses	27	**(170,947)**	(157,577)	**(170,256)**	(156,871)
Other overheads and expenditures	30	**(158,571)**	(115,855)	**(159,204)**	(115,940)
Finance cost	31	**(23,478)**	(15,625)	**(23,231)**	(15,625)
Profit before zakat and taxation		**124,144**	204,311	**123,487**	204,787
Zakat	32	**(3,087)**	(8,174)	**(3,087)**	(8,174)
Taxation	33	**(36,073)**	(62,560)	**(36,030)**	(62,599)
Profit for the year		**84,984**	133,577	**84,370**	134,014

	Note	Group 2012	Group 2011
Earnings per share attributable to share holders of the Bank (sen) (basic and diluted):	34	**8.5**	13.4

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012 (8 JAMADIL AWAL 1433H)

		Group		Bank	
	Note	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit for the year		**84,984**	133,577	**84,370**	134,014
Other comprehensive (loss)/income:					
Net unrealised (loss)/gain on revaluation of financial investment available-for-sale		**(24,215)**	18,386	**(24,354)**	18,376
Income tax relating to components of other comprehensive income	10	**8,159**	(5,526)	**8,159**	(5,526)
Exchange fluctuation reserve		**(470)**	1,083	**(470)**	1,083
Other comprehensive (loss)/ income for the year, net of tax		**(16,526)**	13,943	**(16,665)**	13,933
Total comprehensive income for the year		**68,458**	147,520	**67,705**	147,947

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012 (8 JAMADIL AWAL 1433H)

	Attributable to Shareholders of the Bank					
		Non-distributable				
Group	Ordinary shares RM'000	Statutory reserve* RM'000	Exchange fluctuation reserve RM'000	Available-for-sale reserve RM'000	Distributable retained profits RM'000	Total equity RM'000
At 1 April 2011	**1,000,000**	**272,893**	**553**	**(40,113)**	**128,097**	**1,361,430**
Total comprehensive income for the year	**–**	**–**	**(470)**	**(16,056)**	**84,984**	**68,458**
Transfer to statutory reserve	**–**	**42,492**	**–**	**–**	**(42,492)**	**–**
At 31 March 2012	**1,000,000**	**315,385**	**83**	**(56,169)**	**170,589**	**1,429,888**
At 1 April 2010	1,000,000	206,105	(530)	(52,973)	61,308	1,213,910
Total comprehensive income for the year	–	–	1,083	12,860	133,577	147,520
Transfer to statutory reserve	–	66,788	–	–	(66,788)	–
At 31 March 2011	1,000,000	272,893	553	(40,113)	128,097	1,361,430

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

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2012 (8 JAMADIL AWAL 1433H)

	Attributable to Shareholders of the Bank					
		Non-distributable				
Bank	**Ordinary shares RM'000**	**Statutory reserve* RM'000**	**Exchange fluctuation reserve RM'000**	**Available-for-sale reserve RM'000**	**Distributable retained profits RM'000**	**Total equity RM'000**
At 1 April 2011	**1,000,000**	**271,603**	**553**	**(39,974)**	**129,105**	**1,361,287**
Total comprehensive income for the year	**–**	**–**	**(470)**	**(16,194)**	**84,370**	**67,706**
Transfer to statutory reserve	**–**	**42,185**	**–**	**–**	**(42,185)**	**–**
At 31 March 2012	**1,000,000**	**313,788**	**83**	**(56,168)**	**171,290**	**1,428,993**
At 1 April 2010	1,000,000	204,596	(530)	(52,824)	62,098	1,213,340
Total comprehensive income for the year	–	–	1,083	12,850	134,014	147,947
Transfer to statutory reserve	–	67,007	–	–	(67,007)	–
At 31 March 2011	1,000,000	271,603	553	(39,974)	129,105	1,361,287

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

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2012 (8 JAMADIL AWAL 1433H)

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash flows from operating activities				
Profit before zakat and taxation	**124,144**	204,311	**123,487**	204,787
Adjustment for:				
Amortisation of prepaid land lease payment (Note 30)	**4**	5	**4**	5
Depreciation of property, plant and equipment (Note 30)	**16,205**	13,638	**16,200**	13,612
Gain on disposal of property, plant and equipment (Note 23)	**(66)**	–	**(66)**	–
Property, plant and equipment written-off (Note 30)	**31,595**	748	**31,595**	748
Amortisation of premium less accretion of discount (Note 22 and 23)	**3,976**	14,584	**3,976**	14,584
Net gain from sale of financial investment available-for-sale (Note 22 and 23)	**(22,948)**	(2,202)	**(22,948)**	(2,202)
Net gain from sale of financial investment held-for-trading (Note 22)	**(2,561)**	(1,170)	**(2,561)**	(1,170)
Net gain on revaluation of foreign exchange transaction (Note 23)	**(11,819)**	(14,013)	**(11,819)**	(14,013)
Net gain from foreign exchange derivatives (Note 23)	**(1,060)**	(2,523)	**(1,060)**	(2,523)
Unrealised loss on revaluation of islamic profit rate swap (Note 23)	**2,474**	158	**2,474**	158
Impairment writeback on investments (Note 25)	**(10,317)**	(59,617)	**(16,317)**	(59,617)
Impairment loss/(writeback) of investment in subsidiaries (Note 25)	**–**	–	**100**	(82)
Allowance for impairment on financing (Note 24)	**68,814**	45,403	**74,814**	45,403
Financing written off	**1,100**	8,494	**1,100**	8,494
Provision for commitment and contingencies	**–**	32,861	**–**	32,861
Finance cost (Note 31)	**23,478**	15,625	**23,231**	15,625
Gross dividend income (Note 23)	**(8,864)**	(2,000)	**(8,864)**	(2,000)
Operating profit before working capital changes	**214,155**	254,302	**213,346**	254,670
(Increase)/decrease in operating assets:				
Islamic derivative financial assets	**2,087**	15,088	**2,087**	15,088
Financing of customers	**(1,961,494)**	(674,386)	**(1,961,942)**	(691,907)
Statutory deposits with Bank Negara Malaysia	**(433,600)**	(6,300)	**(433,600)**	(6,300)
Other assets	**(30,677)**	(52,928)	**(30,891)**	(35,571)
Increase/(decrease) in operating liabilities:				
Deposits from customers	**1,934,914**	1,250,916	**1,935,957**	1,250,541
Deposits and placements of banks and other financial institutions	**(3,097)**	(1,368)	**(3,097)**	(1,368)
Islamic derivative financial liabilities	**427**	(12,795)	**427**	(12,795)
Bills and acceptances payable	**18,949**	199,151	**18,949**	199,151
Other liabilities	**(41,316)**	96,618	**(41,373)**	96,654
Cash (used in)/generated from operations	**(299,652)**	1,068,298	**(300,137)**	1,068,163
Zakat paid	**(5,228)**	(3,402)	**(5,228)**	(3,402)
Tax paid	**(9,805)**	(66,768)	**(9,567)**	(66,619)
Net cash (used in)/generated from operating activities	**(314,685)**	998,128	**(314,932)**	998,142

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from investing activities				
Proceed of financial investment in securities	**5,561,248**	4,439,477	**5,561,248**	4,439,477
Purchase of financial investment in securities	**(7,310,152)**	(4,716,830)	**(7,310,152)**	(4,716,830)
Proceed from disposal of property, plant and equipment	**127**	32	**127**	18
Purchase of property, plant and equipment (Note 12)	**(27,412)**	(31,860)	**(27,412)**	(31,860)
Dividend income	**8,864**	2,000	**8,864**	2,000
Net cash used in investing activities	**(1,767,325)**	(307,181)	**(1,767,325)**	(307,195)
Cash flows from financing activities				
Dividend paid on islamic subordinated bonds	**(17,399)**	(15,365)	**(17,152)**	(15,365)
Redemption of subordinated bonds	**(250,000)**	–	**(250,000)**	–
Additional issuance of subordinated sukuk	**400,000**	–	**400,000**	–
Net cash generated from/(used in) financing activities	**132,601**	(15,365)	**132,848**	(15,365)
Net (decrease)/increase in cash and cash equivalents	**(1,949,409)**	675,582	**(1,949,409)**	675,582
Cash and cash equivalents at beginning of year	**6,450,965**	5,775,383	**6,450,965**	5,775,383
Cash and cash equivalents at end of year	**4,501,556**	6,450,965	**4,501,556**	6,450,965
Cash and cash equivalents consist of:				
Cash and short term funds – Note 4 (a)	**4,391,223**	6,199,953	**4,391,223**	6,199,953
Cash and placements with financial institutions – Note 4 (b)	**110,333**	251,012	**110,333**	251,012
	4,501,556	6,450,965	**4,501,556**	6,450,965

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

1. CORPORATE INFORMATION

The Bank is principally engaged in all aspects of Islamic banking business and related financial services in accordance with Shariah principles.

The principal activities of the subsidiaries are as disclosed in Note 11.

There have been no significant changes in the nature of these 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 20th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

The holding and ultimate holding companies of the Bank are DRB-HICOM Berhad and Etika Strategi Sdn. Bhd. respectively, both of which are incorporated in Malaysia. DRB-HICOM Berhad, a public limited liability company is listed on the main Board of Bursa Malaysia Securities Berhad.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 April 2012.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Bank have been prepared in accordance with Financial Reporting Standards ("FRSs") as modified by Bank Negara Malaysia ("BNM") Guidelines and Shariah principles and the Companies Act, 1965 in Malaysia. At the beginning of the current financial year, the Group and the Bank adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 April 2011 as described fully in Note 3.2.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

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

3.2 Changes in accounting policies and disclosures

The accounting policies adopted by the Group and the Bank are consistent with those adopted in previous years, except for the adoption on 1 April 2011 of the following new, revised and/or amendments to:-

- Financial Reporting Standards ("FRSs");
- Issues Committee Interpretation ("IC Interpretations"); and
- Technical Release ("TR").

Amendments to FRSs, new IC Interpretations and TR effective from financial year commencing 1 April 2011:

FRS 1 First Time Adoption of Financial Reporting Standards

FRS 3 Business Combinations (revised)

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations

Amendments to FRS 127 Consolidated and Separate Financial Statements

Amendments to FRS 138 Intangible Assets

Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.2 Changes in accounting policies and disclosures. (cont'd.)

IC Interpretation 12 Service Concession Arrangements

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 1 Additional Exemption for First-time Adopters

Amendment to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters

Amendments to FRS 1 First-time Adoption of Financial Reporting Standards

Amendments to FRS 2 Share-based Payment

Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions

Amendments to FRS 3 Business Combinations

Amendments to FRS 7 Improving Disclosures about Financial Instruments

Amendments to FRS 7 Financial Instruments: Disclosure

Amendments to FRS 101 Presentation of Financial Statements

Amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates

Amendments to FRS 128 Investments in Associates

Amendments to FRS 131 Interests in Joint Ventures

Amendments to FRS 132 Financial Instruments: Presentation

Amendments to FRS 134 Interim Financial Reporting

Amendments to FRS 139 Financial Instruments: Recognition and Measurement

IC Interpretation 4 Determining Whether an Arrangement Contains a Lease

IC Interpretation 18 Transfers of Assets from Customers

Amendments to IC Interpretation 13 Customer Loyalty Programmes

TR 3 Guidance on Disclosures of Transition to IFRSs

TR i-4 Shariah Compliant Sale Contracts

The adoption of the above new/amendments to FRSs, IC Interpretations and TR did not have any material impact on the accounting policies, financial position or performance of the Group and the Bank, except for the following:

Amendments to FRS 7: Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments

The adoption of amendments to FRS 7 which resulted in removal of some disclosures as well as additional disclosures in the financial statements, but did not affect profit or loss, retained earnings and other reserves of the Group and of the Bank for the year ended 31 March 2012.

Amendments to FRS 7 introduce changes to credit risk disclosures as well as enhanced disclosures on fair value measurement and liquidity risk.

The adoption is effected prospectively for annual periods beginning on or after 1 January 2011 except for credit risk disclosures whereby the changes in the disclosures are effected retrospectively. The disclosure details are mainly disclosed in Note 38.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.3 Transition to Malaysian Financial Reporting Standards Framework ("MFRS Framework")

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional one year. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2013.

The Group does not falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

At the date of these financial statements, the Group has not completed its quantification of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework due to the ongoing assessment by the project team. Accordingly, the consolidated and separate financial performance and financial position as disclosed in these financial statements for the year ended 31 March 2012 could be different if prepared under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 March 2013.

3.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

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

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used into the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses resulting from intra-group transactions are eliminated in full. Consistent accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.4 Summary of significant accounting policies

(a) Subsidiaries and basis of consolidation

(ii) Basis of consolidation (cont'd.)

Acquisitions of subsidiaries are accounted for using the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statement of financial position. The accounting policy for goodwill is set out in Note 3.4(b). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised as income in profit or loss on the date of acquisition.

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. All total comprehensive income is proportionately allocated to NCI, even if this results in the NCI having a deficit balance.

A change in the ownership interest of a subsidiary (without loss of control), is accounted for as a transaction with owners in their capacity as owners.

(b) Goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Financial assets

Initial recognition and subsequent measurement

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

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

The Group and the Bank determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss ("FVTPL"), financing and receivables, held-to-maturity ("HTM") and available-for-sale ("AFS") in which the details are disclosed below.

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

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

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

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

(ii) Financing and receivables

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

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

(iii) Financial investment held-to-maturity

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Financial assets (cont'd.)

<u>**Initial recognition and subsequent measurement (cont'd.)**</u>

(iii) Financial investment held-to-maturity (cont'd.)

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

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

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

If the Group or the Bank were to sell or reclassify more than an insignificant amount of financial investments held-to-maturity before maturity, the entire category would be tainted and be reclassified to available-for sale.

Furthermore, the Group and the Bank would be prohibited from classifying any financial assets as held-to-maturity for the following two years.

(iv) Financial investment available-for-sale

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

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective profit method are recognised in profit or loss.

The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to income statement as a reclassification adjustment when the financial asset is derecognised. Profit income calculated using the effective profit method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in income statement when the Group and the Bank's right to receive payment is established.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(c) Financial assets (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

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

Fair value determination

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

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

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

Derecognition

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

(d) Financial liabilities

Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Group and the Bank become a party to the contractual provision of the instruments.

Initial recognition and subsequent measurement

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

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

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

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

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

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)**

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

(d) Financial liabilities (cont'd.)

Initial recognition and subsequent measurement (cont'd.)

(ii) Other financial liabilities

The Group's and the Bank's other financial liabilities include deposits from customers, deposits and placements of banks and financial institutions, debt securities, payables, bills and acceptances payable and other liabilities.

(1) Deposits from customers, deposits and placements of banks and financial institutions

Deposits from customers, deposits and placements of banks and financial institutions are stated at placement values.

(2) Debt securities

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's debt securities consist of subordinated bonds.

These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the financing on an effective profit method.

(3) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective profit method.

(4) Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(5) Other liabilities

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

Derecognition

A financial liability is derecognised when the obligation under the liability is redeemed or otherwise extinguished. When an existing financial liability is replaced by another from the same financier on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Impairment of financial assets

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

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

(i) Financing of customers

Classification of financing as impaired

Financing of the Group and the Bank are classified as impaired when they fulfill either of the following criteria:

(1) principal or profit or both are past due for more than three (3) months;

(2) where a financing is in arrears for less than three (3) months, the financing exhibits indications of credit weaknesses, whether or not impairment loss has been provided; or

(3) where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until payment based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

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

Impairment allowances

The Group first assesses individually whether objective evidence of impairment exists individually for financing that are individually significant, or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financing's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Where appropriate, the calculation of the present value of the estimated future cash flows of a collateralised financing or receivable reflect the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not foreclosure is probable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(e) Impairment of financial assets (cont'd.)

(i) Financing of customers (cont'd.)

Impairment allowances (cont'd.)

Profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. The profit income is recorded as part of 'profit income'.

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

Financing that are assessed not ot be impaired individually are subsequently assessed for impairment on a collective basis. For financing that are collectively assessed, the Group have applied the transitional provision issued by Bank Negara Malaysia via its guidelines on Classification and Impairment Provision for Loans/Financing, whereby collective assessment allowance is maintained at a minimum of 1.5% of total financing outstanding, net of individual impairment allowance.

(ii) Held-to-maturity

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

(iii) Available-for-sale

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

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

For debt instruments, classified as available-for-sale impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cummulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Where impairment losses have been previously recognised in the profit or loss, if there is a subsequent increase in the fair value of the debt instruments that can be objectively related to a credit event occurring after the impairment was recognised in the profit or loss, the impairment loss is reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(f) Equity instruments

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

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

(g) Derivative instruments and hedge accounting

Derivative instruments

The Group and the Bank use derivatives such as profit rate swap, cross currency swaps and forward foreign exchange contracts.

Derivative instruments are initially recognised at fair value, which is normally zero or negligible at inception for non-option derivatives and equivalent to the market premium paid or received for purchased or written options. The derivatives are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from a change in the fair value of the derivatives is recognised in the profit or loss unless they are part of a hedging relationship:

Hedge accounting

The Group and the Bank use derivative instruments to manage exposures to profit rate, foreign currency and credit risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

If the hedging instrument expires or is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective profit rate. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

(ii) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in non-profit income. When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(g) Derivative instruments and hedge accounting (cont'd.)

Hedge accounting (cont'd.)

(ii) Cash flow hedge (cont'd.)

When a hedging instrument expires, or is sold, terminated, exercised or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Group and the Bank did not apply cash flow hedge relationship as at the financial year end.

Embedded derivatives

Derivatives embedded in other financial instruments are accounted for separately as derivatives if the economic characteristics and risks are not closely related to those of the host contracts and the host contracts are carried at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(h) Foreclosed properties

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

(i) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Freehold land has unlimited useful life and therefore is not depreciated. Renovation work-in-progress are also not depreciated as these assets are not available for use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets as follows:

Buildings on freehold land	33 years
Building on leasehold land and leasehold land	33 years or remaining life of the lease, whichever is shorter
Office furniture and equipment	6-7 years
Buildings improvements and renovations	5 years
Motor vehicles	5 years
Computer equipment	3-5 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(j) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

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

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

(iii) Foreign operations

The results and financial position of the Group's foreign operations, whose functional currencies are not the presentation currency, are translated into the presentation currency at average exchange rates for the year, which approximates the exchange rates at the date of the transaction, and at the closing exchange rate as at reporting date respectively. All resulting exchange differences are taken directly to other comprehensive income and are subsequently recognised in the income statement upon disposal of the foreign operation.

(k) Provision for liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(l) Impairment of non-financial assets

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

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

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

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

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

(m) Cash and cash equivalent

Cash and cash equivalent consist of cash and bank balances with banks and other financial institutions, and short term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(n) 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 Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(o) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plan

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

(p) Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Bank and the income can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Profit and income from financing

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

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

(ii) Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, guarantee fees and brokerage fees are recognised as income based on accrual on time aportionment method. Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Dividend income from securities is recognised when the Bank's right to receive payment is established.

(q) Income tax

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

(q) Income tax

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial position date. Deferred tax is recognised as income or expense and included in the statement of comprehensive income for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(r) Zakat

This represents business zakat. It is an obligatory amount payable by the Bank to comply with the principles of Shariah. Zakat provision is calculated based on 2.5% of the shareholders' funds growth method.

3.5 Significant accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving higher degree of judgment and complexity, are as follows:

(a) Fair value estimation of securities available-for-sale (Note 5(b)) and derivative financial instruments (Note 6)

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement 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.

(b) Impairment of financial investment held-to-maturity and available-for-sale (Note 5)

The Bank reviews its debt securities classified as held-to-maturity and available-for-sale investments at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of financing.

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

(c) Impairment losses on financing (Note 7)

For impaired financing which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the customer's financial position. These estimations are based on assumptions and the actual results may differ from this, hence resulting in changes to impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

3.5 Significant accounting estimates and judgements

(c) Impairment losses on financing (Note 7) (cont'd.)

For financing of the Bank which are collectively assessed for impairment under BNM's guidelines on Classification and Impairment Provisions for Financing, judgement is exercised in the determination of the adequacy of the collective assessment allowance provided based on 1.5% of total outstanding financing net of individual assessment allowance to cover credit losses within the portfolio. In the exercise of such judgement, management assesses the historical loss experience of the various financing asset pools within the portfolio in order to determine the actual incurred impairment levels for those portfolios.

The impairment loss on financing is disclosed in more detail in Note 24.

(d) Income tax (Note 18)

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.

(e) Deferred tax (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.

4. (A) CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and balances with banks and other financial institutions	**162,535**	169,013	**162,535**	169,013
Money at call and interbank placements with remaining maturity not exceeding one month	**4,228,688**	6,030,940	**4,228,688**	6,030,940
	4,391,223	6,199,953	**4,391,223**	6,199,953

(B) CASH AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Licensed Islamic banks	**110,333**	251,012	**110,333**	251,012

5. FINANCIAL INVESTMENT

	Group and Bank 2012 RM'000	Group and Bank 2011 RM'000
(a) Held-to-maturity		
At amortised cost		
Unquoted Islamic private debt securities in Malaysia	**30,008**	30,071
Unquoted foreign Islamic private debt securities and sukuk	**45,972**	–
Unquoted shares in Malaysia	**575**	575
	76,555	30,646
Accumulated impairment loss	**(2,061)**	(2,061)
Total held-to-maturity securities	**74,494**	28,585

(i) The indicative value of unquoted securities held-to-maturity are as follows:

	Group and Bank 2012 RM'000	Group and Bank 2011 RM'000
Unquoted Islamic private debt securities in Malaysia	**27,947**	28,010
Unquoted foreign Islamic private debt securities and sukuk	**45,972**	–
Unquoted shares in Malaysia	**575**	575
	74,494	28,585

(b) Available-for-sale

At fair value, or at cost less impairment losses for certain financial investments:

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Government securities and treasury bills:				
Malaysian government investment certificates	**3,737,482**	1,972,826	**3,737,482**	1,972,826
Money market instruments:				
Negotiable islamic debt certificates	**55,570**	–	**55,570**	–
Quoted securities in Malaysia:				
Quoted shares	**48,023**	24,994	**48,023**	24,994
Unit trust	**–**	9,910	**–**	9,910
	48,023	34,904	**48,023**	34,904

5. FINANCIAL INVESTMENT (CONT'D.)

(b) Available-for-sale (cont'd.)

At fair value, or at cost less impairment losses for certain financial investments:

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Unquoted securities:				
Islamic private debt securities in Malaysia	**2,092,914**	2,153,416	**2,092,914**	2,153,416
Cagamas bonds	**116,266**	136,245	**116,266**	136,245
Foreign islamic private debt securities and sukuk	**84,332**	58,691	**84,332**	58,691
Shares in Malaysia	**9,431**	14,905	**4,631**	4,105
	2,302,943	2,363,257	**2,298,143**	2,352,457
Total available-for-sale securities	**6,144,018**	4,370,987	**6,139,218**	4,360,187

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

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Maturity within one year	**55,570**	–	**55,570**	–

6. ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

	2012			2011		
	Contract/ notional amount	Fair value		Contract/ Notional Amount	Fair value	
Group and Bank	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards						
Less than one year	**110,486**	**1,983**	**(272)**	52,994	770	(302)
– Currency swaps						
Less than one year	**569,975**	**2,082**	**(1,383)**	256,702	1,384	(558)
– Currency spot						
Less than one year	**189,753**	**85**	**(86)**	1,487,300	3,023	(2,968)
	870,214	**4,150**	**(1,741)**	1,796,996	5,177	(3,828)
Hedging derivatives:						
Islamic profit rate swap (IPRS)						
More than one year	**75,000**	**–**	**(3,889)**	75,000	–	(158)
Total	**945,214**	**4,150**	**(5,630)**	1,871,996	5,177	(3,986)

6. ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

Included within hedging derivatives is a derivative where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

	2012			2011		
	Contract/ notional amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000
Islamic profit rate swap (IPRS)	**75,000**	**–**	**(1,865)**	–	–	–

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect them against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers.

For the financial year ended 31 March 2012, the Group and the Bank recognised a net loss of RM1,864,906 (2011: Nil) on the hedging instrument. The total net gain on the hedged item attributable to the hedged risk amounted to RM1,256,623 (2011: Nil).

7. FINANCING OF CUSTOMERS

(i) By type

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Cash line	**181,842**	367,763	**181,842**	367,763
Term financing				
– Home financing	**6,469,716**	4,828,099	**6,469,716**	4,828,099
– Syndicated financing	**86,143**	143,617	**86,143**	143,617
– Hire purchase receivables	**1,165,170**	1,397,081	**1,165,170**	1,397,081
– Leasing receivables	**176,859**	191,584	**176,859**	191,584
– Other term financing	**6,688,931**	4,294,681	**6,707,253**	4,312,555
Trust receipts	**116,428**	147,916	**116,428**	147,916
Claims on customers under acceptance credits	**722,131**	779,186	**722,131**	779,186
Staff financing	**111,101**	94,761	**111,101**	94,761
Revolving credit	**491,233**	356,088	**491,233**	356,088
	16,209,554	12,600,776	**16,227,876**	12,618,650
Less: Unearned income	**(6,715,082)**	(4,753,075)	**(6,715,082)**	(4,753,075)
	9,494,472	7,847,701	**9,512,794**	7,865,575
Less: Financing sold to Cagamas	**(64,910)**	(364,308)	**(64,910)**	(364,308)
Gross financing	**9,429,562**	7,483,393	**9,447,884**	7,501,267
Less: Allowance for impaired financing:				
– Collective assessment allowance	**(229,175)**	(226,702)	**(229,175)**	(226,702)
– Individual assessment allowance	**(161,904)**	(108,531)	**(167,904)**	(108,531)
Net financing of customers	**9,038,483**	7,148,160	**9,050,805**	7,166,034

7. FINANCING OF CUSTOMERS (CONT'D.)

(ii) By contract

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Bai' Bithaman Ajil (deferred payment sale)	**3,947,411**	2,465,728	**3,947,411**	2,465,728
Ijarah (lease)	**287,697**	260,690	**287,697**	260,690
Ijarah Thumma Al-Bai (lease ended with purchase)	**1,024,090**	1,207,059	**1,024,090**	1,207,059
Inah (sale and buyback)	**263,365**	449,754	**263,365**	449,754
Tawarruq (commodity murabahah)	**1,979,340**	1,301,019	**1,979,340**	1,301,019
Bai Al Dayn (purchase of debt)	**732,250**	805,213	**732,250**	805,213
Murabahah (cost-plus)	**714,268**	652,739	**714,268**	652,739
Istisna' (sale order)	**453,524**	301,566	**453,524**	301,566
Qard (benevolent loan)	**27,309**	16,344	**27,309**	16,344
Shirkah Mutanaqisah (diminishing partnership)/ Musharakah (profit sharing)	**308**	23,281	**18,630**	41,155
	9,429,562	7,483,393	**9,447,884**	7,501,267

(iii) By type of customer

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Domestic non-banking institutions	**445,254**	37,042	**445,254**	37,042
Domestic business enterprises				
– Small business enterprises	**420,518**	728,478	**420,518**	728,478
– Others	**2,648,898**	2,336,206	**2,653,772**	2,347,158
Government and statutory bodies	**602,147**	135,190	**615,595**	142,112
Individuals	**5,292,442**	4,224,569	**5,292,442**	4,224,569
Other domestic entities	**5,340**	5,520	**5,340**	5,520
Foreign entities	**14,963**	16,388	**14,963**	16,388
	9,429,562	7,483,393	**9,447,884**	7,501,267

(iv) By profit rate sensitivity

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Fixed rate:				
– Home financing	**717,689**	485,065	**717,689**	485,065
– Hire purchase receivables	**1,017,029**	1,201,348	**1,017,029**	1,201,348
– Others	**4,279,145**	2,764,311	**4,284,019**	2,769,263
Variable rate:				
– Home financing	**1,536,955**	1,114,763	**1,536,955**	1,114,763
– Others	**1,878,744**	1,917,906	**1,892,192**	1,930,828
	9,429,562	7,483,393	**9,447,884**	7,501,267

7. FINANCING OF CUSTOMERS (CONT'D.)

(v) By sector

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Agriculture	**50,424**	75,846	**50,424**	75,846
Mining and quarrying	**2,032**	4,049	**2,032**	4,049
Manufacturing	**571,540**	670,143	**576,414**	675,095
Electricity, gas and water	**129,063**	144,710	**129,063**	144,710
Construction	**701,667**	775,252	**701,667**	781,252
Purchase of landed property:				
– Residential	**2,324,901**	1,649,817	**2,324,901**	1,649,817
– Non-residential	**232,143**	255,494	**232,143**	255,494
Real estate	**126,348**	16,937	**126,348**	16,937
Wholesale, retail and restaurant	**649,352**	601,139	**649,352**	601,139
Transport, storage and communication	**309,664**	155,913	**309,664**	155,913
Finance, takaful and business services	**529,448**	154,028	**529,448**	154,028
Purchase of securities	**119**	86	**119**	86
Purchase of transport vehicles	**1,024,737**	1,207,546	**1,024,737**	1,207,546
Consumption credit	**1,932,640**	1,316,730	**1,932,640**	1,316,730
Community, social and personal service	**229,889**	384,158	**243,337**	391,080
Government and statutory bodies	**615,595**	71,545	**615,595**	71,545
	9,429,562	7,483,393	**9,447,884**	7,501,267

(vi) By residual contractual maturity

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Maturity				
within one year	**2,081,549**	2,470,365	**2,081,549**	2,470,365
more than one to five years	**3,399,490**	2,866,870	**3,399,490**	2,866,870
more than five years	**3,948,523**	2,146,158	**3,966,845**	2,164,032
	9,429,562	7,483,393	**9,447,884**	7,501,267

(vii) By geographical area

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Domestic	**9,385,810**	7,388,918	**9,404,132**	7,406,792
Labuan Offshore	**43,752**	94,475	**43,752**	94,475
	9,429,562	7,483,393	**9,447,884**	7,501,267

7. FINANCING OF CUSTOMERS (CONT'D.)

(viii) By economic purpose

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Purchase of securities	**119**	86	**119**	86
Purchase of transport vehicles	**1,024,737**	1,207,546	**1,024,737**	1,207,546
Purchase of landed properties of which:				
– residential	**2,326,294**	1,651,418	**2,326,294**	1,651,418
– non-residential	**232,570**	255,963	**232,570**	255,963
Purchase of fixed assets (excluding landed properties)	**1,278,061**	448,398	**1,278,061**	448,398
Personal use	**1,932,640**	1,316,730	**1,932,640**	1,316,730
Construction	**735,147**	810,779	**735,147**	816,779
Working capital	**375,431**	239,508	**375,431**	239,508
Other purposes	**1,524,563**	1,552,965	**1,542,885**	1,564,839
	9,429,562	7,483,393	**9,447,884**	7,501,267

Included in financing of customers is a corporate financing which is hedged by profit rate derivatives. The hedge achieved the criteria for hedge accounting and the financing are carried at fair value.

The maximum credit exposure of the financing of customers amounts to RM73.3 million (2011: Nil). The cumulative change in fair value of the financings attributable to changes in profit rate risks amounts to a profit of RM1,256,623 (2011: Nil) and the change for the current year is a profit of RM1,256,623 (2011: Nil). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of bonds issued by entities with similar credit characteristics.

Impaired financing

(i) Movements in the impaired financing

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
At 1 April 2011/2010	**378,343**	591,988	**378,343**	591,988
Classified as impaired during the year	**371,687**	457,633	**377,687**	457,633
Reclassified as performing during the year	**(174,373)**	(265,609)	**(174,373)**	(265,609)
Recovered during the year	**(115,245)**	(142,588)	**(115,245)**	(142,588)
Written off during the year	**(14,068)**	(263,081)	**(14,068)**	(263,081)
As at 31 March	**446,344**	378,343	**452,344**	378,343
Ratio of gross impaired financing to total financing	**4.7%**	4.8%	**4.8%**	4.8%

7. FINANCING OF CUSTOMERS (CONT'D.)

Impaired financing (cont'd.)

(ii) Movements in the allowance for impaired financing

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Collective assessment allowance				
At 1 April 2011/2010	**226,702**	223,218	**226,702**	223,218
Allowance made during the year (Note 24)	**240,131**	250,047	**240,131**	250,047
Amount written-back (Note 24)	**(224,690)**	(224,291)	**(224,690)**	(224,291)
Amount written-off	**(12,968)**	(22,272)	**(12,968)**	(22,272)
As at 31 March	**229,175**	226,702	**229,175**	226,702
As % of gross financing, less individual assessment allowance	**2.5%**	3.1%	**2.5%**	3.1%

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Individual assessment allowance				
At 1 April 2011/2010	**108,531**	324,997	**108,531**	324,997
Allowance made during the year (Note 24)	**64,029**	89,776	**70,029**	89,776
Amount recovered (Note 24)	**(10,656)**	(70,129)	**(10,656)**	(70,129)
Amount written-off	**–**	(236,113)	**–**	(236,113)
As at 31 March	**161,904**	108,531	**167,904**	108,531

(iii) Impaired financing by geographical area

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Domestic	**439,870**	372,045	**445,870**	372,045
Labuan Offshore	**6,474**	6,298	**6,474**	6,298
	446,344	378,343	**452,344**	378,343

7. FINANCING OF CUSTOMERS (CONT'D.)

Impaired financing (cont'd.)

(iv) Impaired financing by sector

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Manufacturing	**40,874**	24,660	**40,874**	24,660
Construction	**175,116**	71,810	**175,116**	71,810
Purchase of landed property:				
– residential	**100,192**	159,345	**100,192**	159,345
– non-residential	**8,128**	12,206	**8,128**	12,206
Real estate	**9,342**	–	**9,342**	–
Wholesale and retail and restaurant	**32,082**	33,360	**32,082**	33,360
Transport, storage and communication	**80**	45	**80**	45
Finance, takaful and business services	**10,292**	9,713	**16,292**	9,713
Purchase of securities	**50**	84	**50**	84
Purchase of transport vehicles	**36,543**	34,933	**36,543**	34,933
Consumption credit	**30,555**	23,928	**30,555**	23,928
Community, social and personal service	**3,090**	8,259	**3,090**	8,259
	446,344	378,343	**452,344**	378,343

(v) Impaired financing by economic purpose

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Purchase of securities	**50**	84	**50**	84
Purchase of transport vehicles	**36,543**	34,933	**36,543**	34,933
Purchase of landed properties of which:				
– residential	**100,192**	159,345	**100,192**	159,345
– non-residential	**8,128**	12,206	**8,128**	12,206
Purchase of fixed assets (excluding landed properties)	**4,101**	1,553	**4,101**	1,553
Personal use	**30,555**	23,928	**30,555**	23,928
Construction	**175,116**	71,810	**175,116**	71,810
Working capital	**265**	867	**265**	867
Other purposes	**91,394**	73,617	**97,394**	73,617
	446,344	378,343	**452,344**	378,343

8. OTHER ASSETS

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deposits	**5,658**	4,876	**5,508**	4,721
Prepayments	**2,823**	2,428	**2,822**	2,409
Tax prepayment	**265**	15,726	**–**	15,611
Amount due from subsidiaries	**–**	–	**797**	5,534
Foreclosed properties	**14,000**	14,000	**14,000**	14,000
Other debtors	**21,625**	33,670	**14,267**	21,370
	44,371	70,700	**37,394**	63,645

9. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The 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 at set percentages of total eligible liabilities.

10. DEFERRED TAX ASSETS

	Group and Bank	
	2012	**2011**
	RM'000	**RM'000**
At 1 April 2011/2010	**38,240**	62,953
Recognised in the income statement (Note 33)	**5,954**	(30,239)
Recognised in the equity	**8,159**	5,526
At 31 March	**52,353**	38,240

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 fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group and Bank	
	2012	**2011**
	RM'000	**RM'000**
Deferred tax assets	**60,516**	46,855
Deferred tax liabilities	**(8,163)**	(8,615)
	52,353	38,240

10. DEFERRED TAX ASSETS (NET) (CONT'D.)

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

Deferred tax assets of the Group and the Bank:

	Allowance for impaired financing RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2010	28,068	1,853	39,449	69,370
Recognised in income statements	640	6,362	(35,043)	(28,041)
Recognised in the equity	–	–	5,526	5,526
At 31 March 2011	28,708	8,215	9,932	46,855
At 1 April 2011	**28,708**	**8,215**	**9,932**	**46,855**
Recognised in income statements	**948**	**4,099**	**455**	**5,502**
Recognised in the equity	**–**	**–**	**8,159**	**8,159**
At 31 March 2012	**29,656**	**12,314**	**18,546**	**60,516**

Deferred tax liabilities of the Group and the Bank:

	Property, plant and equipment RM'000	Total RM'000
At 1 April 2010	(6,417)	(6,417)
Recognised in the income statement	(2,198)	(2,198)
At 31 March 2011	(8,615)	(8,615)
At 1 April 2011	**(8,615)**	**(8,615)**
Recognised in the income statement	**452**	**452**
At 31 March 2012	**(8,163)**	**(8,163)**

11. INVESTMENT IN SUBSIDIARIES

	Group and Bank 2012 RM'000	2011 RM'000
Unquoted shares at cost		
– in Malaysia	**10,823**	10,823
Less: Impairment loss	**(4,439)**	(4,339)
	6,384	6,484

Details of the subsidiary companies that are all incorporated in Malaysia are as follows:

Name	Principal activities	Percentage of equity held 2012 %	2011 %	Paid up capital 2012 RM
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	**100**	100	**2**
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	**100**	100	**2**
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	**100**	100	**100,002**
Muamalat Invest Sdn. Bhd.	Provision of Fund Management Services	**100**	100	**10,000,000**

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle and equipment RM'000	Capital work in progress RM'000	Total RM'000
At 31 March 2012					
Cost					
At 1 April 2011	**2,958**	**16,049**	**182,841**	**40,410**	**242,258**
Additions	**–**	**–**	**10,211**	**17,201**	**27,412**
Disposals	**–**	**–**	**(567)**	**–**	**(567)**
Write off	**–**	**–**	**–**	**(31,595)**	**(31,595)**
Reclassification	**–**	**–**	**8,964**	**(8,964)**	**–**
At 31 March 2012	**2,958**	**16,049**	**201,449**	**17,052**	**237,508**
Accumulated depreciation					
At 1 April 2011	**914**	**4,143**	**135,680**	**–**	**140,737**
Charge for the period	**74**	**402**	**15,729**	**–**	**16,205**
Disposals	**–**	**–**	**(506)**	**–**	**(506)**
At 31 March 2012	**988**	**4,545**	**150,903**	**–**	**156,436**
Carrying amount at 31 March 2012	**1,970**	**11,504**	**50,546**	**17,052**	**81,072**
At 31 March 2011					
Cost					
At 1 April 2010	2,958	16,049	160,659	33,831	213,497
Additions	–	–	10,736	21,124	31,860
Disposals	–	–	(1,945)	–	(1,945)
Write off	–	–	(533)	(621)	(1,154)
Reclassification	–	–	13,924	(13,924)	–
At 31 March 2011	2,958	16,049	182,841	40,410	242,258
Accumulated depreciation					
At 1 April 2010	880	3,702	124,836	–	129,418
Charge for the period	74	401	13,163	–	13,638
Disposals	–	–	(1,913)	–	(1,913)
Write off	–	–	(406)	–	(406)
Reclassification	(40)	40	–	–	–
At 31 March 2011	914	4,143	135,680	–	140,737
Carrying amount at 31 March 2011	2,044	11,906	47,161	40,410	101,521

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle and equipment RM'000	Capital work in progress RM'000	Total RM'000
At 31 March 2012					
Cost					
At 1 April 2011	**2,958**	**16,049**	**182,691**	**40,439**	**242,137**
Additions	**–**	**–**	**10,211**	**17,201**	**27,412**
Disposals	**–**	**–**	**(567)**	**–**	**(567)**
Write off	**–**	**–**	**–**	**(31,595)**	**(31,595)**
Reclassification	**–**	**–**	**8,964**	**(8,964)**	**–**
At 31 March 2012	**2,958**	**16,049**	**201,299**	**17,081**	**237,387**
Accumulated depreciation					
At 1 April 2011	**914**	**4,143**	**135,564**	**–**	**140,621**
Charge for the period	**74**	**402**	**15,724**	**–**	**16,200**
Disposals	**–**	**–**	**(506)**	**–**	**(506)**
At 31 March 2012	**988**	**4,545**	**150,782**	**–**	**156,315**
Carrying amount at 31 March 2012	**1,970**	**11,504**	**50,517**	**17,081**	**81,072**
At 31 March 2011					
Cost					
At 1 April 2010	2,958	16,049	160,481	33,860	213,348
Additions	–	–	10,736	21,124	31,860
Disposals	–	–	(1,917)	–	(1,917)
Reclassification	–	–	(533)	(621)	(1,154)
Write off	–	–	13,924	(13,924)	–
At 31 March 2011	2,958	16,049	182,691	40,439	242,137
Accumulated depreciation					
At 1 April 2010	880	3,702	124,732	–	129,314
Charge for the year	74	401	13,137	–	13,612
Disposals	–	–	(1,899)	–	(1,899)
Write off	–	–	(406)	–	(406)
Reclassification	(40)	40	–	–	–
At 31 March 2011	914	4,143	135,564	–	140,621
Carrying amount at 31 March 2011	2,044	11,906	47,127	40,439	101,516

13. PREPAID LAND LEASE PAYMENTS

	Group and Bank 2012 RM'000	Group and Bank 2011 RM'000
At 1 April	**255**	260
Amortisation	**(4)**	(5)
As at 31 March	**251**	255
Analysed as:		
Long term leasehold land	**251**	255

14. DEPOSITS FROM CUSTOMERS

(i) By type of deposits

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Non-Mudharabah Fund				
Demand deposits	**2,565,993**	2,733,552	**2,573,653**	2,740,169
Savings deposits	**469,668**	474,723	**469,668**	474,723
Negotiable Islamic debt certificate	**2,830,628**	1,505,815	**2,830,628**	1,505,815
Others	**536,112**	17,582	**536,112**	17,582
	6,402,401	4,731,672	**6,410,061**	4,738,289
Mudharabah Fund				
Demand deposits	**472,685**	217,094	**472,685**	217,094
Savings deposits	**355,220**	222,945	**355,220**	222,945
General investment deposits	**9,846,015**	9,581,971	**9,846,015**	9,581,971
Special general investment deposits	**1,074,766**	1,462,491	**1,074,766**	1,462,491
	11,748,686	11,484,501	**11,748,686**	11,484,501
	18,151,087	16,216,173	**18,158,747**	16,222,790

14. DEPOSITS FROM CUSTOMERS (CONT'D.)

(ii) By type of customer

	Group		Bank	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Government and statutory bodies	**3,810,127**	3,779,432	**3,810,127**	3,779,432
Business enterprises	**7,195,021**	6,649,116	**7,195,021**	6,649,116
Individuals	**1,153,015**	1,025,224	**1,153,015**	1,025,224
Others	**5,992,924**	4,762,559	**6,000,584**	4,769,176
	18,151,087	16,216,332	**18,158,747**	16,222,949

The maturity structure of negotiable instruments of deposit and mudharabah general and special investment deposit are as follows:

	Group and Bank	
	2012	2011
	RM'000	RM'000
Due within six months	**11,928,972**	11,124,366
More than six months to one year	**1,813,119**	1,405,514
More than one year to three years	**9,319**	20,555
	13,751,410	12,550,435

15. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	2012	2011
	RM'000	RM'000
Non-Mudharabah		
Bank Negara Malaysia	**11,896**	14,993

16. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

17. OTHER LIABILITIES

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Sundry creditors	**24,320**	38,402	**24,509**	38,378
Provision for commitments and contingencies (Note (a))	**40,273**	40,273	**40,273**	40,273
Accrual for bonus	**16,397**	30,605	**16,397**	30,527
Accrued expenses	**12,573**	11,450	**12,571**	11,450
Accrual for directors' fees	**577**	479	**577**	479
Accrual for audit fees	**202**	119	**189**	119
Other liabilities	**38,702**	43,070	**38,702**	43,196
	133,044	164,398	**133,218**	164,422

(a) Movement in provision for commitments and contingencies:

	Group and Bank	
	2012 RM'000	2011 RM'000
At 1 April 2011/2010	**40,273**	7,412
Charge during the year	**–**	32,861
At 31 March	**40,273**	40,273

The provision relates to bank guarantees issued by the Group and the Bank that have a high likelihood to result in claims from the beneficiaries.

18. PROVISION FOR ZAKAT AND TAXATION

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Zakat	**3,087**	5,228	**3,087**	5,228
Taxation	**17,434**	–	**17,424**	–
	20,521	5,228	**20,511**	5,228

19. SUBORDINATED BONDS

Prior year subordinated bonds relate to RM250 million Subordinated Bonds issued on 5 September 2006 under the Shariah principle of Bai' Bithaman Ajil. The Bonds were under a 10 non-callable 5 basis feature, with a profit rate of 6.25% per annum payable semi-annually. Under the 10 non-callable 5 basic feature, the Bank had the option to redeem the Bonds on the 5th anniversary or any semi-annual date thereafter. The Bank has redeeemed the Bonds in September 2011.

On 15 June 2011, the Bank successfully issued its Tier-2 Capital Islamic Subordinated Sukuk of RM400 million ("Subordinated Sukuk"). The Subordinated Sukuk carries a tenure of 10 years from the issue date on a 10 non-callable 5 basis feature with a profit rate of 5.15% per annum. Should the Bank decide not to exercise its option to redeem the bonds, the bond holders will be entitled to a replacement of other capital instrument of the same or better quality and such replacement of capital shall be done prior to or concurrent with the redemption of the Subordinated Sukuk. The RM400 million Subordinated Sukuk qualifies as Tier-2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

20. SHARE CAPITAL

	Number of shares of RM1 each		Amount	
	2012 '000	2011 '000	2012 RM'000	2012 RM'000
Authorised:				
Ordinary shares	**3,000,000**	3,000,000	**3,000,000**	3,000,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Total	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Issued and fully paid:				
Ordinary shares				
At 1 April/31 March	**1,000,000**	1,000,000	**1,000,000**	1,000,000

21. RESERVES

		Group		Bank	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Statutory reserve	(a)	**315,385**	272,893	**313,788**	271,603
Retained profit	(b)	**170,589**	128,097	**171,290**	129,105
Exchange fluctuation reserve	(c)	**83**	553	**83**	553
Net unrealised losses on financial investment available-for-sale	(d)	**(56,169)**	(40,113)	**(56,168)**	(39,974)
		429,888	361,430	**428,993**	361,287

(a) Statutory reserve

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

(b) Retained profit

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system").

However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Bank did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the 108 balance as at 31 March 2011 and 31 March 2010 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Act 2007.

As at 31 March 2012 and 31 March 2011, the Bank has sufficient credit in the 108 balance to pay franked dividends out of its entire retained earnings.

(c) Exchange fluctuation reserves

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Net unrealised losses on financial investment available-for-sale

This represent the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.

22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group and Bank 2012 RM'000	Group and Bank 2011 RM'000
Income derived from investment of:		
(i) General investment deposits	**503,821**	515,516
(ii) Other deposits	**334,678**	242,435
	838,499	757,951

(i) Income derived from investment of general investment deposits

	Group and Bank 2012 RM'000	Group and Bank 2011 RM'000
Finance income and hibah:		
Income from financing	**313,415**	324,867
Financial investment held-for-trading	**5**	4
Financial investment held-for-maturity	**157**	178
Financial investment available-for-sale	**106,109**	102,303
Money at call and deposit with financial institutions	**60,891**	80,870
	480,577	508,222
Amortisation of premium less accretion of discounts	**(2,946)**	(9,872)
Total finance income and hibah	**477,631**	498,350
Other operating income:		
Net gain from sale of:		
– financial investment available-for-sale	**10,664**	1,090
– financial investment held-for-trading	**1,539**	796
	12,203	1,886
Fees and commission		
Guarantee fees	**2,659**	3,218
Processing fees	**512**	541
Service charges and fees	**5,045**	5,540
Commission	**5,771**	5,981
	13,987	15,280
Total	**503,821**	515,516
Of which:		
Financing income earned on impaired financing	**1,555**	868

22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONT'D.)

(ii) Income derived from investment of other deposits

	Group and Bank	
	2012	**2011**
	RM'000	**RM'000**
Finance income and hibah		
Income from financing	**208,196**	152,796
Financial investment held-for-trading	**4**	2
Financial investment held-for-maturity	**104**	83
Financial investment available-for-sale	**70,486**	48,101
Money at call and deposit with financial institutions	**40,448**	38,024
	319,238	239,006
Amortisation of premium less accretion of discounts	**(1,957)**	(4,642
Total finance income and hibah	**317,281**	234,364
Other operating income		
Net gain from sale of:		
– financial investment available-for-sale	**7,084**	512
– financial investment held-for-trading	**1,022**	374
	8,106	886
Fees and commission		
Guarantee fees	**1,766**	1,513
Processing fees	**340**	255
Service charges and fees	**3,351**	2,605
Commission	**3,834**	2,812
	9,291	7,185
Total	**334,678**	242,435
Of which :		
Financing income earned on impaired financing	**1,033**	408

23. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Finance income and hibah				
Financial investment available-for-sale	**23,437**	33,901	**23,437**	33,901
Amortisation of premium less accretion of discounts	**927**	(70)	**927**	(70)
Total finance income and hibah	**24,364**	33,831	**24,364**	33,831
Other operating income				
Net gain from foreign exchange derivatives	**1,060**	2,523	**1,060**	2,523
Net gain on revaluation of foreign exchange transaction	**11,819**	14,013	**11,819**	14,013
Net gain from sale of financial investment available-for-sale	**5,200**	600	**5,200**	600
Gross dividend income	**8,864**	2,000	**8,864**	2,000
Net dividend paid for islamic profit rate swap	**(1,057)**	(353)	**(1,057)**	(353)
Unrealised loss on revaluation of islamic profit rate swap	**(2,474)**	(158)	**(2,474)**	(158)
	23,412	18,625	**23,412**	18,625
Fees and commission				
Processing fees	**1,285**	1,608	**1,285**	1,608
Corporate advisory fees	**2,078**	5,613	**2,073**	5,662
Service charges and fees	**1,274**	661	**588**	527
Commission	**1,414**	1,793	**1,414**	1,793
Others	**808**	1,198	**808**	1,198
	6,859	10,873	**6,168**	10,788
Other income				
Rental income	**391**	303	**391**	303
Gain on disposal of property plant and equipment	**66**	–	**66**	–
	457	303	**457**	303
Total	**55,092**	63,632	**54,401**	63,547

24. ALLOWANCE FOR IMPAIRMENT ON FINANCING

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Allowance for impaired financing:				
(a) Individual assessment allowance (Note 7(ii)):				
Made during the year	**64,029**	89,776	**70,029**	89,776
Written back during the year	**(10,656)**	(70,129)	**(10,656)**	(70,129)
	53,373	19,647	**59,373**	19,647
(b) Collective assessment allowance (Note 7(ii)):				
Made during the year	**240,131**	250,047	**240,131**	250,047
Written back during the year	**(224,690)**	(224,291)	**(224,690)**	(224,291)
	15,441	25,756	**15,441**	25,756
Bad debts on financing:				
Written off	**1,100**	8,494	**1,100**	8,494
Recovered	**(28,463)**	(17,770)	**(28,463)**	(17,770)
	(27,363)	(9,276)	**(27,363)**	(9,276)
Total	**41,451**	36,127	**47,451**	36,127

25. IMPAIRMENT (WRITE BACK)/LOSS ON INVESTMENTS

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Impairment write back on corporate bonds included under available-for-sale financial investment	**(10,317)**	(59,617)	**(16,317)**	(59,617)
Impairment loss/(write back) on investment in subsidiary	**–**	–	**100**	(82)
	(10,317)	(59,617)	**(16,217)**	(59,699)

26. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Deposits from customers				
– Mudharabah funds	**289,991**	237,384	**290,161**	237,526
– Non-Mudharabah funds	**66,782**	53,530	**66,783**	53,530
Deposits and placements of banks and other financial institutions				
– Mudharabah funds	**173**	388	**173**	388
– Non-Mudharabah funds	**7,619**	9,197	**7,619**	9,197
	364,565	300,499	**364,736**	300,641

27. PERSONNEL EXPENSES

	Group 2012 RM'000	Group 2011 RM'000	Bank 2012 RM'000	Bank 2011 RM'000
Salaries and wages	**109,689**	90,697	**109,119**	90,182
Contributions to defined contribution plan	**19,350**	18,040	**19,273**	17,972
Social security contributions	**1,005**	908	**1,002**	908
Allowances and bonuses	**22,889**	28,783	**22,859**	28,673
Mutual Separation Scheme	**565**	107	**565**	107
Others	**17,449**	19,042	**17,438**	19,029
	170,947	157,577	**170,256**	156,871

28. DIRECTORS' REMUNERATION

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Executive Director/Chief Executive Officer				
Salaries and wages	**1,080**	985	**1,080**	985
Contributions to defined contribution plan	**498**	343	**498**	343
Bonuses	**1,689**	924	**1,689**	924
Benefits-in-kind	**40**	63	**40**	63
	3,307	2,315	**3,307**	2,315
Non-Executive Directors				
Fees	**809**	517	**803**	517
Other remunerations	**487**	373	**486**	373
	1,296	890	**1,289**	890
Shariah Committee Members				
Allowance	**279**	200	**279**	200
Other remunerations	**78**	54	**78**	54
	357	254	**357**	254
Total	**4,960**	3,459	**4,953**	3,459
Total (excluding benefits-in-kind)	**4,920**	3,396	**4,913**	3,396

28. DIRECTORS' REMUNERATION (CONT'D.)

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

Bank 2012	Remuneration received from the Bank Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors:						
Dato' Haji Mohd Redza Shah Abdul Wahid	**1,080**	**–**	**1,689**	**498**	**40**	**3,307**
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	**–**	**222**	**–**	**39**	**–**	**261**
Dato' Sri Haji Mohd Khamil Jamil	**–**	**84**	**–**	**41**	**–**	**125**
Haji Ismail Ibrahim *	**–**	**84**	**–**	**66**	**–**	**150**
Haji Mohd Izani Ghani *	**–**	**84**	**–**	**38**	**–**	**122**
Haji Abdul Jabbar Abdul Majid	**–**	**84**	**–**	**73**	**–**	**157**
Tengku Dato' Seri Hasmuddin Tengku Othman	**–**	**84**	**–**	**89**	**–**	**173**
Dato' Azmi Abdullah	**–**	**84**	**–**	**99**	**–**	**183**
Dato' Lukman Ibrahim	–	**35**	**–**	**11**	**–**	**46**
Dato' Hj Kamil Khalid Ariff	**–**	**42**	**–**	**30**	**–**	**72**
	–	**803**	**–**	**486**	**–**	**1,289**
Total Directors' remuneration	**1,080**	**803**	**1,689**	**984**	**40**	**4,596**

* Director's fees payable to Khazanah Nasional Berhad

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

Bank 2011	Remuneration received from the Bank Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors:						
Dato' Haji Mohd Redza Shah Abdul Wahid	985	–	924	343	63	2,315
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	–	192	–	27	–	219
Dato' Sri Haji Mohd Khamil Jamil *	–	50	–	29	–	79
Haji Ismail Ibrahim **	–	50	–	48	–	98
Haji Mohd Izani Ghani **	–	50	–	37	–	87
Haji Abdul Jabbar Abdul Majid	–	50	–	67	–	117
Tengku Dato' Seri Hasmuddin Tengku Othman	–	50	–	66	–	116
Dato' Azmi Abdullah	–	50	–	62	–	112
Datin Azizah Mohd Jaafar	–	25	–	37	–	62
	–	517	–	373	–	890
Total Directors' remuneration	985	517	924	716	63	3,205

* Director's fees payable to DRB Hicom Berhad
** Director's fees payable to Khazanah Nasional Berhad

29. COMPENSATION OF KEY MANAGEMENT PERSONNELS

The remuneration of directors and other members of key management during the year was as follows:

	Group and Bank	
	2012 RM'000	2011 RM'000
Short-term employees benefits	**7,075**	4,450
Included in the total key management personnel are:		
Directors' remuneration (Note 28)	**3,307**	2,315

30. OTHER OVERHEADS AND EXPENDITURES

	Group		Bank	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Promotion				
Advertisement and publicity	**11,070**	11,825	**11,070**	11,821
Establishment				
Rental	**7,939**	7,108	**7,939**	7,108
Depreciation	**16,205**	13,638	**16,200**	13,612
Amortisation of prepaid land lease payment	**4**	5	**4**	5
EDP expenses	**33,879**	31,332	**33,879**	31,332
Hire of equipment	**4,915**	4,820	**4,915**	4,820
	62,942	56,903	**62,937**	56,877
General expenses				
Auditors' fees				
– statutory audit	**280**	251	**265**	236
– non-audit work	**548**	638	**512**	481
– tax advisory	**43**	24	**36**	17
Professional fees	**6,884**	3,250	**6,749**	2,896
Legal expenses	**1,736**	1,416	**1,736**	1,416
Repair and maintenance	**3,576**	2,051	**3,570**	2,044
Takaful	**3,371**	4,426	**3,371**	4,426
Utilities expenses	**5,056**	4,789	**5,042**	4,789
Security guard expenses	**6,258**	5,786	**6,258**	5,786
Telephone	**2,016**	2,785	**2,005**	2,471
Stationery and printing	**2,613**	2,605	**2,610**	2,602
Postage and courier	**1,971**	1,826	**1,971**	1,826
Travelling	**4,348**	4,853	**4,345**	4,843
Directors remuneration and Shariah Committee allowance (Note 28)	**4,920**	2,508	**4,913**	2,501
Property, plant and equipment written off	**31,595**	748	**31,595**	748
Others	**9,344**	9,171	**10,219**	10,160
	84,559	47,127	**85,197**	47,242
	158,571	115,855	**159,204**	115,940

31. FINANCE COST

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Dividend paid on subordinated bonds	**23,478**	15,625	**23,231**	15,625

32. ZAKAT

	Group and Bank	
	2012	**2011**
	RM'000	**RM'000**
Provision for zakat for the year	**3,087**	5,228
Under provision in prior year	**–**	2,946
	3,087	8,174

33. TAXATION

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current income tax	**64,407**	32,360	**64,368**	32,360
Over provision in prior year	**(22,380)**	(36)	**(22,384)**	–
	42,027	32,324	**41,984**	32,360
Deferred tax:				
Relating to origination and reversal of temporary differences	**(26,738)**	26,190	**(26,738)**	26,193
Under provision in prior years	**20,784**	4,046	**20,784**	4,046
	(5,954)	30,236	**(5,954)**	30,239
	36,073	62,560	**36,030**	62,599

Domestic current income tax is calculated at the statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

33. TAXATION (CONT'D.)

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

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Profit before taxation	**124,144**	204,311	**123,487**	204,787
Taxation at Malaysian statutory tax rate 25% (2011: 25%)	**31,036**	51,078	**30,872**	51,197
Effect of different tax rates in other tax jurisdiction	**(740)**	4,541	**(740)**	4,541
Income not subject to tax	**(3,441)**	–	**(3,185)**	–
Expenses not deductible for tax purposes	**10,693**	2,931	**10,683**	2,815
Deferred tax asset not recognised	**120**	–	**–**	–
Over provision of income tax in prior years	**(22,380)**	(36)	**(22,384)**	–
Under provision of deferred tax in prior years	**20,784**	4,046	**20,784**	4,046
Income tax expense for the years	**36,073**	62,560	**36,030**	62,599

The Group has not recognised the following unused tax losses and unabsorbed capital allowances of subsidiary for the Group:

	Group	
	2012 RM'000	**2011 RM'000**
Unused tax losses	**2,445**	2,052
Unabsorbed capital allowances	**96**	9
	2,541	2,061

The unused tax losses of the Group amounting to RM2,445,000 (2011: RM2,052,000) are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

34. EARNINGS PER SHARE

	Group	
	2012 RM'000	**2011 RM'000**
Basic and diluted		
Profit attributable to ordinary equity holders of the Bank (RM'000)	**84,984**	133,577
Weighted average number of ordinary shares in issue ('000)	**1,000,000**	1,000,000
Basic earnings per share (sen)	**8.5**	13.4

35. RELATED PARTY TRANSACTIONS

The Bank's significant transactions and balances with related parties are as follows:

	Group and Bank	
	2012 RM'000	**2011 RM'000**
Related companies *		
Income		
– profit on financing	**9,863**	1,314
Expenditure		
– hibah on deposit	**4,020**	4,650
– seconded staff salary and related expenses	**998**	3,023
– rental (ATM Machine & Branch)	**351**	220
– others	**423**	384
Amounts due to		
– deposits	**419,093**	277,320
Amounts due from		
– financing	**251,323**	265,225
Other related companies **		
Income		
– profit on financing	**22,369**	18,283
Expenditure		
– hibah on deposit	**6,816**	12,997
– security services and equipment	**865**	1,969
– takaful expenses	**3,686**	5,852
– others	**594**	593
Amounts due to		
– deposits	**387,321**	889,574
Amounts due from		
– financing	**858,774**	720,441

* Related companies are companies within the DRB-HICOM Berhad group.

** Other related companies are companies related to a substantial shareholder of DRB-HICOM Berhad group.

36. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group and Bank 2012 RM'000	Group and Bank 2011 RM'000
Outstanding credit exposures with connected parties	**1,113,171**	988,892
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**6.7%**	6.4%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**–**	–

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

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and financing 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.

37. COMMITMENTS AND CONTINGENCIES

(i) In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Bank are as follows:

	Group and Bank					
	31 March 2012			31 March 2011		
	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total Risk Weighted Amount RM'000
The commitments and contingencies constitute the following:						
Contingent liabilities						
Direct credit substitutes	**1,208**	**1,208**	**1,208**	11	11	11
Trade-related contingencies	**65,352**	**13,070**	**5,739**	45,914	9,183	9,025
Transaction related contingencies	**616,105**	**308,053**	**248,935**	871,491	435,745	371,611
Obligations under an on-going underwriting agreement	**41,000**	**20,500**	**4,100**	65,000	32,500	6,500
Housing financing sold directly and indirectly to Cagamas with recourse	**64,910**	**64,910**	**33,962**	364,308	364,308	174,040
Commitments						
Credit extension commitment:						
– Maturity within one year	**349,478**	**69,896**	**65,135**	323,002	64,600	55,443
– Maturity exceeding one year	**2,184,119**	**1,092,060**	**376,999**	2,242,093	1,121,047	391,538
Bills of collection	**19,883**	**–**	**–**	37,009	–	–
Islamic derivative financial instruments						
Foreign exchange related contracts	**870,214**	**5,001**	**3,783**	1,796,996	2,131	1,608
Profit rate related contract	**75,000**	**6,000**	**1,200**	75,000	6,000	1,200
	4,287,269	**1,580,698**	**741,061**	5,820,824	2,035,525	1,010,976

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The integrated risk management system enables the Group and Bank to achieve a single view of risks across its various business operations and in order to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimisation of the principal risk areas of Market Risk ("MR"), Asset and Liability Management ("ALM"), Credit Risk ("CR"), Operational Risk ("OR") and Shariah Compliance Risk; and building the requisite risk management organisation, infrastructure, process and technology with the objective of advancing the Group and Bank towards value protection and creation.

Generally, the objectives of the Group and Bank integrated risk management system include the following:

- Identifying all the risks exposures and their impact.
- Establishment of sound policies and procedures in line with the Group and Bank strategy, lines of business and nature of operations.
- Set out an enterprise-wide organisation structure and defining the appropriate roles and responsibilities.
- Instill the risk culture within the Group and Bank.

Risk governance

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Group and Bank and form strong risk governance.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Group and Bank, it has entrusted the Board Risk Management Committee ("BRMC") to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Group and Bank Management and the conduct of these functions are being exercised under a committee structure, namely the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The Committee focuses on the overall business strategies and day-to-day business operations of the Group and Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee ("SC") is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

There are other risk committees at the management level to oversee specific risk areas and control function the following is the detail:

Committee	Objective
Asset-Liability Management Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by BRMC. These include areas of capital management, funding and liquidity management and market risk of non-trading portfolio.
Credit Committee ("CC")	Authority for approving and reviewing business financing.
Investment Committee ("IC")	To manage the Bank's investments and decides on new and/or additional increases of existing investment securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

To carry out the day-to-day risk management functions, a dedicated Risk Management Department ("RMD") that is independent of profit and volume target, supports the above committees.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk

Credit Risk is defined as the potential loss to the Group and Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and Bank's RMD and Senior Management via ERMC implement and execute the strategies and policies in managing credit risk to ensure that the Bank's exposure to credit are always kept within the Group and Bank risk appetite and the Group and Bank will be able to identify its risk tolerance level. The administration of credit risk is governed by a full set of credit related policies such as Credit Risk Policy ("CRP") and Guidelines to Credit Risk Policies ("GCRP").

Credit risk arises from the possibility that a customer or counterparty may be unable to meet its financial obligations to the Group and Bank, either from a facility granted or a contract in which the Group and Bank have a gain position. The Group and Bank comprehend that credit risk is inherent in its credit products activities such as financing facilities (funded / non-funded); treasury activities including inter-bank money market, money and capital trading, foreign exchange; and investment banking activities including underwriting of private debt securities issuance.

The above credit risk exposures are controlled through financing granting criteria which include the assessment of an identifiable and adequate source of payments or income generation from the customer, as well as the appropriate structure of credit. As a supporting tool of the assessment, the Group and Bank adopt credit risk rating (internal / external) mechanism. The internal risk rating/grading mechanism is consistent with the nature, size and complexity of the Group and Bank activities. It is also in compliance with the regulatory authority's requirements. The external rating assessment will be used as those provided by more than one of the selected External Credit Assessment Institution ("ECAI").

The applicable level of credit approval is determined by the aggregation of all credit lines or facilities (including temporary excesses) of all related companies and their principals and guarantors as prescribed by BNM Guidelines and the Credit Limit to a Single Customer (BNM GP5). The Group and Bank establish its credit exposure limit for individual/single customer, global counterparty, industry/sector and other various funded and non-funded exposures.

In mitigating the credit risk, the Group and Bank have also introduced the Credit Risk Mitigation Techniques ("CRMT") whereby the various financing facilities are categorised as either secured or unsecured. The Group and Bank have developed the techniques to identify the eligible collaterals and securities through certain criteria, perform appraisal on the collaterals and securities, value and revalue the collaterals and securities including valuation of collaterals for impaired financing and implement adequate monitoring process on the collaterals and securities. These measures are taken to control and mitigate the calculated risks in granting such credit.

Credit portfolio of the Group and Bank are monitored on a bank-wide basis by stipulating portfolio exposure limits with the objective to avoid credit concentrations and over exposure in the portfolio. The monitoring includes (among others) review of exposure limit for each sector of which, the relevant limit is recommended to the Board for approval. The risk limits should be appropriate and justified for the business activities of each specified sector/industry.

The Group and Bank credit risk disclosures also cover past due and impaired financing including the approaches in determining the individual and collective impairment provisions which are guided by Bank Negara Malaysia's ("BNM") guidelines on Classification and Impairment Provisions for Loans/Financing.

(i) Maximum credit risk exposures and credit risk concentration

The following table presents the Group's and the Bank's maximum exposure to credit risk (without taking account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, and commitments and contingencies. Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. Included in commitments and contingencies are contingent liabilities and credit commitments. For contingent liabilities, the maximum exposures to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of undrawn credit granted to customers and derivative financial instruments.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

A concentration credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By sector analysis

The analysis of credit risk concentration presented relates to financial assets, including derivatives with positive fair values, and commitments and contingencies, subject to credit risk and are based on the sector in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account of any collateral held or other credit enhancements.

Group 2012	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	–	4,391,223	–	–	–	–	4,391,223
Cash and placements with financial institutions	–	110,333	–	–	–	–	110,333
Financial investment held-to-maturity	575	45,972	–	–	–	27,947	74,494
Financial investment available-for-sale	3,922,079	325,467	605,148	243,533	–	1,047,791	6,144,018
Islamic derivative financial assets	1,320	2,816	–	–	–	14	4,150
Financing of customers	615,595	519,232	1,200,381	751,945	1,020,093	5,160,412	9,267,658
Statutory deposits with Bank Negara Malaysia	527,721	–	–	–	–	–	527,721
Other financial assets	–	–	–	–	–	27,284	27,284
	5,067,290	5,395,043	1,805,529	995,478	1,020,093	6,263,448	20,546,881
Less: Collective assessment allowance	–	–	–	–	–	–	(229,175)
	5,067,290	5,395,043	1,805,529	995,478	1,020,093	6,263,448	20,317,706
Commitments and contingencies							
Contingent liabilities	147,653	105,909	63,333	323,210	–	148,470	788,575
Commitments	1,352,347	–	463,543	216,994	14,036	506,560	2,553,480
Derivative financial instruments	–	945,214	–	–	–	–	945,214
	1,500,000	1,051,123	526,876	540,204	14,036	655,030	4,287,269
Total credit exposures	6,567,290	6,446,166	2,332,405	1,535,682	1,034,129	6,918,478	24,604,975

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 2011	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	–	6,199,953	–	–	–	–	6,199,953
Cash and placements with financial institutions	–	251,012	–	–	–	–	251,012
Financial investment held–to-maturity	575	–	–	–	–	28,010	28,585
Financial investment available-for-sale	2,286,044	218,197	464,667	262,959	–	1,139,120	4,370,987
Islamic derivative financial assets	–	5,140	–	–	–	37	5,177
Financing of customers	71,545	143,949	1,299,273	750,729	1,206,465	3,902,901	7,374,862
Statutory deposits with Bank Negara Malaysia	94,121	–	–	–	–	–	94,121
Other financial assets	–	–	–	–	–	38,544	38,544
	2,452,285	6,818,251	1,763,940	1,013,688	1,206,465	5,108,612	18,363,241
Less: Collective assessment allowance	–	–	–	–	–	–	(226,702)
	2,452,285	6,818,251	1,763,940	1,013,688	1,206,465	5,108,612	18,136,539
Commitments and contingencies							
Contingent liabilities	121,166	429,308	90,285	351,919	–	354,046	1,346,724
Commitments	1,378,834	–	419,604	450,840	15,604	337,222	2,602,104
Derivative financial instruments	–	1,871,996	–	–	–	–	1,871,996
	1,500,000	2,301,304	509,889	802,759	15,604	691,268	5,820,824
Total credit exposures	3,952,285	9,119,555	2,273,829	1,816,447	1,222,069	5,799,880	23,957,363

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 2012	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	–	4,391,223	–	–	–	–	4,391,223
Cash and placements with financial institutions	–	110,333	–	–	–	–	110,333
Financial investment held-to-maturity	575	45,972	–	–	–	27,947	74,494
Financial investment available-for-sale	3,922,079	325,467	600,348	243,533	–	1,047,791	6,139,218
Islamic derivative financial assets	1,320	2,816	–	–	–	14	4,150
Financing of customers	615,595	519,232	1,205,254	751,945	1,020,093	5,167,861	9,279,980
Statutory deposits with Bank Negara Malaysia	527,721	–	–	–	–	–	527,721
Other financial assets	–	–	–	–	–	20,572	20,572
	5,067,290	5,395,043	1,805,602	995,478	1,020,093	6,264,185	20,547,691
Less: Collective assessment allowance	–	–	–	–	–	–	(229,175)
	5,067,290	5,395,043	1,805,602	995,478	1,020,093	6,264,185	20,318,516
Commitments and contingencies							
Contingent liabilities	147,653	105,909	63,333	323,210	–	148,470	788,575
Commitments	1,352,347	–	463,543	216,994	14,036	506,560	2,553,480
Derivative financial instruments	–	945,214	–	–	–	–	945,214
	1,500,000	1,051,123	526,876	540,204	14,036	655,030	4,287,269
Total credit exposures	6,567,290	6,446,166	2,332,478	1,535,682	1,034,129	6,919,215	24,605,785

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 2011	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	–	6,199,953	–	–	–	–	6,199,953
Cash and placements with financial institutions	–	251,012	–	–	–	–	251,012
Financial investment held-to-maturity	575	–	–	–	–	28,010	28,585
Financial investment available-for-sale	2,286,044	218,197	459,867	256,959	–	1,139,120	4,360,187
Islamic derivative financial assets	–	5,140	–	–	–	37	5,177
Financing of customers	71,545	143,949	1,304,225	756,729	1,206,465	3,909,823	7,392,736
Statutory deposits with Bank Negara Malaysia	94,121	–	–	–	–	–	94,121
Other financial assets	–	–	–	–	–	31,624	31,624
	2,452,285	6,818,251	1,764,092	1,013,688	1,206,465	5,108,614	18,363,395
Less: Collective assessment allowance	–	–	–	–	–	–	(226,702)
	2,452,285	6,818,251	1,764,092	1,013,688	1,206,465	5,108,614	18,136,693
Commitments and contingencies							
Contingent liabilities	121,166	429,308	90,285	351,919	–	354,046	1,346,724
Commitments	1,378,834	–	419,604	450,840	15,604	337,222	2,602,104
Derivative financial instruments	–	1,871,996	–	–	–	–	1,871,996
	1,500,000	2,301,304	509,889	802,759	15,604	691,268	5,820,824
Total credit exposures	3,952,285	9,119,555	2,273,981	1,816,447	1,222,069	5,799,882	23,957,517

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
2012	**Domestic RM'000**	**Labuan RM'000**	**Domestic RM'000**	**Labuan RM'000**
On Balance Sheet Exposures				
Cash and short-term funds	4,378,538	12,685	4,378,538	12,685
Cash and placements with financial institutions	110,333	–	110,333	–
Financial investment held-to-maturity	28,522	45,972	28,522	45,972
Financial investment available-for-sale	6,059,686	84,332	6,054,886	84,332
Islamic derivative financial assets	4,150	–	4,150	–
Financing of customers	9,230,491	37,167	9,242,813	37,167
Statutory deposits with Bank Negara Malaysia	527,721	–	527,721	–
Other financial assets	27,276	8	20,564	8
	20,366,717	180,164	20,367,527	180,164
Less: Collective assessment allowance	(226,986)	(2,189)	(226,986)	(2,189)
	20,139,731	177,975	20,140,541	177,975
Commitments and contingencies				
Contingent liabilities	788,575	–	788,575	–
Commitments	2,553,480	–	2,553,480	–
Derivative financial instruments	945,214	–	945,214	–
	4,287,269	–	4,287,269	–
Total credit exposures	24,427,000	177,975	24,427,810	177,975

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(i) Credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis (cont'd.)

	Group		Bank	
2011	**Domestic RM'000**	**Labuan RM'000**	**Domestic RM'000**	**Labuan RM'000**
On Balance Sheet Exposures				
Cash and short-term funds	6,054,783	145,170	6,054,783	145,170
Cash and placements with Financial institutions	251,012	–	251,012	–
Financial investment held–to-maturity	28,585	–	28,585	–
Financial investment available-for-sale	4,312,296	58,691	4,301,496	58,691
Islamic derivative financial assets	5,177	–	5,177	–
Financing of customers	7,286,438	88,424	7,304,312	88,424
Statutory deposits with Bank Negara Malaysia	94,121	–	94,121	–
Other financial assets	37,871	673	30,951	673
	18,070,283	292,958	18,070,437	292,958
Less: Collective assessment allowance	(221,882)	(4,820)	(221,882)	(4,820)
	17,848,401	288,138	17,848,555	288,138
Commitments and contingencies				
Contingent liabilities	1,346,724	–	1,346,724	–
Commitments	2,602,104	–	2,602,104	–
Derivative financial instruments	1,871,996	–	1,871,996	–
	5,820,824	–	5,820,824	–
Total credit exposures	23,669,225	288,138	23,669,379	288,138

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank is at 43% as at 31 March 2012, respectively (31 March 2011: 42% for the Group and the Bank). The financial effect of collateral held for other financial assets is not significant.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group 2012	Neither past due nor impaired Good RM'000	Neither past due nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
– Home financing	1,701,501	331,551	108,669	94,602	2,236,323
– Syndicated financing	70,918	–	–	6,474	77,392
– Hire purchase receivables	875,543	71,128	34,168	36,191	1,017,030
– Leasing receivables	81,782	5,305	–	33,261	120,348
– Other term financing	3,855,209	288,397	62,418	200,346	4,406,370
Other financing	846,092	649,195	1,342	75,470	1,572,099
	7,431,045	1,345,576	206,597	446,344	9,429,562
Less:					
– Collective assesment allowance	–	–	–	–	(229,175)
– Individual assesment allowance	–	–	–	(161,904)	(161,904)
Total net financing	**7,431,045**	**1,345,576**	**206,597**	**284,440**	**9,038,483**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Group 2011	Neither past due nor impaired Good RM'000	Neither past due nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
– Home financing	1,046,164	303,158	79,130	153,502	1,581,954
– Syndicated financing	125,457	–	–	6,298	131,755
– Hire purchase receivables	1,010,655	108,833	47,126	34,735	1,201,349
– Leasing receivables	95,036	–	19	30,385	125,440
– Other term financing	2,453,022	164,333	44,337	61,695	2,723,387
Other financing	1,104,380	514,693	8,707	91,728	1,719,508
	5,834,714	1,091,017	179,319	378,343	7,483,393
Less:					
– Collective assesment allowance	–	–	–	–	(226,702)
– Individual assesment allowance	–	–	–	(108,531)	(108,531)
Total net financing	5,834,714	1,091,017	179,319	269,812	7,148,160

Bank 2012	Neither past due nor impaired Good RM'000	Neither past due nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
– Home financing	**1,719,823**	**331,551**	**108,669**	**94,602**	**2,254,645**
– Syndicated financing	**70,918**	**–**	**–**	**6,474**	**77,392**
– Hire purchase receivables	**875,543**	**71,128**	**34,168**	**36,191**	**1,017,030**
– Leasing receivables	**81,782**	**5,305**	**–**	**33,261**	**120,348**
– Other term financing	**3,855,209**	**288,397**	**62,418**	**200,346**	**4,406,370**
Other financing	**846,092**	**643,195**	**1,342**	**81,470**	**1,572,099**
	7,449,367	**1,339,576**	**206,597**	**452,344**	**9,447,884**
Less:					
– Collective assesment allowance	**–**	**–**	**–**	**–**	**(229,175)**
– Individual assesment allowance	**–**	**–**	**–**	**(167,904)**	**(167,904)**
Total net financing	**7,449,367**	**1,339,576**	**206,597**	**284,440**	**9,050,805**

38. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Bank 2011	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
– Home financing	1,064,038	303,158	79,130	153,502	1,599,828
– Syndicated financing	125,457	–	–	6,298	131,755
– Hire purchase receivables	1,010,655	108,833	47,126	34,735	1,201,349
– Leasing receivables	95,036	–	19	30,385	125,440
– Other term financing	2,453,022	164,333	44,337	61,695	2,723,387
Other financing	1,104,380	514,693	8,707	91,728	1,719,508
	5,852,588	1,091,017	179,319	378,343	7,501,267
Less:					
– Collective assesment allowance	–	–	–	–	(226,702)
– Individual assesment allowance	–	–	–	(108,531)	(108,531)
Total net financing	5,852,588	1,091,017	179,319	269,812	7,166,034

Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

– "Good grade" refers to financing of customers which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.

– "Satisfactory grade" refers to financing of customers which may have been past due but not impaired or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make principal or profit payment or both after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Group and Bank 2012	Less than 1 month RM'000	1 – 2 months RM'000	>2 – 3 months RM'000	Total RM'000
Term financing				
– Home financing	**–**	**74,396**	**34,273**	**108,669**
– Hire purchase receivables	**–**	**27,671**	**6,497**	**34,168**
– Leasing receivables	**–**	**–**	**–**	**–**
– Other term financing	**–**	**41,585**	**20,833**	**62,418**
Other financing	**–**	**606**	**736**	**1,342**
Total	**–**	**144,258**	**62,339**	**206,597**

Group and Bank 2011	Less than 1 month RM'000	1 – 2 months RM'000	>2 – 3 months RM'000	Total RM'000
Term financing				
– Home financing	–	61,218	17,912	79,130
– Hire purchase receivables	–	36,715	10,411	47,126
– Leasing receivables	–	–	19	19
– Other term financing	–	19,456	24,881	44,337
Other financing	2,081	6,177	449	8,707
Total	2,081	123,566	53,672	179,319

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Past due but not impaired (cont'd.)

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	2012 RM'000	2011 RM'000
Purchase of transport vehicles	**34,190**	47,133
Purchase of landed properties of which:		
– residential	**110,157**	77,700
– non-residential	**5,682**	9,661
Personal use	**11,005**	12,980
Construction	**950**	1,156
Working capital	**–**	2,018
Other purpose	**44,613**	28,671
	206,597	179,319

Impaired financing

Classification of impaired financing and provisioning is made on the Group's and Bank's financing assets upon determination of the existence of "objective evidence of impairment" and categorisation into individual and collective assessment (as prescribed under the FRS139).

Individual assessment allowance

Financing are classified as individually impaired when they fulfill either of the following criteria:

(a) principal or profit or both are past due for more than three (3) months;

(b) where a financing is in arrears for less than three (3) months, and exhibits the indications of credit weaknesses; or

(c) where an impaired financing has been rescheduled or restructured, the financing continues to be classified as impaired until payment based on the rescheduled and restructured terms have been observed continuously for a minimum period of six (6) months.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Impaired financing (cont'd.)

Individual assessment allowance (cont'd.)

In addition, for all financing that are considered individually significant, the Group assesses the financing at each reporting date whether there is any objective evidence that a financing is impaired. The criteria that the Group uses to determine that there is objective evidence of impairment include:

1. Bankruptcy petition filed against the customer
2. Customer resorting to Section 176 Companies Act 1965 (and alike)
3. Other banks calling their lines (revealed through publicised news, market rumours, etc)
4. Customer involved in material fraud
5. Excess drawing or unpaid profit / principal
6. Distressed debt restructuring
7. Improper use of credit lines
8. Legal action by other creditors

Collective assessment allowance

Financing which are not individually significant and financing that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These financing are grouped within similar credit risk characteristics for purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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

The following collective allowance methodology has been applied and adopted by the Bank since 2011:

(i) Collective provision 1 ("CP1") – represents provision for profit-in-suspense for impaired financing with outstanding balance considered individually insignificant;

(ii)) Collective provision 2 ("CP2") - represents specific provision for financing with more than three (3) months-in-arrears based on difference between outstanding balance and collateral value; and

(iii) Collective provision 3 ("CP3") – represents 1.5% of total financing outstanding less individual assessment allowance, CP1 and CP2.

38. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Impaired financing (cont'd.)

Collateral and other credit enhancements

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

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing – mortgages over residential properties;
- For syndicated financing – charges over the properties being financed;
- For hire purchase financing – charges over the vehicles financed;
- For share margin financing – pledges over securities from listed exchange;
- For other financing – charges over business assets such as premises, inventories, trade receivables or deposits.

At 31 March 2012 the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to RM238,306,000 as compared with 31 March 2011 of RM217,193,000. The collateral consists of cash, securities, letters of guarantee and properties.

Repossessed collateral

Group and Bank	2012 RM'000	2011 RM'000
Residential properties	**14,000**	14,000

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral repossessed are subject to dispose as soon as practicable. Collateral are recognised in other assets on the statement of financial position. The Group's and the Bank's do not occupy repossessed properties for its business use.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance/impairment lossess for financial assets

Group 2012	Financing of customers RM'000	Financial investment available -for-sale RM'000	Financial investment held-to-maturity RM'000	Total RM'000
Individual impairment allowance/ impairment lossess:				
At 1 April 2011	**108,531**	**81,663**	**2,061**	**192,255**
Allowance/impairment lossess made during the year	**64,029**	**8,829**	**–**	**72,858**
Amount recovered/written back	**(10,656)**	**(19,146)**	**–**	**(29,802)**
Foreign exchange difference	**–**	**102**	**–**	**102**
As at 31 March	**161,904**	**71,448**	**2,061**	**235,413**

Group 2011	Financing of customers RM'000	Financial investment available -for-sale RM'000	Financial investment held-to-maturity RM'000	Total RM'000
Individual impairment allowance/ impairment lossess:				
At 1 April 2010	324,997	142,236	2,061	469,294
Allowance/impairment lossess made during the year	89,776	31,885	–	121,661
Amount recovered/written back	(70,129)	(91,502)	–	(161,631)
Amount written off	(236,113)	–	–	(236,113)
Foreign exchange difference	–	(956)	–	(956)
As at 31 March	108,531	81,663	2,061	192,255

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance/impairment lossess for financial assets

Bank 2012	Financing of customers RM'000	Financial investment available -for-sale RM'000	Financial investment held-to-maturity RM'000	Total RM'000
Individual impairment allowance/ impairment lossess:				
At 1 April 2011	**108,531**	**81,663**	**2,061**	**192,255**
Allowance/impairment lossess made during the year	**70,029**	**2,829**	**–**	**72,858**
Amount recovered/written back	**(10,656)**	**(19,146)**	**–**	**(29,802)**
Foreign exchange difference	**–**	**102**	**–**	**102**
As at 31 March	**167,904**	**65,448**	**2,061**	**235,413**

Bank 2011	Financing of customers RM'000	Financial investment available -for-sale RM'000	Financial investment held-to-maturity RM'000	Total RM'000
Individual impairment allowance/ impairment lossess:				
At 1 April 2010	324,997	142,236	2,061	469,294
Allowance/impairment lossess made during the year	89,776	31,885	–	121,661
Amount recovered/written back	(70,129)	(91,502)	–	(161,631)
Amount written off	(236,113)	–	–	(236,113)
Foreign exchange difference	–	(956)	–	(956)
As at 31 March	108,531	81,663	2,061	192,255

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality of financial investment and other financial assets

Set out below are the credit quality of financial investment (money market instruments and non-money market instruments-debt securities) and other financial assets analysed by ratings from external credit ratings agencies:

	Financial investment held-to-maturity Non Money Market Instruments - Debt Securities			
2012	**International Ratings RM'000**	**Domestic Ratings RM'000**	**Total RM'000**	**International Ratings RM'000**
Group				
AAA+ to AA–	–	–	–	–
A+ to A–	–	–	–	–
BBB+ to BB–	–	–	–	–
Unrated	**45,972**	**28,522**	**74,494**	–
Defaulted	–	–	–	–
Sovereign	–	–	–	–
Total	**45,972**	**28,522**	**74,494**	–
Bank				
AAA+ to AA–	–	–	–	–
A+ to A–	–	–	–	–
BBB+ to BB–	–	–	–	–
Unrated	**45,972**	**28,522**	**74,494**	–
Defaulted	–	–	–	–
Sovereign	–	–	–	–
Total	**45,972**	**28,522**	**74,494**	–

Financial investment available-for-sale					
Money Market Instruments		Non Money Market Instruments - Debt Securities			
Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other financial assets RM'000
55,570	55,570	–	1,429,351	1,429,351	–
–	–	42,277	439,531	481,808	–
–	–	–	136,183	136,183	–
–	–	–	9,431	9,431	27,284
–	–	6,922	4,668	11,590	–
–	–	–	3,972,062	3,972,062	–
55,570	55,570	49,199	5,991,226	6,040,425	27,284
55,570	55,570	–	1,429,351	1,429,351	–
–	–	42,277	439,531	481,808	–
–	–	–	136,183	136,183	–
–	–	–	4,631	4,631	20,572
–	–	6,922	4,668	11,590	–
–	–	–	3,972,062	3,972,062	–
55,570	55,570	49,199	5,986,426	6,035,625	20,572

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality of financial investment and other financial assets (cont'd.)

Set out below are the credit quality of financial investment (money market instruments and non-money market instruments-debt securities) and other financial assets analysed by ratings from external credit ratings agencies:

	Financial investment held-to-maturity Non Money Market Instruments - Debt Securities			
2011	**International Ratings RM'000**	**Domestic Ratings RM'000**	**Total RM'000**	**International Ratings RM'000**
Group				
AAA+ to AA–	–	–	–	–
A+ to A–	–	–	–	–
BBB+ to BB–	–	–	–	–
Unrated	–	28,585	28,585	–
Defaulted	–	–	–	–
Sovereign	–	–	–	–
Total	–	28,585	28,585	–
Bank				
AAA+ to AA–	–	–	–	–
A+ to A–	–	–	–	–
BBB+ to BB–	–	–	–	–
Unrated	–	28,585	28,585	–
Defaulted	–	–	–	–
Sovereign	–	–	–	–
Total	–	28,585	28,585	–

Financial investment available-for-sale					
Money Market Instruments		Non Money Market Instruments - Debt Securities			
Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	Other financial assets RM'000
–	–	–	1,505,741	1,505,741	–
–	–	4,347	386,144	390,491	–
–	–	46,921	140,028	186,949	–
–	–	–	14,898	14,898	38,544
–	–	7,424	7,068	14,492	–
–	–	–	2,223,512	2,223,512	–
–	–	58,692	4,277,391	4,336,083	38,544
–	–	–	1,505,741	1,505,741	–
–	–	4,347	386,144	390,491	–
–	–	46,921	140,028	186,949	–
–	–	–	4,098	4,098	31,624
–	–	7,424	7,068	14,492	–
–	–	–	2,223,512	2,223,512	–
–	–	58,692	4,266,591	4,325,283	31,624

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(a) Credit risk (cont'd.)

(iv) Credit quality of financial investment (cont'd.)

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date, none of the financial investment above are past due, except for defaulted private debt securities of the Group and the Bank held under financial investments available-for-sale with carrying value of RM14,357,000 (2011: RM14,297,000), which has been classified as impaired.

At 31 March 2011 the fair value of collateral that the Group's and Bank's holds relating to defaulted private debt securities held under financial investments available-for-sale with amounts to RM19,779,000 (2011: RM31,446,000). The collateral consists of cash, securities, letters of guarantee and properties.

(b) Market risk

Market risk is the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

Risk governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's and Bank's market risk framework and policies, aligns market risk management with business strategies and planning and recommends actions to ensure that the market risks remain within established risk tolerance. The market risk of the Group is identified into traded market risk and non-traded market risk.

Types of market risk

(i) Traded market risk

Traded market risk, primarily rate of return risk and credit spread risk, exists in the Group's and Bank's trading positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

Risk measurement approach

The Group's and Bank's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's and Bank's traded market risk for its profit-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the Compliance Unit on a daily basis against approved market risk limits. In addition, the Compliance Unit is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Division. Changes to market risk limits must be approved by the Board. The trading positions and limits are regularly reported to the ALCO. The Group's and Bank's maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

38. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk

The Group's and Bank's core non-traded market risks is the rate of return risk in the Group's Islamic banking business, foreign exchange risk and equity risk.

Rate of return risk

Rate of return risk is the potential loss of income arising from changes in market rates on the return on assets and on the returns payable on funding. The risk arises from option embedded in many Group's and Bank's assets, liabilities and off-balance-sheet portfolio.

Rate of return risk emanates from the re-pricing mismatches of the Group's and Bank's banking assets and liabilities and also from the Group's and Bank's investment of its surplus funds.

Risk measurement approach

The primary objective in managing the rate of return risk is to manage the volatility in the Group's net profit income ("NPI") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This is achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in profit rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge profit rate risk is set out on Note 6 to the financial statements.

The Group uses various tools including re-pricing gap reports, sensitivity analysis and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the Board.

The following tables indicate the effective profit rates at the reporting date and the Group's and the Bank's sensitivity to profit rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financings or early withdrawal of deposits.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2012	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
ASSETS					
Cash and short-term funds	4,225,335	3,353	–	–	–
Cash and placements with financial institutions	–	18,389	91,944	–	–
Financial investment held-to-maturity	298	–	–	–	–
Financial investment available-for-sale	386,280	175,528	845,821	573,797	814,696
Financing of customers:					
– non-impaired	3,368,677	9,917	226,301	262,062	549,929
– impaired*	290,440	–	–	–	–
– collective assessment allowance	–	–	–	–	–
Islamic derivative financial assets	–	–	–	–	–
Other non-profit sensitive balances	–	–	–	– –	–
TOTAL ASSETS	8,271,030	207,187	1,164,066	835,859	1,364,625
LIABILITIES AND EQUITY					
Deposits from customers	10,951,365	5,330,113	1,327,976	4,622	328
Deposits and placements of banks and other financial institutions	–	–	3,148	7,250	–
Islamic derivative financial liabilities	–	–	3,889	–	–
Bills and acceptances payable	–	–	–	–	–
Subordinated bond	–	–	–	–	–
Other non-profit sensitive balances	–	–	–	–	–
Total Liabilities	10,951,365	5,330,113	1,335,013	11,872	328
Equity attributable to shareholders of the Bank	–	–	–	–	–
TOTAL LIABILITIES AND EQUITY	10,951,365	5,330,113	1,335,013	11,872	328
On-balance sheet profit sensitivity gap	(2,680,335)	(5,122,926)	(170,947)	823,987	1,364,297
Off-balance sheet profit sensitivity gap (profit rate swaps)	2,680,335	5,122,926	170,947	(823,987)	(1,364,297)
TOTAL PROFIT SENSITIVITY GAP	–	–	–	–	–

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

>3–4 years RM’000	>4–5 years RM’000	Over 5 years RM’000	Non-profit sensitive RM’000	Trading books RM’000	Total RM’000	Effective profit rate %
–	–		162,535	–	4,391,223	2.8%
–	–	–	–	–	110,333	–
–	–	–	74,196	–	74,494	–
668,569	704,912	1,910,097	64,318	–	6,144,018	4.1%
501,430	711,924	3,346,978	–	–	8,977,218	6.4%
–	–	–	–	–	290,440	
–	–	–	(229,175)	–	(229,175)	
–	–	–	–	4,150	4,150	
–	–	–	705,768	–	705,768	
1,169,999	1,416,836	5,257,075	777,643	4,150	20,468,469	
292	279	–	536,112	–	18,151,087	2.7%
649	849	–	–	–	11,896	1.5%
–	–	–	–	1,741	5,630	
–	–	–	310,324	–	310,324	
–	–	406,079	–	–	406,079	5.2%
–	–	–	153,565	–	153,565	
941	1,128	406,079	1,000,001	1,741	19,038,581	
–	–	–	1,429,888	–	1,429,888	
941	1,128	406,079	2,429,889	1,741	20,468,469	
1,169,058	1,415,708	4,850,996	(1,652,247)	2,409	–	
(1,169,058)	(1,415,708)	(4,850,996)	1,652,247	(2,409)	–	
–	–	–	–	–	–	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2011	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
ASSETS					
Cash and short-term funds	6,030,940	–	–	–	–
Cash and placements with financial institutions	–	190,506	60,506	–	–
Financial investment held-to-maturity	361	–	–	–	–
Financial investment available-for-sale	192,948	287,499	689,365	1,094,217	513,889
Financing of customers:					
– non-impaired	2,939,248	98,603	201,621	232,423	420,784
– impaired*	269,812	–	–	–	–
– collective assessment allowance	–	–	–	–	–
Islamic derivative financial assets	–	–	–	–	–
Other non-profit sensitive balances	–	–	–	–	–
TOTAL ASSETS	9,433,309	576,608	951,492	1,326,640	934,673
LIABILITIES AND EQUITY					
Deposits from customers	8,752,323	5,654,500	1,782,268	3,434	1,132
Deposits and placements of banks and other financial institutions	–	–	800	4,504	6,638
Islamic derivative financial liabilities	–	–	–	–	–
Bills and acceptances payable	–	–	–	–	–
Subordinated bond	–	–	251,128	–	–
Other non-profit sensitive balances	–	–	–	–	–
Total Liabilities	8,752,323	5,654,500	2,034,196	7,938	7,770
Equity attributable to shareholders of the Bank	–	–	–	–	–
TOTAL LIABILITIES AND EQUITY	8,752,323	5,654,500	2,034,196	7,938	7,770
On-balance sheet profit sensitivity gap	680,986	(5,077,892)	(1,082,704)	1,318,702	926,903
Off-balance sheet profit sensitivity gap (profit rate swaps)	(680,986)	5,077,892	1,082,704	(1,318,702)	(926,903)
TOTAL PROFIT SENSITIVITY GAP	–	–	–	–	–

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

>3–4 years RM'000	>4–5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
–	–	–	169,013	–	6,199,953	2.3%
–	–	–	–	–	251,012	–
–	–	–	28,224	–	28,585	–
763,973	192,931	571,990	64,175	–	4,370,987	4.5%
181,873	463,920	2,566,578	–	–	7,105,050	6.4%
–	–	–	–	–	269,812	
–	–	–	(226,702)	–	(226,702)	
–	–	–	–	5,177	5,177	
–	–	–	304,837	–	304,837	
945,846	656,851	3,138,568	339,547	5,177	18,308,711	
1,051	3,883	–	17,582	–	16,216,173	2.7%
2,401	650	–	–	–	14,993	2.3%
–	–	–	–	3,986	3,986	
–	–	–	291,375	–	291,375	
–	–	–	–	–	251,128	6.3%
–	–	–	169,626	–	169,626	
3,452	4,533	–	478,583	3,986	16,947,281	
–	–	–	1,361,430	–	1,361,430	
3,452	4,533	–	1,840,013	3,986	18,308,711	
942,394	652,318	3,138,568	(1,500,466)	1,191	–	
(942,394)	(652,318)	(3,138,568)	1,500,466	(1,191)	–	
–	–	–	–	–	–	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2012	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
ASSETS					
Cash and short-term funds	4,225,335	3,353	–	–	–
Cash and placements with financial institutions	–	18,389	91,944	–	–
Financial investment held-to-maturity	298	–	–	–	–
Financial investment available-for-sale	386,280	175,528	841,021	573,797	814,696
Financing of customers:					
– non-impaired	3,368,677	9,917	226,301	280,384	549,929
– impaired*	284,440	–	–	–	–
– collective assessment allowance	–	–	–	–	–
Islamic derivative financial assets	–	–	–	–	–
Other non-profit sensitive balances	–	–	–	–	–
TOTAL ASSETS	8,265,030	207,187	1,159,266	854,181	1,364,625
LIABILITIES AND EQUITY					
Deposits from customers	10,959,025	5,330,113	1,327,976	4,622	328
Deposits and placements of banks and other financial institutions	–	–	3,148	7,250	–
Islamic derivative financial liabilities	–	–	3,889	–	–
Bills and acceptances payable	–	–	–	–	–
Subordinated bond	–	–	–	–	–
Other non-profit sensitive balances	–	–	–	–	–
Total Liabilities	10,959,025	5,330,113	1,335,013	11,872	328
Equity attributable to shareholders of the Bank	–	–	–	–	–
TOTAL LIABILITIES AND EQUITY	10,959,025	5,330,113	1,335,013	11,872	328
On-balance sheet profit sensitivity gap	(2,693,995)	(5,122,926)	(175,747)	842,309	1,364,297
Off-balance sheet profit sensitivity gap (profit rate swaps)	2,693,995	5,122,926	175,747	(842,309)	(1,364,297)
TOTAL PROFIT SENSITIVITY GAP	–	–	–	–	–

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

>3–4 years RM’000	>4–5 years RM’000	Over 5 years RM’000	Non-profit sensitive RM’000	Trading books RM’000	Total RM’000	Effective profit rate %
–	–	–	162,535	–	4,391,223	2.8%
–	–	–	–	–	110,333	–
–	–	–	74,196	–	74,494	–
668,569	704,912	1,910,097	64,318	–	6,139,218	4.1%
501,430	711,924	3,346,978	–	–	8,995,540	6.4%
–	–	–	–	–	284,440	
–	–	–	(229,175)	–	(229,175)	
–	–	–	–	4,150	4,150	
–	–	–	705,175	–	705,175	
1,169,999	1,416,836	5,257,075	777,050	4,150	20,475,398	
292	279	–	536,112	–	18,158,747	2.7%
649	849	–	–	–	11,896	1.5%
–	–	–	–	1,741	5,630	
–	–	–	310,324	–	310,324	
–	–	406,079	–	–	406,079	5.2%
–	–	–	153,729	–	153,729	
941	1,128	406,079	1,000,165	1,741	19,046,405	
–	–	–	1,428,993	–	1,428,993	
941	1,128	406,079	2,429,158	1,741	20,475,399	
1,169,058	1,415,708	4,850,996	(1,652,108)	2,409	–	
(1,169,058)	(1,415,708)	(4,850,996)	1,652,108	(2,409)	–	
–	–	–	–	–	–	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2011	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
ASSETS					
Cash and short-term funds	6,030,940	–	–	–	–
Cash and placements with financial institutions	–	190,506	60,506	–	–
Financial investment held-to-maturity	361	–	–	–	–
Financial investment available-for-sale	192,948	287,499	689,365	1,094,217	513,889
Financing of customers:					
– non-impaired	2,939,248	98,603	201,621	232,423	420,784
– impaired*	269,812	–	–	–	–
– collective assessment allowance	–	–	–	–	–
Islamic derivative financial assets	–	–	–	–	–
Other non-profit sensitive balances	–	–	–	–	–
TOTAL ASSETS	9,433,309	576,608	951,492	1,326,640	934,673
LIABILITIES AND EQUITY					
Deposits from customers	8,758,940	5,654,500	1,782,268	3,434	1,132
Deposits and placements of banks and other financial institutions	–	–	800	4,504	6,638
Islamic derivative financial liabilities	–	–	–	–	–
Bills and acceptances payable	–	–	–	–	–
Subordinated bond	–	–	251,128	–	–
Other non-profit sensitive balances	–	–	–	–	–
Total Liabilities	8,758,940	5,654,500	2,034,196	7,938	7,770
Equity attributable to shareholders of the Bank	–	–	–	–	–
TOTAL LIABILITIES AND EQUITY	8,758,940	5,654,500	2,034,196	7,938	7,770
On-balance sheet profit sensitivity gap	674,369	(5,077,892)	(1,082,704)	1,318,702	926,903
Off-balance sheet profit sensitivity gap (profit rate swaps)	(674,369)	5,077,892	1,082,704	(1,318,702)	(926,903)
TOTAL PROFIT SENSITIVITY GAP	–	–	–	–	–

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

>3–4 years RM'000	>4–5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
–	–	–	169,013	–	6,199,953	2.5%
–	–	–	–	–	251,012	–
–	–	–	28,224	–	28,585	–
763,973	192,931	571,990	53,375	–	4,360,187	4.4%
181,873	463,920	2,584,452	–	–	7,122,924	6.3%
–	–	–	–	–	269,812	
–	–	–	(226,702)	–	(226,702)	
–	–	–	–	5,177	5,177	
–	–	–	304,261	–	304,261	
945,846	656,851	3,156,442	328,171	5,177	18,315,209	
1,051	3,883	–	17,582	–	16,222,790	2.3%
2,401	650	–	–		14,993	1.5%
–	–	–	–	3,986	3,986	
–	–	–	291,375	–	291,375	
–	–	–	–	–	251,128	6.3%
–	–	–	169,650	–	169,650	
3,452	4,533	–	478,607	3,986	16,953,922	
–	–	–	1,361,287	–	1,361,287	
3,452	4,533	–	1,839,894	3,986	18,315,209	
942,394	652,318	3,156,442	(1,511,723)	1,191	–	
(942,394)	(652,318)	(3,156,442)	1,511,723	(1,191)	–	
–	–	–	–	–	–	

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Effects of rate of return risk

– Earnings perspective ("EAR")

The focus of analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Group and Bank by undermining its capital adequacy and reducing market confidence.

– Economic value perspective ("EVE")

Economic value of an instrument represents an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of a bank can be viewed as the present value of the Group's and Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance-sheet position. The sensitivity of the Group's and Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

Rate of return risk measurement

– Gap analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

A rate sensitive gap greater than one implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of returns rise, the income on assets will increase faster than the funding costs, resulting in higher spread income and vice versa.

A rate sensitive gap less than one suggests a higher ratio of rate of return in sensitive liabilities than in sensitive assets. If rate of returns rises, funding costs will grow at a faster rate than the income on assets, resulting in a fall in spread income (net rate of return income) and vice versa.

– Simulation analysis

Detail assessments of the potential effects of changes in rate of return on the Group and Bank earning by simulating future path of rate of returns and also their impact on cash flows.

Simulation analysis will also be used to evaluate the impact of possible decisions on the following:

– Product pricing changes;
– New product introduction;
– Derivatives and hedging strategies;
– Changes in the asset-liability mix; and

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Sensitivity analysis for rate of return risk

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

Group and Bank 2012	Effect on profit before tax RM'000	Effect on profit after tax RM'000	Effect on other comprehensive income RM'000
Increase/(decrease) in basis points			
–50	**36,122**	**27,092**	**78,394**
+50	**(36,122)**	**(27,092)**	**(78,394)**

Group and Bank 2011	Effect on profit before tax RM'000	Effect on profit after tax RM'000	Effect on other comprehensive income RM'000
Increase/(decrease) in basis points			
–50	22,510	16,882	49,047
+50	(22,510)	(16,882)	(49,047)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. In addition, the earnings from the Overseas Operations are repatriated in line with Management Committees' direction as and when required. The Group controls its FX exposures by transacting in permissible currencies. It has an internal FX NOP to measure, control and monitor its FX risk and implements FX Hedging strategies to minimise FX exposures. Stress Testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, US Dollar, Australian Dollar, Swiss Franc, Euro, the Great Britain Pound and Japan Yen. The "others" foreign exchange risk include mainly exposure to Canadian Dollar and Singapore Dollar.

Group 2012	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	4,274,697	51,292	39	215	35,450	3,194	23,491	2,845	4,391,223
Cash and placements with financial institutions	–	110,333	–	–	–	–	–	–	110,333
Financial investment held-to-maturity	28,522	45,972	–	–	–	–	–	–	74,494
Financial investment available-for-sale	6,059,686	84,332	–	–	–	–	–	–	6,144,018
Islamic derivative financial assets	–	3,453	–	–	44	1	607	45	4,150
Financing of customers	9,003,505	34,978	–	–	–	–	–	–	9,038,483
Other assets	42,702	1,669							44,371
Statutory deposits with Bank Negara Malaysia	527,721	–	–	–	–	–	–	–	527,721
Deferred tax assets	52,353	–	–	–	–	–	–	–	52,353
Investment in subsidiaries	–	–	–	–	–	–	–	–	–
Property, plant and equipment	81,072	–	–	–	–	–	–	–	81,072
Prepaid land lease payment	251	–	–	–	–	–	–	–	251
Total Assets	**20,070,510**	**332,029**	**39**	**215**	**35,494**	**3,195**	**24,098**	**2,890**	**20,468,469**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2012	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	17,516,540	609,008	–	–	25,539	–	–	–	18,151,087
Deposits and placements of banks and other financial institutions	11,896	–	–	–	–	–	–	–	11,896
Islamic derivative financial liabilities	3,889	1,468	–	–	173	–	56	44	5,630
Bills and acceptances payable	310,324	–	–	–	–	–	–	–	310,324
Other liabilities	133,044	–	–	–	–	–	–	–	133,044
Provision for taxation and zakat	20,501	20	–	–	–	–	–	–	20,521
Subordinated bonds	406,079	–	–	–	–	–	–	–	406,079
Total Liabilities	18,402,273	610,496	–	–	25,712	–	56	44	19,038,581
On-balance sheet open position	1,668,237	(278,467)	39	215	9,782	3,195	24,042	2,846	1,429,889
Less: Islamic derivative financial assets	–	(3,453)	–	–	(44)	(1)	(607)	(45)	(4,150)
Add: Islamic derivative financial liabilities	3,889	1,468	–	–	173	–	56	44	5,630
Net open position	1,672,126	(280,452)	39	215	9,911	3,194	23,491	2,845	1,431,369

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2011	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	6,132,185	41,215	380	178	2,766	391	20,548	2,290	6,199,953
Cash and placements with financial institutions	130,000	121,012	–	–	–	–	–	–	251,012
Financial investment held-to-maturity	28,585	–	–	–	–	–	–	–	28,585
Financial investment available-for-sale	4,312,296	58,691	–	–	–	–	–	–	4,370,987
Islamic derivative financial assets	–	2,687	–	14	1,441	216	819	–	5,177
Financing of customers	7,064,556	83,604	–	–	–	–	–	–	7,148,160
Other assets	69,829	871	–	–	–	–	–	–	70,700
Statutory deposits with Bank Negara Malaysia	94,121	–	–	–	–	–	–	–	94,121
Deferred tax assets	38,240	–	–	–	–	–	–	–	38,240
Investment in subsidiaries	–	–	–	–	–	–	–	–	–
Property, plant and equipment	101,521	–	–	–	–	–	–	–	101,521
Prepaid land lease payment	255	–	–	–	–	–	–	–	255
Total Assets	17,971,588	308,080	380	192	4,207	607	21,367	2,290	18,308,711

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2011	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	15,911,077	305,096	–	–	–	–	–	–	16,216,173
Deposits and placements of banks and other financial institutions	14,993	–	–	–	–	–	–	–	14,993
Islamic derivative financial liabilities	158	2,032	–	14	1,441	198	143	–	3,986
Bills and acceptances payable	291,375	–	–	–	–	–	–	–	291,375
Other liabilities	164,398	–	–	–	–	–	–	–	164,398
Provision for taxation and zakat	5,228	–	–	–	–	–	–	–	5,228
Subordinated bonds	251,128	–	–	–	–	–	–	–	251,128
Total Liabilities	16,638,357	307,128	–	14	1,441	198	143	–	16,947,281
On-balance sheet open position	1,333,231	952	380	178	2,766	409	21,224	2,290	1,361,430
Less: Islamic derivative financial assets	–	(2,687)	–	(14)	(1,441)	(216)	(819)	–	(5,177)
Add: Islamic derivative financial liabilities	158	2,032	–	14	1,441	198	143	–	3,986
Net open position	1,333,389	297	380	178	2,766	391	20,548	2,290	1,360,239

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2012	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	4,274,697	51,292	39	215	35,450	3,194	23,491	2,845	4,391,223
Cash and placements with financial institutions	–	110,333	–	–	–	–	–	–	110,333
Financial investment held-to-maturity	28,522	45,972	–	–	–	–	–	–	74,494
Financial investment available-for-sale	6,054,886	84,332	–	–	–	–	–	–	6,139,218
Islamic derivative financial assets	–	3,453	–	–	44	1	607	45	4,150
Financing of customers	9,015,827	34,978	–	–	–	–	–	–	9,050,805
Other assets	35,725	1,669	–	–	–	–	–	–	37,394
Statutory deposits with Bank Negara Malaysia	527,721	–	–	–	–	–	–	–	527,721
Deferred tax assets	52,353	–	–	–	–	–	–	–	52,353
Investment in subsidiaries	6,384	–	–	–	–	–	–	–	6,384
Property, plant and equipment	81,072	–	–	–	–	–	–	–	81,072
Prepaid land lease payment	251	–	–	–	–	–	–	–	251
Total Assets	20,077,439	332,029	39	215	35,494	3,195	24,098	2,890	20,475,398

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2012	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	17,524,200	609,008	–	–	25,539	–	–	–	18,158,747
Deposits and placements of banks and other financial institutions	11,896	–	–	–	–	–	–	–	11,896
Islamic derivative financial liabilities	3,889	1,468	–	–	173	–	56	44	5,630
Bills and acceptances payable	310,324	–	–	–	–	–	–	–	310,324
Other liabilities	133,218	–	–	–	–	–	–	–	133,218
Provision for taxation and zakat	20,491	20	–	–	–	–	–	–	20,511
Subordinated bonds	406,079	–	–	–	–	–	–	–	406,079
Total Liabilities	18,410,097	610,496	–	–	25,712	–	56	44	19,046,405
On-balance sheet open position	1,667,342	(278,467)	39	215	9,782	3,195	24,042	2,846	1,428,993
Less: Islamic derivative financial assets	–	(3,453)	–	–	(44)	(1)	(607)	(45)	(4,150)
Add: Islamic derivative financial liabilities	3,889	1,468	–	–	173	–	56	44	5,630
Net open position	1,671,231	(280,452)	39	215	9,911	3,194	23,491	2,845	1,430,473

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2011	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	6,132,185	41,215	380	178	2,766	391	20,548	2,290	6,199,953
Cash and placements with financial institutions	130,000	121,012	–	–	–	–	–	–	251,012
Financial investment held-to-maturity	28,585	–	–	–	–	–	–	–	28,585
Financial investment available-for-sale	4,301,496	58,691	–	–	–	–	–	–	4,360,187
Islamic derivative financial assets	–	2,687	–	14	1,441	216	819	–	5,177
Financing of customers	7,082,430	83,604	–	–	–	–	–	–	7,166,034
Other assets	62,774	871	–	–	–	–	–	–	63,645
Statutory deposits with Bank Negara Malaysia	94,121	–	–	–	–	–	–	–	94,121
Deferred tax assets	38,240	–	–	–	–	–	–	–	38,240
Investment in subsidiaries	6,484	–	–	–	–	–	–	–	6,484
Property, plant and equipment	101,516	–	–	–	–	–	–	–	101,516
Prepaid land lease payment	255	–	–	–	–	–	–	–	255
Total Assets	17,978,086	308,080	380	192	4,207	607	21,367	2,290	18,315,209

38. **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)**

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2011	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	15,917,694	305,096	–	–	–	–	–	–	16,222,790
Deposits and placements of banks and other financial institutions	14,993	–	–	–	–	–	–	–	14,993
Islamic derivative financial liabilities	158	2,032	–	14	1,441	198	143	–	3,986
Bills and acceptances payable	291,375	–	–	–	–	–	–	–	291,375
Other liabilities	164,422	–	–	–	–	–	–	–	164,422
Provision for taxation and zakat	5,228	–	–	–	–	–	–	–	5,228
Subordinated bonds	251,128	–	–	–	–	–	–	–	251,128
Total Liabilities	16,644,998	307,128	–	14	1,441	198	143	–	16,953,922
On-balance sheet open position	1,333,088	952	380	178	2,766	409	21,224	2,290	1,361,287
Less: Islamic derivative financial assets	–	(2,687)	–	(14)	(1,441)	(216)	(819)	–	(5,177)
Add: Islamic derivative financial liabilities	158	2,032	–	14	1,441	198	143	–	3,986
Net open position	1,333,246	297	380	178	2,766	391	20,548	2,290	1,360,096

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost while Market liquidity risk refers to the Group and Bank potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

The Bank monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group and Bank ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its customer deposit base.

The marketing strategy of the Group and Bank have ensured a balanced mix of deposits. Stability of the deposits base thus minimises the Group and Bank dependence on volatile short-term receiving. Considering the effective maturities of deposits based on retention history (behavioral method) and in view of the ready availability of liquidity investments, the Group and Bank are able to ensure that sufficient liquidity is always available whenever is necessary.

The Asset Liability Committee (ALCO) chaired by the Deputy CEO, will be conducted on monthly basis purposely to review the Liquidity Gap Profile of the bank. In addition the Group and Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The table below is the analysis of assets and liabilities of the Group and Bank as at 31 March 2012 based on remaining contractual maturities.

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity:

Group 2012	Up to 7 Days	>7 Days – 1 Month RM'000	>1–3 Months RM'000	>3–6 Months RM'000	>6–12 Months RM'000	>1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	3,252,625	1,138,598	–	–	–	–	4,391,223
Cash and placements with financial institutions	–	–	18,389	91,944	–	–	110,333
Financial investment held-to-maturity	–	298	–	27,649	–	46,547	74,494
Financial investment available-for-sale	–	350,778	175,528	481,282	404,557	4,731,873	6,144,018
Financing of customers	–	514,337	365,509	439,506	690,822	7,028,309	9,038,483
Islamic derivative financial assets	162	2,330	1,645	13	–	–	4,150
Other assets	–	–	–	–	96,724	609,044	705,768
TOTAL ASSETS	3,252,787	2,006,341	561,071	1,040,394	1,192,103	12,415,773	20,468,469
LIABILITIES							
Deposits from customers	1,755,512	8,255,153	5,944,495	1,547,083	624,637	24,207	18,151,087
Deposits and placements of banks and other financial institutions	–	–	–	2,946	252	8,698	11,896
Islamic derivative financial liabilities	311	185	1,132	10	103	3,889	5,630
Other liabilities	–	385,918	–	–	77,971	406,079	869,968
TOTAL LIABILITIES	1,755,823	8,641,256	5,945,627	1,550,039	702,963	442,873	19,038,581
Equity attributable to shareholders of the Bank	–	–	–	–	–	1,429,888	1,429,888
NET MATURITY MISMATCH	1,496,964	(6,634,915)	(5,384,556)	(509,645)	489,140	10,543,012	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Group 2011	Up to 7 Days RM'000	>7 Days – 1 Month RM'000	>1–3 Months RM'000	>3–6 Months RM'000	>6–12 Months RM'000	>1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	4,701,413	1,498,540	–	–	–	–	6,199,953
Cash and placements with financial institutions	–	–	190,506	60,506	–	–	251,012
Financial investment held-to-maturity	–	361	–	–	–	28,224	28,585
Financial investment available-for-sale	–	227,852	287,499	437,491	254,286	3,163,859	4,370,987
Financing of customers	–	773,147	661,746	383,617	516,622	4,813,028	7,148,160
Islamic derivative financial assets	3,122	1,689	366	–	–	–	5,177
Other assets	–	–	–	–	64,708	240,129	304,837
TOTAL ASSETS	4,704,535	2,501,589	1,140,117	881,614	835,616	8,245,240	18,308,711
LIABILITIES							
Deposits from customers	1,865,816	6,886,507	5,654,500	1,315,137	467,131	27,082	16,216,173
Deposits and placements of banks and other financial institutions	–	–	–	300	500	14,193	14,993
Islamic derivative financial liabilities	3,031	309	149	339	–	158	3,986
Other liabilities	–	384,895	–	251,128	76,106	–	712,129
Total Liabilities	1,868,847	7,271,711	5,654,649	1,566,904	543,737	41,433	16,947,281
Equity attributable to shareholders of the Bank	–	–	–	–	–	1,361,430	1,361,430
NET MATURITY MISMATCH	2,835,688	(4,770,122)	(4,514,532)	(685,290)	291,879	6,842,377	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Bank 2012	Up to 7 Days RM'000	>7 Days – 1 Month RM'000	>1–3 Months RM'000	>3–6 Months RM'000	>6–12 Months RM'000	>1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	3,252,625	1,138,598	–	–	–	–	4,391,223
Cash and placements with financial institutions	–	–	18,389	91,944	–	–	110,333
Financial investment held-to-maturity	–	298	–	27,649	–	46,547	74,494
Financial investment available-for-sale	–	350,778	175,528	481,282	399,757	4,731,873	6,139,218
Financing of customers	–	514,337	365,509	439,506	690,822	7,040,631	9,050,805
Islamic derivative financial assets	162	2,330	1,645	13	–	–	4,150
Other assets	–	–	–	–	89,747	615,428	705,175
TOTAL ASSETS	3,252,787	2,006,341	561,071	1,040,394	1,180,326	12,434,479	20,475,398
LIABILITIES							
Deposits from customers	1,763,172	8,255,153	5,944,495	1,547,083	624,637	24,207	18,158,747
Deposits and placements of banks and other financial institutions	–	–	–	2,946	252	8,698	11,896
Islamic derivative financial liabilities	311	185	1,132	10	103	3,889	5,630
Other liabilities	–	386,105	–	–	77,948	406,079	870,132
Total Liabilities	1,763,483	8,641,443	5,945,627	1,550,039	702,940	442,873	19,046,405
Equity attributable to shareholders of the Bank	–	–	–	–	–	1,428,993	1,428,993
NET MATURITY MISMATCH	1,489,304	(6,635,102)	(5,384,556)	(509,645)	477,386	10,562,613	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Bank 2011	Up to 7 Days RM'000	>7 Days – 1 Month RM'000	>1–3 Months RM'000	>3–6 Months RM'000	>6–12 Months RM'000	>1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	4,701,413	1,498,540	–	–	–	–	6,199,953
Cash and placements with financial institutions	–	–	190,506	60,506	–	–	251,012
Financial investment held–to-maturity	–	361	–	–	–	28,224	28,585
Financial investment available-for-sale	–	192,948	287,499	437,491	254,286	3,187,963	4,360,187
Financing of customers	–	773,146	661,746	383,617	516,622	4,830,903	7,166,034
Islamic derivative financial assets	3,122	1,689	366	–	–	–	5,177
Other assets	–	–	–	–	57,653	246,608	304,261
TOTAL ASSETS	4,704,535	2,466,684	1,140,117	881,614	828,561	8,293,698	18,315,209
LIABILITIES AND EQUITY							
Deposits from customers	1,872,433	6,886,507	5,654,500	1,315,137	467,131	27,082	16,222,790
Deposits and placements of banks and other financial institutions	–	–	–	300	500	14,193	14,993
Islamic derivative financial liabilities	3,031	309	149	339	–	158	3,986
Other liabilities	–	384,998	–	251,128	76,027	–	712,153
Total Liabilities	1,875,464	7,271,814	5,654,649	1,566,904	543,658	41,433	16,953,922
Equity attributable to shareholders of the Bank	–	–	–	–	–	1,361,287	1,361,287
NET MATURITY MISMATCH	2,829,071	(4,805,130)	(4,514,532)	(685,290)	284,903	6,890,978	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(ii) Behavioural maturity of deposits from customers.

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

	Deposits from customers						
Group	**Up to 7 Days RM'000**	**>7 Days – 1 Month RM'000**	**>1–3 Months RM'000**	**>3–6 Months RM'000**	**>6–12 Months RM'000**	**>1 Year RM'000**	**Total RM'000**
2012							
By contractual maturity	**1,755,512**	**8,255,153**	**5,944,495**	**1,547,083**	**624,637**	**24,207**	**18,151,087**
By behavioural maturity	**2,801,287**	**4,084,991**	**984,477**	**215,767**	**65,651**	**9,998,914**	**18,151,087**
Difference	**(1,045,775)**	**4,170,162**	**4,960,018**	**1,331,316**	**558,986**	**(9,974,707)**	**–**
2011							
By contractual maturity	1,865,816	6,886,507	5,654,500	1,315,137	467,131	27,082	16,216,173
By behavioural maturity	1,761,183	1,618,132	1,452,317	141,860	395,721	10,846,960	16,216,173
Difference	104,633	5,268,375	4,202,183	1,173,277	71,410	(10,819,878)	–

Bank							
2012							
By contractual maturity	**1,763,172**	**8,255,153**	**5,944,495**	**1,547,083**	**624,637**	**24,207**	**18,158,747**
By behavioural maturity	**2,808,947**	**4,084,991**	**984,477**	**215,767**	**65,651**	**9,998,914**	**18,158,747**
Difference	**(1,045,775)**	**4,170,162**	**4,960,018**	**1,331,316**	**558,986**	**(9,974,707)**	**–**
2011							
By contractual maturity	1,872,433	6,886,507	5,654,500	1,315,137	467,131	27,082	16,222,790
By behavioural maturity	1,767,800	1,618,132	1,452,317	141,860	395,721	10,846,960	16,222,790
Difference	104,633	5,268,375	4,202,183	1,173,277	71,410	(10,819,878)	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis.

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances reported in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Within the "More than 1 year" maturity band as at 31 March 2012 and 31 March 2011 are financial liabilities of RM406,079,000, all of which relate to Non-Innovative Tier I Stapled Securities whereby the profit payments are computed up to the first optional redemption date.

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.

Group	Up to 7 Days RM'000	>7 Days – 1 Month RM'000	>1–3 Months RM'000	>3–6 Months RM'000	>6–12 Months RM'000	>1 Year RM'000	Total RM'000
2012							
Deposits from customers	**1,755,512**	**8,255,153**	**5,944,495**	**1,547,083**	**624,637**	**24,207**	**18,151,087**
Deposits and placements of banks and other financial institutions	**–**	**–**	**–**	**2,946**	**252**	**8,698**	**11,896**
Others	**311**	**347,402**	**1,132**	**10**	**882**	**409,968**	**759,706**
Total Liabilities	**1,755,823**	**8,602,555**	**5,945,627**	**1,550,039**	**625,771**	**442,873**	**18,922,689**
2011							
Deposits from customers	1,865,816	6,886,507	5,654,500	1,315,137	467,131	27,082	16,216,173
Deposits and placements of banks and other financial institutions	–	–	–	300	500	14,193	14,993
Others	3,031	341,536	149	251,467	598	158	596,939
Total Liabilities	1,868,847	7,228,043	5,654,649	1,566,904	468,229	41,433	16,828,104

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 7 Days RM'000	>7 Days – 1 Month RM'000	>1–3 Months RM'000	>3–6 Months RM'000	>6–12 Months RM'000	>1 Year RM'000	Total RM'000
2012							
Deposits from customers	**1,763,172**	**8,255,153**	**5,944,495**	**1,547,083**	**624,637**	**24,207**	**18,158,747**
Deposits and placements of banks and other financial institutions	**–**	**–**	**–**	**2,946**	**252**	**8,698**	**11,896**
Others	**311**	**347,589**	**1,132**	**10**	**869**	**409,968**	**759,879**
Total Liabilities	**1,763,483**	**8,602,742**	**5,945,627**	**1,550,039**	**625,758**	**442,873**	**18,930,522**
2011							
Deposits from customers	1,872,433	6,886,507	5,654,500	1,315,137	467,131	27,082	16,222,790
Deposits and placements of banks and other financial institutions	–	–	–	300	500	14,193	14,993
Others	3,031	341,512	149	251,467	598	158	596,915
Total Liabilities	1,875,464	7,228,019	5,654,649	1,566,904	468,229	41,433	16,834,698

(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 an operational risk management framework with established operational risk management processes. To manage and control operational risk, the Group and Bank place great emphasis on the importance of proper monitoring and reporting of business units' adherence to established risk policies, procedures and limits by independent control and support units, oversight provided by the management and the Board of Directors, and independent assessment of the adequacy and reliability of the risk management processes by the Internal Audit Division.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

39. FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

FRS 7 Financial Instruments: Disclosures requires the classification of financial instruments held at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of financial instruments:

Level 1 – quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 – valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (ie. prices) or indirectly (ie. derived from prices), are used; and

Level 3 – valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the instrument's valuation.

For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities and broker quotes from Bloomberg and Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors. Changes in these assumptions could materially affect the fair values derived. The Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

The following table shows the financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

		Valuation technique using		
	Quoted	Observable	Unobservable	
Group	**Market Price**	**Inputs**	**Inputs**	
	Level 1	**Level 2**	**Level 3**	**Total**
2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Financial investments available-for-sale	**48,023**	**6,074,973**	**21,022**	**6,144,018**
Derivative financial assets	**4,150**	**–**	**–**	**4,150**
Total financial assets measured at fair value	**52,173**	**6,074,973**	**21,022**	**6,148,168**
Financial liabilities				
Derivative financial liabilities	**1,741**	**3,889**	**–**	**5,630**
Total financial liabilities measured at fair value	**1,741**	**3,889**	**–**	**5,630**

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year.

39. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(a) Financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Bank 2012	Quoted Market Price Level 1 RM'000	Valuation technique using Observable Inputs Level 2 RM'000	Valuation technique using Unobservable Inputs Level 3 RM'000	Total RM'000
Financial assets				
Financial investments available-for-sale	48,023	6,074,973	16,222	6,139,218
Derivative financial assets	4,150	–	–	4,150
Total financial assets measured at fair value	52,173	6,074,973	16,222	6,143,368
Financial liabilities				
Derivative financial liabilities	1,741	3,889	–	5,630
Total financial liabilities measured at fair value	1,741	3,889	–	5,630

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

	Group Securities available-for-sale RM'000	Bank Securities available-for-sale RM'000
As at 1 April 2011	29,397	18,597
Gains or losses recognised in income statement	(8,901)	(2,901)
Gains or losses recognised in other comprehensive income	–	–
Purchases	526	526
Sales	–	–
Issues	–	–
Settlements	–	–
Transfer out of Level 3	–	–
As at 31 March 2012	21,022	16,222
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the financial year	(8,901)	(2,901)
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the financial year	–	–

39. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured not carried at fair value

Group	2012 Carrying amount RM'000	2012 Fair value RM'000	2011 Carrying amount RM'000	2011 Fair value RM'000
Financial assets				
Cash and short-term funds	**4,391,223**	**4,391,223**	6,199,953	6,199,953
Cash and placements with financial institutions	**110,333**	**110,333**	251,012	251,012
Financial investment held-to-maturity	**74,494**	**74,494**	28,585	28,585
Financing of customers	**9,038,483**	**9,940,929**	7,148,160	8,338,198
Financial liabilities				
Deposits from customers	**18,151,087**	**18,153,040**	16,216,173	16,216,173
Deposits and placements of banks and other financial institutions	**11,896**	**11,493**	14,993	14,993
Bills and acceptances payable	**310,324**	**310,324**	291,375	291,375
Subordinated bonds	**406,079**	**416,068**	250,000	250,025
Bank				
Financial assets				
Cash and short-term funds	**4,391,223**	**4,391,223**	6,199,953	6,199,953
Cash and placements with financial institutions	**110,333**	**110,333**	251,012	251,012
Financial investment held-to-maturity	**74,494**	**74,494**	28,585	28,585
Financing of customers	**9,050,805**	**9,959,250**	7,166,034	8,356,072
Financial liabilities				
Deposits from customers	**18,158,747**	**18,158,752**	16,222,790	16,222,790
Deposits and placements of banks and other financial institutions	**11,896**	**11,493**	14,993	14,993
Bills and acceptances payable	**310,324**	**310,324**	291,375	291,375
Subordinated bonds	**406,079**	**416,068**	250,000	250,025

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two parties under normal market conditions. However, for certain assets such as financing and deposits, fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

39. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONT'D.)

(b) Financial instruments measured not carried at fair value (cont'd.)

Cash and short-term funds, statutory deposits with Bank Negara Malaysia, other assets, deposits and placements of banks and other financial institutions, bills and acceptances payable and other liabilities

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Financial assets held-for-trading, financial investments available-for-sale and financial investments 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 the discounted cash flow technique is used, the expected future cash flows are discounted using market profit rates for similar instruments.

Financing to customers

The fair values of financing to customers not designated as hedged item are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at balance sheet date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of specific allowance for bad and doubtful financing.

Deposits from customers

The fair values of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

Subordinated bonds

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financing with similar risks profiles.

40. CAPITAL AND OTHER COMMITMENTS

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group and Bank	
	2012	**2011**
	RM'000	**RM'000**
Approved and contracted for	**16,529**	6,002
Approved but not contracted for	**29,080**	42,981
	45,609	48,983

41. CAPITAL ADEQUACY

(a) The core capital ratios and risk-weighted capital ratios of the Group and the Bank are as follows:

	Group		Bank	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Computation of total risk-weighted assets ("RWA")				
Total credit RWA	**8,854,238**	7,948,103	**8,840,877**	7,934,560
Total market RWA	**115,622**	75,061	**115,622**	75,061
Total operational RWA	**1,006,091**	960,106	**998,498**	953,244
Total RWA	**9,975,951**	8,983,270	**9,954,997**	8,962,865
Computation of capital ratios				
Tier-I capital				
Paid-up ordinary share capital	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Statutory reserve	**315,385**	272,893	**313,788**	271,603
Retained profits	**170,589**	128,097	**171,290**	129,105
Less: Deferred tax assets (net)	**(52,353)**	(38,240)	**(52,353)**	(38,240)
Total Tier-I Capital	**1,433,621**	1,362,750	**1,432,725**	1,362,468
Tier-II capital				
Subordinated bonds	**406,079**	250,000	**406,079**	250,000
Collective assessment	**128,332**	114,833	**128,332**	114,833
Total Tier-II Capital	**534,411**	364,833	**534,411**	364,833
Less: Investment in subsidiaries	**–**	–	**(6,384)**	(6,484)
Capital Base	**1,968,032**	1,727,583	**1,960,752**	1,720,817
Core capital	**1,433,621**	1,362,750	**1,432,725**	1,362,468
Capital base	**1,968,032**	1,727,583	**1,960,752**	1,720,817
Core capital ratios	**14.4%**	15.2%	**14.4%**	15.2%
Risk-weighted capital ratio	**19.7%**	19.2%	**19.7%**	19.2%

41. CAPITAL ADEQUACY (CONT'D.)

The capital adequacy ratios of the Bank is computed in accordance with the Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB-Basel II). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

* *Excluded collective assessment allowance on impaired financing restricted from Tier II capital by BNM of the Group and the Bank of RM100.8 million.(2011: RM111.9 million)*

Credit risk disclosure by risk weights of the Group as at 31 March, are as follows:

	Group			
	2012		2011	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	**9,387,217**	**–**	9,101,082	–
20%	**2,238,923**	**447,785**	1,883,668	376,734
35%	**829,206**	**290,222**	534,458	187,060
50%	**931,978**	**465,989**	1,041,868	520,934
75%	**3,332,019**	**2,499,014**	3,499,816	2,624,862
100%	**4,989,859**	**4,989,859**	4,136,883	4,136,883
150%	**107,580**	**161,369**	67,754	101,630
Risk weighted assets for credit risk	**21,816,782**	**8,854,238**	20,265,529	7,948,103
Risk weighted assets for market risk		**115,622**		75,061
Risk weighted assets for operational risk		**1,006,091**		960,106
Total risk weighted assets		**9,975,951**		8,983,270

41. CAPITAL ADEQUACY (CONT'D.)

Credit risk disclosure by risk weights of the Bank as at 31 March, are as follows:

	Bank			
	2012		2011	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	**9,387,217**	**–**	9,101,082	–
20%	**2,238,923**	**447,785**	1,883,668	376,734
35%	**829,206**	**290,222**	534,458	187,060
50%	**931,978**	**465,989**	1,041,868	520,934
75%	**3,332,019**	**2,499,014**	3,499,816	2,624,862
100%	**4,976,498**	**4,976,498**	4,123,340	4,123,340
150%	**107,580**	**161,369**	67,754	101,630
Risk weighted assets for credit risk	**21,803,421**	**8,840,877**	20,251,986	7,934,560
Risk weighted assets for market risk		**115,622**		75,061
Risk weighted assets for operational risk		**998,498**		953,244
Total risk weighted assets		**9,954,997**		8,962,865

42. CAPITAL MANAGEMENT

The capital injection worth of RM400 million of Tier-2 capital in June 2011, had ensured that the Group and the Banks' RWCR remain competitive throughout the duration of the 5-year business plan.

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the management level, capital management strategy review is a period exercise that is under the purview of Asset-Liability Management Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as the broad environment, i.e. regulatory and macroeconomic setting.

Latest review exercise revealed that the management of the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much has been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.

43. SEGMENT INFORMATION

(a) Business segments

The bank is organised into two major business segments:

(i) Wholesale banking - this segment includes corporate banking, treasury and capital market and investment banking activities.

(ii) Retail banking - this segment includes Small Medium Enterprise banking, commercial and retail banking.

Other business segments include rental services, none of which is of a sufficient size to be reported separately.

Group 2012	Wholesale banking RM'000	Retail banking RM'000	Others RM'000	Total RM'000
Total income	491,879	385,752	15,960	893,591
Result				
Segment result	127,639	110,180	(113,675)	124,144
Zakat and taxation				(39,160)
Net profit for the financial year				84,984
Other information				
Segment assets	9,514,653	6,153,549	–	15,668,202
Unallocated corporate assets				4,800,267
Total assets				20,468,469
Segment liabilities	8,899,931	9,251,156	–	18,151,087
Unallocated corporate liabilities				887,494
Total liabilities				19,038,581
Other segment items				
Capital expenditure	95	9,333	17,984	27,412
Depreciation	1,685	10,338	4,182	16,205

43. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Group 2011	Wholesale banking RM'000	Retail banking RM'000	Others RM'000	Total RM'000
Total income	406,597	409,647	5,339	821,583
Result				
Segment result	157,430	99,621	(52,740)	204,311
Zakat and taxation				(70,734)
Net profit for the financial year				133,577
Other information				
Segment assets	6,842,657	5,337,344	–	12,180,001
Unallocated corporate assets				6,128,710
Total assets				18,308,711
Segment liabilities	7,165,843	9,031,131	–	16,196,974
Unallocated corporate liabilities				750,307
Total liabilities				16,947,281
Other segment items				
Capital expenditure	398	7,438	24,024	31,860
Depreciation	1,436	8,816	3,386	13,638

43. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Bank 2012	Wholesale banking RM'000	Retail banking RM'000	Others RM'000	Total RM'000
Total income	491,879	385,752	15,269	892,900
Result				
Segment result	127,639	110,180	(114,331)	123,488
Zakat and taxation				(39,118)
Net profit for the financial year				84,370
Other information				
Segment assets	9,514,653	6,153,549	–	15,668,202
Unallocated corporate assets				4,807,196
Total assets				20,475,398
Segment liabilities	8,907,591	9,251,156	–	18,158,747
Unallocated corporate liabilities				887,658
Total liabilities				19,046,405
Other segment items				
Capital expenditure	95	9,333	17,984	27,412
Depreciation	1,685	10,338	4,177	16,200

43. SEGMENT INFORMATION (CONT'D.)

(a) Business segments (cont'd.)

Bank 2011	Wholesale banking RM'000	Retail banking RM'000	Others RM'000	Total RM'000
Total income	406,597	409,647	5,254	821,498
Result				
Segment result	157,430	99,621	(52,264)	204,787
Zakat and taxation				(70,773)
Net profit for the financial year				134,014
Other information				
Segment assets	6,842,657	5,337,344	–	12,180,001
Unallocated corporate assets				6,135,208
Total assets				18,315,209
Segment liabilities	7,147,258	9,031,131	–	16,178,389
Unallocated corporate liabilities				775,533
Total liabilities				16,953,922
Other segment item				
Capital expenditure	398	7,438	24,024	31,860
Depreciation	1,436	8,816	3,360	13,612

(b) Geographical segment

No segmental reporting in respect of geographical segment is presented as the Bank operates only in Malaysia.

44. COMPARATIVES

Certain comparative figures have been reclassified to confirm to current year's presentation.

BASEL II – Pillar 3 Disclosures

STATEMENT BY CHIEF EXECUTIVE OFFICER

In accordance with the requirement of BNM's Guideline on Capital Adequacy Framework for Islamic Banks ('CAFIB') – Disclosure Requirement ('Pillar 3'), and on behalf of the Board and management of Bank Muamalat Malaysia Berhad, I am pleased to provide an attestation that the Pillar 3 disclosures of the Group and the Bank for the year ended 31 March 2012 are accurate and complete.

Dato' Haji Mohd Redza Shah bin Abdul Wahid
Chief Executive Officer

BASEL II –
PILLAR 3 DISCLOSURES

ABBREVIATIONS

ALCO	Asset-Liability Management Committee	ICAAP	Internal Capital Adequacy Assessment Process
ALM	Asset and Liability Management	IFIs	Islamic Financial Institutions
BCM	Business Continuity Management	IFSB-10	Institute Offering Islamic Financial Services
BCP	Business Continuity Plan	IPRS	Islamic Profit Rate Swap
BIA	Business Impact Analysis	IRB Approach	Internal Ratings Based Approach
BOD	Board of Director	MARC	Malaysian Rating Corporation Berhad
BNM	Bank Negara Malaysia	MDB	Multilateral Development Bank
BRMC	Board Risk Management Committee	MISB	Muamalat Invest Sdn Bhd
BU	Business Unit	MR	Market Risk
CAFIB	Capital Adequacy Framework for Islamic Banks	OR	Operational Risk
CBs	Corporate Bonds	ORM	Operational Risk Management
CC	Credit Committee	ORMC	Operational Risk Management Committee
CCR	Counterparty Credit Risk	PDS	Private Debt Securities
CEO	Chief Executive Officer	PSEs	Non-Federal Government Public Sector Entities
CPs	Commercial Papers	RA	Risk Assessment
CR	Credit Risk	R&I	Rating and Investment Information, Inc
CRP	Credit Risk Policy	RAM	RAM Rating Services Berhad
CRM	Credit Risk Mitigation	RORBB	Rate of Return Risk in Banking Book
CSRD	Credit Supervision and Recovery Department	RMD	Risk Management Department
EAR	Earning At Risk	RWA	Risk Weighted Assets
ECAI	External Credit Assessment Institutions	RWCAF	Risk Weighted Capital Adequacy Framework
ERMC	Executive Risk Management Committee	TBPS	Trading Book Policy Statement
EVE	Economic Value Perspective	SC	Shariah Committee
FRS139	Financial Reporting Standards 139	S&P	Standard and Poor's
FDI	Foreign Direct Investments	SRP	Shariah Review Program
GCRP	Guidelines to Credit Risk Policies	SU	Support Unit
IC	Investment Committee	VaR	Value at Risk

OVERVIEW

The Pillar 3 Disclosure is a regulatory requirement aimed to improve market discipline through effective public disclosure, specifically of the Group's and the Bank's capital structure, capital adequacy, and risk management and measurement practices.

It serves to complement the requirements for Pillar 1 and Pillar 2 of the "Capital Adequacy Framework for Islamic Banks (CAFIB)" guidelines issued by Bank Negara Malaysia, which is equivalent to the Basel II guidelines issued by the Basel Committee on Banking Supervision (BCBS).

Basel II Improved Soundness and Stability

Pillar 1 Minimum capital	Pillar 2 Supervisory review	Pillar 3 Market discipline
Credit risk ➤ Standardised method, or ➤ Internal rating based approach (IRB or A-IRB) ➤ Risk quantification (PD, LGD, EAD) Operational risk ➤ Standardised methods, or ➤ Advanced measurement (AM) ➤ Loss event segmentation by type and business unit ➤ Quantification of losses ➤ Process development Market risk ➤ Focus on specific risk and model validation	➤ Risk measurement of all risk ➤ Stress testing of risk ➤ Financial plan and down turn scenario ➤ Assessment of capital adequacy management ➤ Capital plan and capital alert plan ➤ Board and senior management oversight	➤ Policies and procedures regarding disclosure frequency and materiality ➤ Capital structure ➤ Capital adequacy ➤ Risk exposure and assessment • Credit Risk • Market Risk • Operational Risk • Equities in the banking book • Rate of return risk in the banking book

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on Bank Muamalat Malaysia Berhad and its subsidiaries. Information on subsidiaries of the Bank is available in Note 11 to the financial statements.

The basis of consolidation for financial accounting purposes is described in Notes 3.4 (a) to the financial statements, and differs from that used for regulatory capital purposes. The investment in subsidiary companies is deducted from regulatory capital at entity level and consolidated at group level.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.

All information in the ensuing paragraphs is based on the Group's position. Certain information on capital adequacy relating to the Group and the Bank is presented on a voluntary basis to provide additional information to users. The capital adequacy-related information of the Group and the Bank, which is presented on a global basis, includes its offshore banking activities in Labuan as determined under the RWCAF.

These disclosures have been reviewed and verified by internal auditors and approved by the Board and Directors of the Group.

1.0 SCOPE OF APPLICATION (CONT'D.)

Scope of disclosure

The detailed scope of published disclosure is subjected to the following classification of information:

- Insignificant, i.e. its exclusion or distortion cannot influence the assessment or decision of a person using such information to make economic decisions, or influence such an assessment or decision,

- Reserved, i.e. its public distribution might adversely influence the position of the Group and the Bank on the market according to regulations on competition and consumer protection,

- Subject to law-protected confidentiality, such information is not published. In case of not publishing reserved information or the one which is subject to law-protected confidentiality, the Group and the Bank disclose information which is less detailed.

2.0 CAPITAL MANAGEMENT

The capital injection worth of RM400 million of Tier-2 capital in June 2011, had ensured that the Group's and the Bank's RWCR remain competitive throughout the duration of the 5-year business plan.

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the management level, capital management strategy review is a period exercise that is under the purview of Asset-Liability Management Committee ("ALCO"). The said exercise refers to an assessment of the Group's and the Bank's capital requirement vis-à-vis the development of the Group and the Bank as well as the broad environment, i.e. regulatory and macroeconomic setting.

Latest review exercise revealed that the management of the Group's and the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much has been deliberated as regulators global wide strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Group and the Bank have adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Group's and the Bank's capital requirements under plausible and worst case stress scenarios to assess the Group's and the Bank's capital to withstand the shocks. Subsequently, the same approach is applied for internal capital adequacy assessment process ("ICAAP").

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

The Bank's approach in assessing the adequacy of internal capital levels in relation to its risk profile is addressed in its Internal Capital Adequacy Assessment Process (ICAAP). This is in line with BNM's requirement as stipulated in its guideline on "Capital Adequacy Framework for Islamic Banks (CAFIB) – Internal Capital Adequacy Assessment Process (Pillar 2)".

Under this process, the Bank evaluates its risk profile and identifies the key material risks it faces from its business activities. It begins with the assessment and allocation of capital on the core Pillar 1 risks, namely credit, market and operational risks, and is generally referred to as Regulatory Capital.

The Bank further assesses the adequacy of its capital in relation to other discretionary and non-discretionary risks, such as credit concentration, liquidity, and strategic risks, and accordingly allocates capital buffer to cover for expected and unexpected losses, in addition to the minimum regulatory capital. This is carried out by determining the quality of desired capital, size of capital buffer and the outcome of stress testing. The aim of stress testing is to estimate the potential losses on the exposures under abnormal market or economic conditions. The results of these analyses are utilised to facilitate capital and financial management on a more forward-looking basis.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

Capital Adequacy Ratios

The table below presents the capital adequacy ratios of the Group and Bank:

Table 1: Capital Adequacy Ratios

	Group		Bank	
	2012	**2011**	**2012**	**2011**
Core Capital Ratio	**14.4%**	15.2%	**14.4%**	15.2%
Risk-weighted capital ratio	**19.7%**	19.2%	**19.7%**	19.2%

Capital Structure

The constituents of total eligible capital are set out in BNM's Guideline on 'Risk-Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components)' Part C and Part D. These include shareholders' fund, after regulatory-related adjustments, and eligible capital instruments issued by the Bank.

The following table represents the Group's and Bank's capital position as at 31 March 2012. Details on capital instruments, including share capital and reserves are found in notes 19 to 21 of the financial statements:

Table 2: Capital Structure

	Group		Bank	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Tier-I capital				
Paid-up ordinary share capital	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Statutory reserve	**315,385**	272,893	**313,788**	271,603
Retained profits	**170,589**	128,097	**171,290**	129,105
Less: Deferred tax assets (net)	**(52,353)**	(38,240)	**(52,353)**	(38,240)
Total Tier-I Capital	**1,433,621**	1,362,750	**1,432,725**	1,362,468
Tier-II capital				
Subordinated bonds	**406,079**	250,000	**406,079**	250,000
Collective assessment *	**128,332**	114,833	**128,332**	114,833
Total Tier-II Capital	**534,411**	364,833	**534,411**	364,833
Less: Investment in subsidiaries	**–**	–	**(6,384)**	(6,484)
Capital Base	**1,968,032**	1,727,583	**1,960,752**	1,720,817

* Excludes collective assessment allowance on impaired financing restricted from Tier II capital by BNM of the Group and the Bank of RM100.8 million.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

The following tables present the minimum regulatory capital requirement to support the Group's and the Bank's risk-weighted assets:

Table 3: Minimum capital requirement and risk-weighted assets

	2012 Risk Weighted Assets RM'000	2012 Minimum Capital Requirement at 8% RM'000	2011 Risk Weighted Assets RM'000	2011 Minimum Capital Requirement at 8% RM'000
Assets				
Credit Risk	**8,854,238**	**708,339**	7,948,103	635,848
Market Risk	**115,622**	**9,250**	75,061	6,005
Operational Risk	**1,006,091**	**80,487**	960,106	76,808
Total	**9,975,951**	**798,076**	8,983,270	718,661

	2012 Risk Weighted Assets RM'000	2012 Minimum Capital Requirement at 8% RM'000	2011 Risk Weighted Assets RM'000	2011 Minimum Capital Requirement at 8% RM'000
Bank				
Credit Risk	**8,840,877**	**707,270**	7,934,560	634,765
Market Risk	**115,622**	**9,250**	75,061	6,005
Operational Risk	**998,498**	**79,880**	953,244	76,260
Total	**9,954,997**	**796,400**	8,962,865	717,030

The Group and the Bank do not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

Table 4: Minimum capital requirements and risk-weighted assets by exposures

Group 2012	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	8,568,744	8,568,744	–	–
PSEs	77,156	71,577	14,315	1,145
Banks, Development Financial Institution & MDBs	622,891	622,891	124,592	9,967
Corporates	5,335,448	5,240,154	3,774,135	301,931
Regulator Retail	3,697,098	3,694,359	2,973,110	237,849
Residential Real Estate	1,568,255	1,568,255	799,177	63,934
Higher Risk Assets	22,943	22,943	34,414	2,753
Other Assets	278,759	278,759	199,289	15,943
Defaulted Exposures	168,404	168,404	194,146	15,532
	20,339,698	20,236,086	8,113,178	649,054
(a) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,569,695	1,569,695	736,077	58,886
Derivative financial instruments	11,001	11,001	4,983	399
	1,580,696	1,580,696	741,060	59,285
Total Credit Exposures	21,920,394	21,816,782	8,854,238	708,339

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	481	(3,166)	100,693	8,055
Foreign Currency Risk	14,928	(2,709)	14,929	1,194
			115,622	9,250
(iii) Operational Risk (Basic Indicators Approach)			1,006,091	80,487
(iv) Total RWA and Capital Requirements			9,975,951	798,077

* *After netting and credit risk mitigation*

** *Credit Risk of off balance sheet items*

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

Table 4: Minimum capital requirements and risk-weighted assets by exposures (cont'd.)

Group 2011	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	8,259,774	8,259,774	–	–
PSEs	120,182	110,595	22,119	1,770
Banks, Development Financial Institution & MDBs	330,064	330,064	66,015	5,281
Corporates	5,057,286	4,967,236	3,569,027	285,522
Regulator Retail	2,855,703	2,851,111	2,138,333	171,067
Residential Real Estate	1,147,875	1,147,875	651,529	52,122
Higher Risk Assets	11,308	11,308	16,962	1,357
Other Assets	322,069	322,069	230,761	18,461
Defaulted Exposures	235,973	235,973	243,581	19,486
	18,340,232	18,236,004	6,938,327	555,066
(a) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	2,027,394	2,027,394	1,008,169	80,654
Derivative financial instruments	2,131	2,131	1,608	129
	2,029,525	2,029,525	1,009,776	80,782
Total Credit Exposures	20,369,757	20,265,529	7,948,103	635,848

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	366	(1,725)	68,022	5,442
Foreign Currency Risk	563	(7,040)	7,040	563
			75,061	6,005
(iii) Operational Risk (Basic Indicators Approach)			960,106	76,808
(iv) Total RWA and Capital Requirements			8,983,270	718,662

* *After netting and credit risk mitigation*

** *Credit Risk of off balance sheet items*

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

Table 4: Minimum capital requirements and risk-weighted assets by exposures (cont'd.)

Bank 2012	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	8,568,744	8,568,744	–	–
PSEs	77,156	71,577	14,315	1,145
Banks, Development Financial Institution & MDBs	622,891	622,891	124,592	9,967
Corporates	5,335,448	5,240,153	3,774,135	301,931
Regulator Retail	3,697,098	3,694,359	2,973,110	237,849
Residential Real Estate	1,568,255	1,568,255	799,177	63,934
Higher Risk Assets	22,943	22,943	34,414	2,753
Other Assets	265,399	265,399	185,928	14,874
Defaulted Exposures	168,404	168,404	194,146	15,532
	20,326,338	20,222,725	8,099,817	647,985
(a) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	1,569,695	1,569,695	736,077	58,886
Derivative financial instruments	11,001	11,001	4,983	399
	1,580,696	1,580,696	741,060	59,285
Total Credit Exposures	21,907,034	21,803,421	8,840,877	707,270

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	481	(3,166)	100,693	8,055
Foreign Currency Risk	14,928	(2,709)	14,929	1,194
			115,622	9,250
(iii) Operational Risk (Basic Indicators Approach)			998,498	79,880
(iv) Total RWA and Capital Requirements			9,954,997	796,400

* *After netting and credit risk mitigation*

** *Credit Risk of off balance sheet items*

2.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

Table 4: Minimum capital requirements and risk-weighted assets by exposures (cont'd.)

Bank 2011	Gross Exposures RM'000	*Net Exposures RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
(i) Credit Risk (Standardised Approach)				
(a) On Balance Sheet Exposures				
Sovereign/Central Banks	8,259,774	8,259,774	–	–
PSEs	120,182	110,595	22,119	1,770
Banks, Development Financial Institution & MDBs	330,064	330,064	66,015	5,281
Corporates	5,057,286	4,967,236	3,569,027	285,522
Regulator Retail	2,855,703	2,851,111	2,138,333	171,067
Residential Real Estate	1,147,875	1,147,875	651,529	52,122
Higher Risk Assets	11,308	11,308	16,962	1,357
Other Assets	308,526	308,526	217,218	17,377
Defaulted Exposures	235,973	235,973	243,581	19,486
	18,326,689	18,222,461	6,924,784	553,983
(a) Off-Balance Sheet Exposures**				
Credit-related off-balance sheet exposure	2,027,394	2,027,394	1,008,169	80,654
Derivative financial instruments	2,131	2,131	1,608	129
	2,029,525	2,029,525	1,009,776	80,782
Total Credit Exposures	20,356,214	20,251,986	7,934,560	634,765

	Long Position	Short Position	Risk Weigthed Assets	Capital Requirement
(ii) Market Risk (Standardised Approach)				
Benchmark Rate Risk	366	(1,725)	68,022	5,442
Foreign Currency Risk	563	(7,040)	7,040	563
			75,061	6,005
(iii) Operational Risk (Basic Indicators Approach)			953,244	76,260
(iv) Total RWA and Capital Requirements			8,962,865	717,029

* *After netting and credit risk mitigation*

** *Credit Risk of off balance sheet items*

3.0 RISK MANAGEMENT

Overview

Risk is inherent in every aspect of our business activity and to manage this effectively, BMMB has undertaken an integrated risk management approach to ensure that a broad spectrum of risk types are considered and addressed in managing its activities. The Bank's risk management framework and structure are built on formal governance processes that delineate responsibilities for risk management activities, as well as governance and oversight of these activities.

An integral part of this approach is the systematic process of risk identification and measurement, subsequently developing appropriate risk management strategies in line with the Bank's business plans and objectives, and ensuring on-going monitoring and control. The management and control over the principal risk areas of Market Risk (MR), Asset and Liability Management (ALM), Credit Risk (CR), Operational Risk (OR) and Shariah Compliance Risk are well-integrated and optimised to secure strategic competitive advantage.

Risk Governance

The Board is responsible for the Bank's overall risk governance and oversight, which include determining appropriate risk strategy, setting the Bank's risk appetite and ensuring that risk is monitored and controlled effectively. The Board oversees the risk management of the Bank through a clearly defined governance structure, which include Board committees and management committees with distinct roles and responsibilities.

The Bank's risk governance structure is based on the principle that each line of business is responsible for managing the risk inherent in its business. The line managers are therefore responsible for the identification, measurement and management of the risks within their areas of responsibility.

Table 5: Risk Governance Structure

RISK GOVERNANCE

	Risk Management Organisation Structure	**AUDIT COMMITTEE**
Board *Establish Risk Appetite & Policy*	Board of Directors (BoD) Board Risk Management Committee (BRMC) Shariah Committee (SC)	Board Audit Committee (BAC)
Management *Ensure Implementation of Policy & Compliance*	Executive Risk Management Committee (ERMC) Asset-Liability Management Committee (ALCO) Credit Committee (CC) Investment Committee (IC) Operational Risk Management Committee	Internal Audit Committee (IAC)
Working Level *Implement & Comply with Risk Policy*	Risk Management Department (RMD) Credit Assessment Department (CAD) Retail Approving Centre (RAC) Compliance Department Shariah Department (SD) Bank's Line Management	Internal Audit Department (IAD)

3.0 RISK MANAGEMENT (CONT'D.)

Risk Governance (cont'd.)

The *Board of Directors* has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that these risks are properly managed. While the *Board of Directors* is ultimately responsible for risk management of the Group and the Bank, it has entrusted the *Board Risk Management Committee (BRMC)* to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Group's and the Bank's Management and the conduct of these functions are being exercised under a committee structure, namely the *Executive Risk Management Committee (ERMC)*, which is chaired by the *Chief Executive Officer (CEO)*. The Committee focuses on the overall business strategies and day-to-day business operations of the Group and the Bank in respect of risk management.

In addition, the *Shariah Committee (SC)* is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

At the management level, the following risk committees are set up to oversee specific risk areas and its related control functions:

Table 6: Risk Committee functions

Committee	Objective
Asset-Liability Management Committee ("ALCO")	To ensure that all strategies conform to the Group's and the Bank's risk appetite and levels of exposure as determined by the BRMC. These include areas of capital management, funding and liquidity management and market risk of non-trading portfolio.
Credit Committee ("CC")	Authority for approving and reviewing business financing.
Investment Committee ("IC")	To manage the Group's and the Bank's investments and decides on new and/or additional increases of existing investment securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

A dedicated Risk Management Department (RMD), that is independent of profit and volume targets, supports the above committees by carrying out the day-to-day risk management functions and providing reports, analysis and recommendations for decision-making.

Risk Appetite

The Bank's integrated risk management system is inherently a "distributed function", where:

- The First Line of Defense lies within the business lines, which are primarily responsible for managing specific risks assumed by them in their day-to-day activities.
- The Second Line of Defense provides the specialised resources for developing risk frameworks, policies, methodologies and tools for the management of material risks taken by the Group as a whole.
- The Third Line of Defense involves internal audit and compliance, whose task would be to independently review on the adequacy and effectiveness of the risk management process.

3.0 RISK MANAGEMENT (CONT'D.)

Table 7: Risk Management Flow

1st Line Defense		2nd Line Defense		3rd Line Defense
• Specialist Department • Business Units	⇨	• Risk Management	⇨	• Compliance • Internal & External Audit

For the system to be effective, the Bank has developed a Risk Appetite Statement that clearly defines the risk capacity, risk appetite, risk tolerance and risk limits/targets of the Bank. It sets out the principles and policies that guide its behaviour for all risk taking and guides the decision making towards achieving an optimal balance between risk and return. It also provides a clear reference point to monitor risk taking and to trigger appropriate action as the boundaries are approached or breached and minimses the likelihood of 'surprises' when adverse risk events occur.

The risk appetite statement, together with the risk tolerance and threshold, is formulated to cover over seven key risk levels or metrics, namely:

- Credit Risk
- Market Risk
- Liquidity and Funding Risk
- Operational Risk
- Strategic Business Risk
- Shariah Compliance Risk
- Reputational Risk

The Board, BRMC and senior management is responsible for determining the Bank's risk appetite and risk management strategy. The Risk Appetite Statement (RAS) is reviewed by the Board on an annual basis, in alignment with the annual business plan or as and when a major event necessitates it.

The Board, via BRMC, also ensures that appropriate processes, resources, policies and guidelines are in place to manage the Group's and the Bank's risks.

Table 8: Role of Risk Appetite

Risk Management Framework Component	Role of Risk Appetite
Oversight	• Approval of risk appetite by Board.
Internal policies	• The Board may delegate risk management authority and risk policy approval in accordance to risk appetite.
Risk management assessment	• Frequent risk assessment enables identification of a new or evolving risk profile in the context of risk appetite.
Risk quantification, monitoring, reporting & escalation	• Risk metrics. • Escalation process for material breaches of risk appetite.

4.0 CREDIT RISK (GENERAL DISCLOSURE)

Credit risk is the potential financial loss caused by a retail customer or wholesale counterparty failing to meet their obligations to the Bank as they become due. This covers all exposures and includes credit risk on guarantees and irrevocable undrawn facilities. Risks arising from changes in credit quality remain a central feature of the Bank's business and the recoverability of financing and amounts due from counterparties are inherent across most of the Bank's activities. Adverse changes in the credit quality of customer or a general deterioration in the economic conditions could affect the recoverability and value of the Bank's assets and therefore its financial performance.

As credit risk is the main risk to the bank, a credit risk framework has been established as part of the overall governance framework to measure, mitigate and manage credit risk within the Bank's risk appetite. To a lesser degree, the bank is exposed to other forms of credit risk, such as those arising from settlement activities where the risk is a consequence of undertaking the activity, rather than a driver for it. The Bank's credit risk framework is based on the allocation of the Bank's financing into risk rating categories. These provide a sufficient level of detail to identify, monitor and manage the overall credit risk profile on a monthly basis. These rating categories are linked and defined in relation to profit spread.

The Board has established several key committees, namely the ERMC and BRMC, to review the overall credit risk management activities, approve risk strategies and policies, and resolve any policy-related issues. The Risk Management Department (RMD) and senior management are tasked to implement and execute the strategies and policies approved by these committees and the Board.

The Bank conducts constant review of its credit exposures based on concentration and portfolio segments to ensure that these exposures are kept within the Board-approved risk appetite and risk tolerance levels. These review and analysis reports also provide the basis for risk management strategy and policy formulation.

The management of credit risk is governed by a set of credit-related policies, namely the Credit Risk Policy (CRP) and Guidelines to Credit Risk Policies (GCRP) and related operating procedures. These policies and procedures outlines the appropriate risk policies and prudential limits, risk rating and financing underwriting standards, delegated approving authority, risk mitigation, review, rehabilitation and restructuring, and provisioning for impaired financing. These policies are periodically reviewed and updated to ensure its efficacy and continued relevance.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit Risk Exposures and Credit Risk Concentration

Table 9: Credit risk exposures and credit risk concentration of financial assets by sector analysis

Group 2012	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	–	4,391,223	–	–	–	–	4,391,223
Cash and placements with financial institutions	–	110,333	–	–	–	–	110,333
Financial investment held-to-maturity	575	45,972	–	–	–	27,947	74,494
Financial investment available-for-sale	3,922,079	325,467	605,148	243,533	–	1,047,791	6,144,018
Islamic derivative financial assets	1,320	2,816	–	–	–	14	4,150
Financing of customers	615,595	519,232	1,200,381	751,945	1,020,093	5,160,412	9,267,658
Statutory deposits with Bank Negara Malaysia	527,721	–	–	–	–	–	527,721
Other financial assets	–	–	–	–	–	27,284	27,284
	5,067,290	5,395,043	1,805,529	995,478	1,020,093	6,263,448	20,546,881
Less: Collective assessment allowance	–	–	–	–	–	–	(229,175)
	5,067,290	5,395,043	1,805,529	995,478	1,020,093	6,263,448	20,317,706
Commitments and contingencies							
Contingent liabilities	147,653	105,909	63,333	323,210	–	148,470	788,575
Commitments	1,352,347	–	463,543	216,994	14,036	506,560	2,553,480
Derivative financial instruments	–	945,214	–	–	–	–	945,214
	1,500,000	1,051,123	526,876	540,204	14,036	655,030	4,287,269
Total credit exposures	6,567,290	6,446,166	2,332,405	1,535,682	1,034,129	6,918,478	24,604,975

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit Risk Exposures and Credit Risk Concentration (cont'd.)

Table 9: Credit risk exposures and credit risk concentration of financial assets by sector analysis (cont'd.)

Group 2011	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	–	6,199,953	–	–	–	–	6,199,953
Cash and placements with financial institutions	–	251,012	–	–	–	–	251,012
Financial investment held-to-maturity	575	–	–	–	–	28,010	28,585
Financial investment available-for-sale	2,286,044	218,197	464,667	262,959	–	1,139,120	4,370,987
Islamic derivative financial assets	–	5,140	–	–	–	37	5,177
Financing of customers	71,545	143,949	1,299,273	750,729	1,206,465	3,902,901	7,374,862
Statutory deposits with Bank Negara Malaysia	94,121	–	–	–	–	–	94,121
Other financial assets	–	–	–	–	–	38,544	38,544
	2,452,285	6,818,251	1,763,940	1,013,688	1,206,465	5,108,612	18,363,241
Less: Collective assessment allowance	–	–	–	–	–	–	(226,702)
	2,452,285	6,818,251	1,763,940	1,013,688	1,206,465	5,108,612	18,136,539
Commitments and contingencies							
Contingent liabilities	121,166	429,308	90,285	351,919	–	354,046	1,346,724
Commitments	1,378,834	–	419,604	450,840	15,604	337,222	2,602,104
Derivative financial instruments	–	1,871,996	–	–	–	–	1,871,996
	1,500,000	2,301,304	509,889	802,759	15,604	691,268	5,820,824
Total credit exposures	3,952,285	9,119,555	2,273,829	1,816,447	1,222,069	5,799,880	23,957,363

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit Risk Exposures and Credit Risk Concentration

Table 9: Credit risk exposures and credit risk concentration of financial assets by sector analysis (cont'd.)

Bank 2012	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	–	4,391,223	–	–	–	–	4,391,223
Cash and placements with financial institutions	–	110,333	–	–	–	–	110,333
Financial investment held-to-maturity	575	45,972	–	–	–	27,947	74,494
Financial investment available-for-sale	3,922,079	325,467	600,348	243,533	–	1,047,791	6,139,218
Islamic derivative financial assets	1,320	2,816	–	–	–	14	4,150
Financing of customers	615,595	519,232	1,205,254	751,945	1,020,093	5,167,861	9,279,980
Statutory deposits with Bank Negara Malaysia	527,721	–	–	–	–	–	527,721
Other financial assets	–	–	–	–	–	20,572	20,572
	5,067,290	5,395,043	1,805,529	995,478	1,020,093	6,264,185	20,547,691
Less: Collective assessment allowance	–	–	–	–	–	–	(229,175)
	5,067,290	5,395,043	1,805,602	995,478	1,020,093	6,264,185	20,318,516
Commitments and contingencies							
Contingent liabilities	147,653	105,909	63,333	323,210	–	148,470	788,575
Commitments	1,352,347	–	463,543	216,994	14,036	506,560	2,553,480
Derivative financial instruments	–	945,214	–	–	–	–	945,214
	1,500,000	1,051,123	526,876	540,204	14,036	655,030	4,287,269
Total credit exposures	6,567,290	6,446,166	2,332,478	1,535,682	1,034,129	6,919,215	24,605,785

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit Risk Exposures and Credit Risk Concentration (cont'd.)

Table 9: Credit risk exposures and credit risk concentration of financial assets by sector analysis (cont'd.)

Bank 2011	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	–	6,199,953	–	–	–	–	6,199,953
Cash and placements with financial institutions	–	251,012	–	–	–	–	251,012
Financial investment held-to-maturity	575	–	–	–	–	28,010	28,585
Financial investment available-for-sale	2,286,044	218,197	459,867	262,959	–	1,139,120	4,366,187
Islamic derivative financial assets	–	5,140	–	–	–	37	5,177
Financing of customers	71,545	143,949	1,304,225	750,729	1,206,465	3,909,823	7,386,736
Statutory deposits with Bank Negara Malaysia	94,121	–	–	–	–	–	94,121
Other financial assets	–	–	–	–	–	31,624	31,624
	2,452,285	6,818,251	1,764,092	1,013,688	1,206,465	5,108,614	18,363,395
Less: Collective assessment allowance	–	–	–	–	–	–	(226,702)
	2,452,285	6,818,251	1,764,092	1,013,688	1,206,465	5,108,614	18,136,693
Commitments and contingencies							
Contingent liabilities	121,166	429,308	90,285	351,919	–	354,046	1,346,724
Commitments	1,378,834	–	419,604	450,840	15,604	337,222	2,602,104
Derivative financial instruments	–	1,871,996	–	–	–	–	1,871,996
	1,500,000	2,301,304	509,889	802,759	15,604	691,268	5,820,824
Total credit exposures	3,952,285	9,119,555	2,273,981	1,816,447	1,222,069	5,799,882	23,957,517

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit Risk Exposures and Credit Risk Concentration (cont'd.)

Table 10: Credit risk exposures and credit risk concentration of financial assets by geographical analysis

	Group		Bank	
2012	**Domestic RM'000**	**Labuan RM'000**	**Domestic RM'000**	**Labuan RM'000**
On Balance Sheet Exposures				
Cash and short-term funds	4,378,538	12,685	4,378,538	12,685
Cash and placements with financial institutions	110,333	–	110,333	–
Financial investment held-to-maturity	28,522	45,972	28,522	45,972
Financial investment available-for-sale	6,059,686	84,332	6,054,886	84,332
Islamic derivative financial assets	4,150	–	4,150	–
Financing of customers	9,230,491	37,167	9,242,813	37,167
Statutory deposits with Bank Negara Malaysia	527,721	–	527,721	–
Other financial assets	27,276	8	20,564	8
	20,366,717	180,164	20,367,527	180,164
Less: Collective assessment allowance	(226,986)	(2,189)	(226,986)	(2,189)
	20,139,731	177,975	20,140,541	177,975
Commitments and contingencies				
Contingent liabilities	788,575	–	788,575	–
Commitments	2,553,480	–	2,553,480	–
Derivative financial instruments	945,214	–	945,214	–
	4,287,269	–	4,287,269	–
Total credit exposures	24,427,000	177,975	24,427,810	177,975

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit Risk Exposures and Credit Risk Concentration (cont'd.)

Table 10: Credit risk exposures and credit risk concentration of financial assets by geographical analysis (cont'd.)

	Group		Bank	
2011	**Domestic RM'000**	**Labuan RM'000**	**Domestic RM'000**	**Labuan RM'000**
On Balance Sheet Exposures				
Cash and short-term funds	6,054,783	145,170	6,054,783	145,170
Cash and placements with financial institutions	251,012	–	251,012	–
Financial investment held-to-maturity	28,585	–	28,585	–
Financial investment available-for-sale	4,312,296	58,691	4,301,496	58,691
Islamic derivative financial assets	5,177	–	5,177	–
Financing of customers	7,286,438	88,424	7,304,312	88,424
Statutory deposits with Bank Negara Malaysia	94,121	–	94,121	–
Other financial assets	37,871	673	30,951	673
	18,070,283	292,958	18,070,437	292,958
Less: Collective assessment allowance	(221,882)	(4,820)	(221,882)	(4,820)
	17,848,401	288,138	17,848,555	288,138
Commitments and contingencies				
Contingent liabilities	1,346,724	–	1,346,724	–
Commitments	2,602,104	–	2,602,104	–
Derivative financial instruments	1,871,996	–	1,871,996	–
	5,820,824	–	5,820,824	–
Total credit exposures	23,669,225	288,138	23,669,379	288,138

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

The credit exposures of financial assets of the Group by maturity distribution:

Table 11: Maturities of financial assets by remaining contractual maturity

Group 2012	Up to 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	**4,391,223**	**–**	**–**	**–**	**4,391,223**
Cash and placements with financial institutions	**110,333**	**–**	**–**	**–**	**110,333**
Financial investment held-to-maturity	**27,947**	**–**	**46,547**	**–**	**74,494**
Financial investment available-for-sale	**1,007,588**	**404,557**	**2,764,754**	**1,967,119**	**6,144,018**
Islamic derivative financial assets	**4,150**	**–**	**–**	**–**	**4,150**
Financing of customers	**1,319,352**	**690,822**	**3,265,017**	**3,763,292**	**9,038,483**
Statutory deposits with Bank Negara Malaysia	**–**	**–**	**–**	**527,721**	**527,721**
Other assets	**–**	**96,724**	**81,323**	**–**	**178,047**
Total On-Balance Sheet Exposures	**6,860,593**	**1,192,103**	**6,157,641**	**6,258,132**	**20,468,469**

Group 2011	Up to 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	6,199,953	–	–	–	6,199,953
Cash and placements with financial institutions	251,012	–	–	–	251,012
Financial investment held-to-maturity	361	–	28,224	–	28,585
Financial investment available-for-sale	952,842	254,286	2,580,696	583,163	4,370,987
Islamic derivative financial assets	5,177	–	–	–	5,177
Financing of customers	1,818,509	516,622	2,664,411	2,148,618	7,148,160
Statutory deposits with Bank Negara Malaysia	–	–	–	94,211	94,121
Other assets	–	64,708	146,008	–	210,716
Total On-Balance Sheet Exposures	9,227,854	835,616	5,419,339	2,825,902	18,308,711

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

The credit exposures of financial assets of the Group by maturity distribution:

Table 11: Maturities of financial assets by remaining contractual maturity (cont'd.)

Bank 2012	Up to 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	**4,391,223**	**–**	**–**	**–**	**4,391,223**
Cash and placements with financial institutions	**110,333**	**–**	**–**	**–**	**110,333**
Financial investment held-to-maturity	**27,947**	**–**	**46,547**	**–**	**74,494**
Financial investment available-for-sale	**1,007,588**	**399,757**	**2,764,754**	**1,967,119**	**6,139,218**
Islamic derivative financial assets	**4,150**	**–**	**–**	**–**	**4,150**
Financing of customers	**1,319,352**	**690,822**	**3,277,339**	**3,763,292**	**9,050,805**
Statutory deposits with Bank Negara Malaysia	**–**	**–**	**–**	**527,721**	**527,721**
Other assets	–	**89,747**	**87,707**	**–**	**177,454**
Total On-Balance Sheet Exposures	**6,860,593**	**1,180,326**	**6,176,347**	**6,258,132**	**20,475,398**

Bank 2011	Up to 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and short-term funds	6,199,953	–	–	–	6,199,953
Cash and placements with financial institutions	251,012	–	–	–	251,012
Financial investment held-to-maturity	361	–	28,224	–	28,585
Financial investment available-for-sale	917,938	254,286	2,569,896	618,067	4,360,187
Islamic derivative financial assets	5,177	–	–	–	5,177
Financing of customers	1,818,509	516,622	2,664,411	2,166,492	7,166,034
Statutory deposits with Bank Negara Malaysia	–	–	–	94,121	94,121
Other assets	–	57,653	152,487	–	210,140
Total On-Balance Sheet Exposures	9,192,950	828,561	5,415,018	2,878,680	18,315,209

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit Risk Management Approach

Credit risk is inherent in all credit-related activities such as granting of financing facilities (funded / non-funded); participating in treasury activities such as inter-bank money market, capital market trading, foreign exchange, and investment; and investment banking activities including issuance and underwriting of private debt securities.

Credit risk exposures are controlled and managed at every stage of the credit process through various methods and techniques. At the point of origination, the credit exposure is assessed with well-defined financing granting criteria, which include the identification of a clear and adequate source of payment or income generation from the customer, structuring of an effective financing package and incorporation of appropriate risk mitigants.

The Group and the Bank adopt a credit risk rating/grading mechanism to support the credit assessment process and portfolio-level limit setting and monitoring. The Group's and the Bank's credit-origination and granting activities are segregated according to customer and financing types, namely Business Banking for corporate and commercial customers, Consumer/Retail Banking for retail consumers and SMEs, and Investment Banking for credit syndication and capital market instruments. These departments are responsible for marketing, developing and managing the Group's and the Bank's financing assets as well as ensuring the quality and timely delivery of its products and services.

The Bank has an established structure to facilitate the credit approval process which defines the appropriate level of approving authority and limits. The approving authority and limits are duly sanctioned by the Board and are subject to periodic reviews to assess its effectiveness as well as compliance. To enhance the risk identification process, the financing proposals by the origination departments are subjected to independent credit reviews and risk assessments by the relevant credit assessment departments prior to submission to the approving authority.

The Group's and the Bank's credit portfolios are managed and monitored against stipulated portfolio exposure limits with the objective to avoid credit concentrations and over exposure in the portfolios and to preserve the credit portfolios' quality through timely and appropriate corrective actions.

The Credit Risk report is produced on a monthly basis to monitor the exposure limits while the Risk Profiling Analysis is conducted on a periodic basis to analyse the asset quality and concentrations in the portfolio. Stress Test on credit risk is used as a tool to identify possible events or future changes in the financial and economic condition that could have unfavourable impact on the Group's and the Bank's exposures. It is also used to assess the Group's and the Bank's ability to withstand such changes in relation to the capacity of capital and earnings to absorb potentially significant losses.

The Credit Supervision and Recovery Dept (CSRD) is responsible for monitoring and recovery of delinquent and problematic financing. An Early Care unit within the CSRD has been formed to monitor and undertake pre-emptive measures on financing with early warning signs to prevent further deterioration and/or initiate rescheduling and restructuring of facilities as part of its rehabilitation strategy.

Classification of impaired financing and provisioning is made on the Group's and the Bank's financing assets upon determination of the existence of "objective evidence of impairment" and categorisation into individual and collective assessment (as prescribed under the FRS139). As an interim measure, the Group and the Bank adopts the Transitional Provision, as prescribed by BNM, to determine the classification of impaired financing assets and its provisioning.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Table 12: Credit quality financing of customers

Group 2012	Neither past due nor impaired Good RM'000	Neither past due nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
– Home financing	**1,701,501**	**331,551**	**108,669**	**94,602**	**2,236,323**
– Syndicated financing	**70,918**	**–**	**–**	**6,474**	**77,392**
– Hire purchase receivables	**875,543**	**71,128**	**34,168**	**36,191**	**1,017,030**
– Leasing receivables	**81,782**	**5,305**	**–**	**33,261**	**120,348**
– Other term financing	**3,855,209**	**288,397**	**62,418**	**200,346**	**4,406,370**
Other financing	**846,092**	**649,195**	**1,342**	**75,470**	**1,572,099**
	7,431,045	**1,345,576**	**206,597**	**446,344**	**9,429,562**
Less:					
– Collective assesment allowance	**–**	**–**	**–**	**–**	**(229,175)**
– Individual assesment allowance	**–**	**–**	**–**	**(161,904)**	**(161,904)**
Total net financing	**7,431,045**	**1,345,576**	**206,597**	**284,440**	**9,038,483**

Group 2011	Neither past due nor impaired Good RM'000	Neither past due nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
– Home financing	1,046,164	303,158	79,130	153,502	1,581,954
– Syndicated financing	125,457	–	–	6,298	131,755
– Hire purchase receivables	1,010,655	108,833	47,126	34,735	1,201,349
– Leasing receivables	95,036	–	19	30,385	125,440
– Other term financing	2,453,022	164,333	44,337	61,695	2,723,387
Other financing	1,104,380	514,693	8,707	91,728	1,719,508
	5,834,714	1,091,017	179,319	378,343	7,483,393
Less:					
– Collective assesment allowance	–	–	–	–	(226,702)
– Individual assesment allowance	–	–	–	(108,531)	(108,531)
Total net financing	5,834,714	1,091,017	179,319	269,812	7,148,160

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Table 12: Credit quality financing of customers (cont'd.)

Bank 2012	Neither past due nor impaired Good RM'000	Neither past due nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
– Home financing	**1,719,823**	**331,551**	**108,669**	**94,602**	**2,254,645**
– Syndicated financing	**70,918**	**–**	**–**	**6,474**	**77,392**
– Hire purchase receivables	**875,543**	**71,128**	**34,168**	**36,191**	**1,017,030**
– Leasing receivables	**81,782**	**5,305**	**–**	**33,261**	**120,348**
– Other term financing	**3,855,209**	**288,397**	**62,418**	**200,346**	**4,406,370**
Other financing	**846,092**	**643,195**	**1,342**	**81,470**	**1,572,099**
	7,449,367	**1,339,576**	**206,597**	**452,344**	**9,447,884**
Less:					
– Collective assesment allowance	**–**	**–**	**–**	**–**	**(229,175)**
– Individual assesment allowance	**–**	**–**	**–**	**(167,904)**	**(167,904)**
Total net financing	**7,449,367**	**1,339,576**	**206,597**	**284,440**	**9,050,805**

Bank 2011	Neither past due nor impaired Good RM'000	Neither past due nor impaired Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
– Home financing	1,064,038	303,158	79,130	153,502	1,599,828
– Syndicated financing	125,457	–	–	6,298	131,755
– Hire purchase receivables	1,010,655	108,833	47,126	34,735	1,201,348
– Leasing receivables	95,036	–	19	30,385	125,440
– Other term financing	2,453,022	164,333	44,337	61,695	2,723,388
Other financing	1,104,380	514,693	8,707	91,728	1,719,509
	5,852,588	1,091,017	179,319	378,343	7,501,267
Less:					
– Collective assesment allowance	–	–	–	–	(226,702)
– Individual assesment allowance	–	–	–	(108,531)	(108,531)
Total net financing	5,852,588	1,091,017	179,319	269,812	7,166,034

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

(i) Neither past due nor impaired

Gross financing and advances which are neither past due nor impaired are identified into the following grades:

– "Good Grade" refers to financing and advances which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.

– "Satisfactory Grade" refers to financing and advances which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

(ii) Rescheduled/restructured financing

Rescheduling or restructuring activities include extended payment arrangements, and the modification and deferral of payments. The carrying amounts by type of financing that would otherwise be past due or impaired whose terms have been renegotiated are as follows:

Table 13: Rescheduled/restructured financing

Group and Bank	2012 RM'000	2011 RM'000
Cash and short-term funds		
– Home financing	**138,979**	140,755
– Hire purchase receivables	**11,690**	14,955
– Other term financing	**127,105**	100,492
Other financing	**2,645**	3,032
Total	**280,419**	259,234

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

(iii) Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make a principal or profit payment after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Table 14: Past Due But Not Impaired

Group and Bank 2012	Less than 1 month RM'000	1 – 2 months RM'000	> 2 – 3 months RM'000	Total RM'000
Term financing				
– Home financing	–	74,396	34,273	108,669
– Hire purchase receivables	–	27,671	6,497	34,168
– Leasing receivables	–	–	–	–
– Other term financing	–	41,585	20,833	62,418
Other financing	–	606	736	1,342
Total	–	144,258	62,339	206,597

Group and Bank 2011	Less than 1 month RM'000	1 – 2 months RM'000	> 2 – 3 months RM'000	Total RM'000
Term financing				
– Home financing	–	61,218	17,912	79,130
– Hire purchase receivables	–	36,715	10,411	47,126
– Leasing receivables	–	–	19	19
– Other term financing	–	19,456	24,881	44,337
Other financing	2,081	6,177	449	8,707
Total	2,081	123,566	53,672	179,319

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

(iii) Past due but not impaired (cont'd.)

The following table presents an analysis of the past due but not impaired financing by economic purpose:

Group and Bank	2012 RM'000	2011 RM'000
Purchase of transport vehicles	**34,190**	47,133
Purchase of landed properties of which:		
– residential	**110,157**	77,700
– non-residential	**5,682**	9,661
Personal use	**11,005**	12,980
Construction	**950**	1,156
Working capital	**–**	2,018
Other purpose	**44,613**	28,671
	206,597	179,319

The following table presents an analysis of the past due but not impaired financing by geographical area:

Group and Bank	2012 RM'000	2011 RM'000
Domestic	**206,597**	179,319
Labuan Offshore	**–**	–
	206,597	179,319

(iv) Impaired financing

Classification of impaired financing and provisioning is made on the Group's and Bank's financing assets upon determination of the existence of "objective evidence of impairment" and categorisation into individual and collective assessment (as prescribed under the FRS139).

Individual assessment allowance

Financing are classified as individually impaired when they fulfill either of the following criteria:

(a) principal or profit or both are past due for more than three (3) months;

(b) where a financing is in arrears for less than three (3) months, and exhibits the indications of credit weaknesses; or

(c) where an impaired financing has been rescheduled or restructured, the financing continues to be classified as impaired until payment based on the rescheduled and restructured terms have been observed continuously for a minimum period of six (6) months.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

(iv) Impaired financing (cont'd.)

Classification of impaired financing and provisioning is made on the Group's and Bank's financing assets upon determination of the existence of "objective evidence of impairment" and categorisation into individual and collective assessment (as prescribed under the FRS139). (cont'd.)

Individual assessment allowance (cont'd.)

In addition, all financing considered significant are individually assessed on a case-by-case basis at each reporting date to ascertain if there is any objective evidence that the financing is impaired. The criteria that the Group and the Bank use to determine that there is objective evidence of impairment include:

1. Bankruptcy petition filed against the customer
2. Customer resorting to Section 176 Companies Act 1965 (and alike)
3. Other banks calling their lines (revealed through publicised news, etc)
4. Customer involved in material fraud
5. Excess drawing or unpaid profit / principal
6. Distressed debt restructuring
7. Improper use of credit lines
8. Legal action by other creditors

Collectively assessed allowances

Financing which are not individually significant and financing that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These financing are grouped within similar credit risk characteristics for purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

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

The following collective allowance methodology has been applied and adopted by the Bank since 2011:

- Collective provision 1 ("CP1") – represents provision for profit-in-suspense for impaired financing with outstanding balance considered individually insignificant;
- Collective provision 2 ("CP2") – represents specific provision for financing with more than three (3) months-in-arrears based on difference between outstanding balance and collateral value; and
- Collective provision 3 ("CP3") – represents 1.5% of total financing outstanding less individual assessment allowance, CP1 and CP2.

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

(iv) Impaired financing (cont'd.)

The following table presents an analysis of the impaired financing by economic purpose:

Table 15: Impaired financing by economic purpose

Group 2012	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing of Customers RM'000
Purchase of securities	**50**	**–**	**–**	**–**	**–**	**51**	**51**
Purchase of transport vehicles	**36,543**	**1,081**	**3,506**	**–**	**4,587**	**45,719**	**50,306**
Purchase of landed properties of which:							
– residential	**100,192**	**1,792**	**229**	**–**	**2,021**	**69,572**	**71,593**
– non-residential	**8,128**	**282**	**(295)**	**–**	**(13)**	**6,558**	**6,545**
Purchase of fixed assets (excluding landed properties)	**4,101**	**–**	**920**	**–**	**920**	**11,615**	**12,535**
Personal use	**30,555**	**–**	**–**	**–**	**–**	**50,333**	**50,333**
Construction	**175,116**	**41,459**	**36,008**	**–**	**77,467**	**13,284**	**90,751**
Working capital	**265**	**18,798**	**(600)**	**–**	**18,198**	**5,627**	**23,825**
Other purpose	**91,394**	**45,119**	**13,605**	**–**	**58,724**	**26,416**	**85,140**
	446,344	**108,531**	**53,373**	**–**	**161,904**	**229,175**	**391,079**

Group 2011	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing of Customers RM'000
Purchase of securities	84	–	–	–	–	16	16
Purchase of transport vehicles	34,933	1,714	(96)	(537)	1,081	50,355	51,436
Purchase of landed properties of which:							
– residential	159,345	–	1,792	–	1,792	65,641	67,433
– non-residential	12,206	128	154	–	282	6,553	6,835
Purchase of fixed assets (excluding landed properties)	1,553	–	–	–	–	–	–
Personal use	23,928	–	–	–	–	38,802	38,802
Construction	71,810	102,681	(4,391)	(56,831)	41,459	26,008	67,467
Working capital	867	174,893	3,490	(159,585)	18,798	13,311	32,109
Other purpose	73,617	45,581	18,698	(19,160)	45,119	26,016	71,135
	378,343	324,997	19,647	(236,113)	108,531	226,702	335,233

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

(iv) Impaired financing (cont'd.)

The following table presents an analysis of the impaired financing by economic purpose: (cont'd.)

Table 15: Impaired financing by economic purpose (cont'd.)

Bank 2012	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing of Customers RM'000
Purchase of securities	50	–	–	–	–	51	51
Purchase of transport vehicles	36,543	1,081	3,506	–	4,587	45,719	50,306
Purchase of landed properties of which:							
– residential	100,192	1,792	229	–	2,021	69,572	71,593
– non-residential	8,128	282	(295)	–	(13)	6,558	6,545
Purchase of fixed assets (excluding landed properties)	4,101	–	920	–	920	11,615	12,535
Personal use	30,555	–	–	–	–	50,333	50,333
Construction	175,116	41,459	36,008	–	77,467	13,284	90,751
Working capital	265	18,798	(600)	–	18,198	5,627	23,825
Other purpose	97,394	45,119	19,605	–	64,724	26,416	91,140
	452,344	108,531	59,373	–	167,904	229,175	397,079

Bank 2011	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing of Customers RM'000
Purchase of securities	84	–	–	–	–	16	16
Purchase of transport vehicles	34,933	1,714	(96)	(537)	1,081	50,355	51,436
Purchase of landed properties of which:							
– residential	159,345	–	1,792	–	1,792	65,641	67,433
– non-residential	12,206	128	154	–	282	6,553	6,835
Purchase of fixed assets (excluding landed properties)	1,553	–	–	–	–	–	–
Personal use	23,928	–	–	–	–	38,802	38,802
Construction	71,810	102,681	(4,391)	(56,831)	41,459	26,008	67,467
Working capital	867	174,893	3,490	(159,585)	18,798	13,311	32,109
Other purpose	73,617	45,581	18,698	(19,160)	45,119	26,016	71,135
	378,343	324,997	19,647	(236,113)	108,531	226,702	335,233

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

(iv) Impaired financing (cont'd.)

The following table presents an analysis of the impaired financing by geographical distribution:

Table 16: Impaired financing by geographical distribution

Group 2012	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing of Customers RM'000
Domestic	**439,870**	**101,393**	**53,373**	**–**	**154,766**	**226,949**	**381,715**
Labuan offshore	**6,474**	**7,138**	**–**	**–**	**7,138**	**2,226**	**9,364**
	446,344	**108,531**	**53,373**	**–**	**161,904**	**229,175**	**391,079**

Group 2011	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing of Customers RM'000
Domestic	372,045	318,314	19,192	(236,113)	101,393	222,034	323,427
Labuan offshore	6,298	6,683	455	–	7,138	4,668	11,806
	378,343	324,997	19,647	(236,113)	108,531	226,702	335,233

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

(iv) Impaired financing (cont'd.)

The following table presents an analysis of the impaired financing by geographical distribution: (cont'd.)

Table 16: Impaired financing by geographical distribution (cont'd.)

Bank 2012	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing of Customers RM'000
Domestic	**445,870**	**101,393**	**59,373**	**–**	**160,766**	**226,949**	**387,715**
Labuan offshore	**6,474**	**7,138**	**–**	**–**	**7,138**	**2,226**	**9,364**
	452,344	**108,531**	**59,373**	**–**	**167,904**	**229,175**	**397,079**

Bank 2011	Impaired Financing RM'000	Individual Assessment Allowance at 1 April RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 March RM'000	Collective Assessment Allowance at 31 March RM'000	Total Impairment Allowances for Financing of Customers RM'000
Domestic	372,045	318,314	19,192	(236,113)	101,393	222,034	323,427
Labuan offshore	6,298	6,683	455	–	7,138	4,668	11,806
	378,343	324,997	19,647	(236,113)	108,531	226,702	335,233

4.0 CREDIT RISK (GENERAL DISCLOSURE) (CONT'D.)

Credit quality financing of customers (cont'd.)

The credit quality for financing of customers is managed by the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings. (cont'd.)

(iv) Impaired financing (cont'd.)

Collateral and other credit enhancements

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

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing – mortgages over residential properties;
- For syndicated financing – charges over the properties being financed;
- For hire purchase financing – charges over the vehicles financed;
- For share margin financing – pledges over securities from listed exchange;
- For other financing – charges over business assets such as premises, inventories, trade receivables or deposits.

At 31 March 2012 the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to RM238,306,000 as compared with 31 March 2011 (RM217,193,000). The collateral consists of cash, securities, letters of guarantee and properties.

(v) Repossessed Collateral

Assets obtained by taking possession of collateral held as security against financing of customers, and held as at the end of the year as follows.

Table 17: Repossessed Collateral

Group and Bank	2012 RM'000	2011 RM'000
Residential properties	**14,000**	14,000

It is the Group's and the Bank's policy to dispose of repossessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral repossessed are subject to dispose as soon as practicable. Collateral are recognised in other assets on the statement of financial position. The Group's and the Bank's do not occupy repossessed properties for its business use.

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH)

The Group and the Bank use the external rating agencies such as MARC, RAM, Moody's, Standard & Poors, Fitch and R&I for rating of commercial papers (CPs) and corporate bonds (CBs) or participation of syndication or underwriting of PDS issuance.

Each ECAI is used based on the types of exposures as described per Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's and the Bank's credit exposures that are presently not mapped to the ECAI ratings are depicted below as unrated. Rating for financing exposure based on the obligor rating and treasury exposure based on issue rating of the exposure.

Table 18: Rating distribution on credit exposures as at 31 March 2012 of the Group

	Rating by Approved ECAIS										
Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ to BB- RM'000	PI/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures-Standardised Approach											
Sovereigns/Central Banks	–	–	–	–	–	–	–	–	9,307,747	–	9,307,747
Public Sector Entities	–	–	–	–	–	–	–	–	86,400	–	86,400
Banks, Development Financial Institutions & MDBs	–	10,050	266,286	–	160,000	–	–	1,286	186,791	–	624,413
Corporates	918,368	162,876	53,899	261,324	497,926	219,627	–	154,415	3,818,274	–	6,086,709
Regulatory Retail	–	–	–	–	–	–	–	–	–	3,820,633	3,820,633
Residential Mortgages	–	–	–	–	–	–	–	–	–	1,692,788	1,692,788
Higher Risk Assets	–	–	–	–	–	–	–	–	22,943	–	22,943
Other Assets	–	–	–	–	–	–	–	–	–	278,759	278,759
Total	918,368	172,926	320,185	261,324	657,926	219,627	–	155,701	13,422,155	5,792,180	21,920,393

Table 18: Rating distribution on credit exposures as at 31 March 2011 of the Group

	Rating by Approved ECAIS										
Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ to BB- RM'000	PI/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures-Standardised Approach											
Sovereigns/Central Banks	–	–	–	–	–	–	–	–	9,009,774	–	9,009,774
Public Sector Entities	–	–	–	–	–	–	–	–	127,038	–	127,038
Banks, Development Financial Institutions & MDBs	–	–	–	205,633	–	–	–	–	125,273	–	330,906
Corporates	950,730	672	385,672	32,705	607,098	200,151	–	42,757	3,799,426	–	6,019,211
Regulatory Retail	–	–	–	–	–	–	–	–	–	2,920,317	2,920,317
Residential Mortgages	–	–	–	–	–	–	–	–	–	1,629,134	1,629,134
Higher Risk Assets	–	–	–	–	–	–	–	–	11,308	–	11,308
Other Assets	–	–	–	–	–	–	–	–	–	322,069	322,069
Total	950,730	672	385,672	238,338	607,098	200,151	–	42,757	13,072,819	4,871,520	20,369,757

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D.)

Table 18: Rating distribution on credit exposures as at 31 March 2012 of the Bank

	Rating by Approved ECAIS										
Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ to BB- RM'000	PI/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures-Standardised Approach											
Sovereigns/Central Banks	–	–	–	–	–	–	–	–	9,307,747	–	9,307,747
Public Sector Entities	–	–	–	–	–	–	–	–	86,400	–	86,400
Banks, Development Financial Institutions & MDBs	–	10,050	266,286	–	160,000	–	–	1,286	186,791	–	624,413
Corporates	918,368	162,876	53,899	261,324	497,926	219,627	–	154,415	3,818,274	–	6,086,710
Regulatory Retail	–	–	–	–	–	–	–	–	–	3,820,633	3,820,633
Residential Mortgages	–	–	–	–	–	–	–	–	–	1,692,788	1,692,788
Higher Risk Assets	–	–	–	–	–	–	–	–	22,943	–	22,943
Other Assets	–	–	–	–	–	–	–	–	–	265,400	265,400
Total	918,368	172,926	320,186	261,324	657,926	219,627	–	155,701	13,422,155	5,778,821	21,907,034

Table 18: Rating distribution on credit exposures as at 31 March 2011 of the Bank

	Rating by Approved ECAIS										
Exposure Class	AAA RM'000	AA+ RM'000	AA RM'000	AA- RM'000	A RM'000	BBB RM'000	BB+ to BB- RM'000	PI/MARC1 RM'000	Unrated RM'000	Others RM'000	Grand Total RM'000
On and Off Balance-Sheet Exposures											
Credit Exposures-Standardised Approach											
Sovereigns/Central Banks	–	–	–	–	–	–	–	–	9,009,774	–	9,009,774
Public Sector Entities	–	–	–	–	–	–	–	–	127,038	–	127,038
Banks, Development Financial Institutions & MDBs	–	–	–	205,633	–	–	–	–	125,273	–	330,905
Corporates	950,730	672	385,672	32,706	607,099	200,151	–	42,757	3,799,426	–	6,019,213
Regulatory Retail	–	–	–	–	–	–	–	–	–	2,920,317	2,920,317
Residential Mortgages	–	–	–	–	–	–	–	–	–	1,629,134	1,629,134
Higher Risk Assets	–	–	–	–	–	–	–	–	11,308	–	11,308
Other Assets	–	–	–	–	–	–	–	–	–	308,526	308,526
Total	950,730	672	385,672	238,338	607,099	200,151	–	42,757	13,072,818	4,857,976	20,356,214

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D.)

Table 18: Rating distribution on credit exposures

Group and Bank
2012

		Ratings of Corporate by Approved ECAIs				
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		–	–	–	–	86,400
Corporates		1,396,468	497,926	219,627	–	3,819,418
Total		**1,396,468**	**497,926**	**219,627**	**–**	**3,905,818**

Group and Bank
2011

		Ratings of Corporate by Approved ECAIs				
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
On and Off Balance-Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)		–	–	–	–	127,038
Corporates		1,369,780	607,099	200,151	–	3,803,456
Total		1,369,780	607,099	200,151	–	3,930,494

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D.)

Table 18: Rating distribution on credit exposures (cont'd.)

Group and Bank
2012

	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-1	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F2	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
Exposure Class	RII Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		1,286	–	–	–	–
Credit Exposures (using Corporate Risk Weights)						
Corporates		154,415	–	–	–	–
Total		155,701	–	–	–	–

Group and Bank
2011

	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-1	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F2	2	3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
Exposure Class	RII Inc	a-1+, a-1	a-2	a-3	b,c	Unrated
On and Off Balance-Sheet Exposures						
Banks, MDBs and FDIs		318	–	–	–	–
Credit Exposures (using Corporate Risk Weights)						
Corporates		42,757	–	–	–	–
Total		43,075	–	–	–	–

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D.)

Table 18: Rating distribution on credit exposures (cont'd.)

Group and Bank
2012

		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		–	–	–	–	–	9,307,747
Total		–	–	–	–	–	9,307,747

Group and Bank
2011

		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off Balance-Sheet Exposures							
Sovereigns and Central Banks		–	–	–	–	–	9,009,774
Total		–	–	–	–	–	9,009,774

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D.)

Table 18: Rating distribution on credit exposures (cont'd.)

Group and Bank
2012

		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off Balance-Sheet Exposures							
Banks, MDBs and FDIs		276,336	160,000	–	–	–	186,791
Total		**276,336**	**160,000**	**–**	**–**	**–**	**186,791**

Group and Bank
2011

		Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
Exposure Class	RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off Balance-Sheet Exposures							
Banks, MDBs and FDIs		205,633	–	–	–	–	124,954
Total		205,633	–	–	–	–	124,954

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D.)

Table 19: Credit risk disclosure by risk weights (including deducted exposures) of the Group

	Exposures after Netting and Credit Risk Mitigation									
Group 2012	**Sovereign & Central Banks RM'000**	**Public Sector Entities RM'000**	**Banks, MDBs and FDIs RM'000**	**Corporate RM'000**	**Regulatory Retail RM'000**	**Residential Real Estate RM'000**	**Higher Risk Assets RM'000**	**Other Assets RM'000**	**Total Exposures after Netting and Credit Risk Mitigation RM'000**	**Total Risk Weighted Assets RM'000**
Risk-Weights										
0%	**9,307,747**	**–**	**–**	**–**	**–**	**–**	**–**	**79,470**	**9,387,217**	**–**
20%	**–**	**80,822**	**624,369**	**1,533,732**	**–**	**–**	**–**	**–**	**2,238,923**	**447,785**
35%	**–**	**–**	**–**	**–**	**–**	**829,206**	**–**	**–**	**829,206**	**290,222**
50%	**–**	**–**	**44**	**558,423**	**525**	**372,986**	**–**	**–**	**931,978**	**465,989**
75%	**–**	**–**	**–**	**–**	**2,992,491**	**339,528**	**–**	**–**	**3,332,019**	**2,499,014**
100%	**–**	**–**	**–**	**3,851,167**	**811,785**	**127,617**	**–**	**199,290**	**4,989,859**	**4,989,859**
150%	**–**	**–**	**–**	**48,093**	**13,093**	**23,451**	**22,943**	**–**	**107,580**	**161,369**
Total	**9,307,747**	**80,822**	**624,413**	**5,991,415**	**3,817,894**	**1,692,788**	**22,943**	**278,760**	**21,816,782**	**8,854,238**

	Exposures after Netting and Credit Risk Mitigation									
Group 2011	**Sovereign & Central Banks RM'000**	**Public Sector Entities RM'000**	**Banks, MDBs and FDIs RM'000**	**Corporate RM'000**	**Regulatory Retail RM'000**	**Residential Real Estate RM'000**	**Higher Risk Assets RM'000**	**Other Assets RM'000**	**Total Exposures after Netting and Credit Risk Mitigation RM'000**	**Total Risk Weighted Assets RM'000**
Risk-Weights										
0%	9,009,774	–	–	–	–	–	–	91,308	9,101,082	–
20%	–	117,451	330,400	1,435,817	–	–	–	–	1,883,668	376,734
35%	–	–	–	–	–	534,458	–	–	534,458	187,060
50%	–	–	506	621,125	1,992	418,245	–	–	1,041,868	520,934
75%	–	–	–	–	2,901,228	598,588	–	–	3,499,816	2,624,862
100%	–	–	–	3,825,472	3,421	77,229	–	230,761	4,136,883	4,136,883
150%	–	–	–	46,749	9,084	613	11,308	–	67,754	101,629
Total	9,009,774	117,451	330,906	5,929,163	2,915,725	1,629,133	11,308	322,069	20,265,529	7,948,103

5.0 CREDIT RISK (DISCLOSURES FOR PORTFOLIO UNDER THE STANDARDISED APPROACH) (CONT'D.)

Table 19: Credit risk disclosure by risk weights (including deducted exposures) of the Bank (cont'd.)

Bank 2012	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Exposures after Netting and Credit Risk Mitigation									
Risk-Weights										
0%	**9,307,747**	**–**	**–**	**–**	**–**	**–**	**–**	**79,470**	**9,387,217**	**–**
20%	**–**	**80,822**	**624,369**	**1,533,732**	**–**	**–**	**–**	**–**	**2,238,923**	**447,785**
35%	**–**	**–**	**–**	**–**	**–**	**829,206**	**–**	**–**	**829,206**	**290,222**
50%	**–**	**–**	**44**	**558,423**	**525**	**372,986**	**–**	**–**	**931,978**	**465,989**
75%	**–**	**–**	**–**	**–**	**2,992,491**	**339,528**	**–**	**–**	**3,332,019**	**2,499,014**
100%	**–**	**–**	**–**	**3,851,167**	**811,785**	**127,617**	**–**	**185,929**	**4,976,498**	**4,976,498**
150%	**–**	**–**	**–**	**48,093**	**13,093**	**23,451**	**22,943**	**–**	**107,580**	**161,369**
Total	**9,307,747**	**80,822**	**624,413**	**5,991,415**	**3,817,894**	**1,692,788**	**22,943**	**265,399**	**21,803,421**	**8,840,877**

Bank 2011	Sovereign & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Real Estate RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Exposures after Netting and Credit Risk Mitigation									
Risk-Weights										
0%	9,009,774	–	–	–	–	–	–	91,308	9,101,082	–
20%	–	117,451	330,400	1,435,817	–	–	–	–	1,883,668	376,734
35%	–	–	–	–	–	534,458	–	–	534,458	187,060
50%	–	–	506	621,125	1,992	418,245	–	–	1,041,868	520,934
75%	–	–	–	–	2,901,228	598,588	–	–	3,499,816	2,624,862
100%	–	–	–	3,825,472	3,421	77,229	–	217,218	4,123,340	4,123,340
150%	–	–	–	46,749	9,084	613	11,308	–	67,753	101,629
Total	9,009,774	117,451	330,906	5,929,163	2,915,725	1,629,133	11,308	308,526	20,251,986	7,934,560

6.0 CREDIT RISK MITIGATION (CRM) DISCLOSURES UNDER THE STANDARDISED APPROACH

Upon assessment of the customer's credit standing and payment capacity, and identification of the financing's source of payment, the Bank may provide the financing facility on secured, partially secured or unsecured basis. In mitigating its credit exposure, the Group and the Bank may employ Credit Risk Mitigants (CRM) in the form of collaterals and other supports. Examples of these CRMs include charges over residential and commercial properties being financed; pledge over shares and marketable securities, ownership claims over vehicles being financed, and supports in the forms of debentures, assignments and guarantees.

The Group and the Bank utilise specific techniques to identify eligible collaterals and securities and ascertain their value, and subsequently, implement adequate monitoring process to ensure continued coverage and enforceability.

Credit documentation, administration and disbursement are carried out under clear guidelines and procedures to ensure protection and enforce ablility of collaterals and other credit risk mitigants. Valuation updates of collaterals are concurrently done during the periodic review of the financing facilities to reflect current market value and ensure adequacy and continued coverage.

Credit Risk Mitigation

The following tables present the credit exposures covered by eligible financial collateral as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group and the Bank do not have any credit exposure which is reduced through the application of other eligible collateral.

Table 20: Credit Risk Mitigation on credit exposures as at 31 March 2012 of the Group

Group 2012	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central banks	8,568,744	–	8,568,744
Public sector entities	77,156	5,578	71,578
Banks, Development Financial Institution & MDBs	622,891	–	622,891
Corporates	5,335,448	95,296	5,240,153
Regulator retail	3,697,098	2,739	3,694,359
Residential real estate	1,568,255	–	1,568,255
Higher risk assets	22,943	–	22,943
Other assets	278,759	–	278,759
Defaulted exposures	168,404	–	168,404
	20,339,698	103,613	20,236,086
(a) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	1,569,695	–	1,569,695
Derivative financial instruments	11,001	–	11,001
	1,580,696	–	1,580,696
Total Credit Exposures	21,920,394	103,613	21,816,782

Note:

* *After netting and credit risk mitigation*

6.0 CREDIT RISK MITIGATION (CRM) DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D.)

Table 20: Credit Risk Mitigation on credit exposures as at 31 March 2011 of the Group (cont'd.)

Group 2011	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central banks	8,259,774	–	8,259,774
Public sector entities	120,182	9,586	110,595
Banks, Development Financial Institution & MDBs	330,064	–	330,064
Corporates	5,057,286	90,050	4,967,236
Regulator retail	2,855,703	4,592	2,851,111
Residential real estate	1,147,875	–	1,147,875
Higher risk assets	11,308	–	11,308
Other assets	322,069	–	322,069
Defaulted exposures	235,973	–	235,973
	18,340,232	104,229	18,236,004
(a) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	2,027,394	–	2,027,394
Derivative financial instruments	2,131	–	2,131
	2,029,525	–	2,029,525
Total Credit Exposures	20,369,757	104,229	20,265,529

Note:
* *After netting and credit risk mitigation*

6.0 CREDIT RISK MITIGATION (CRM) DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D.)

Table 20: Credit Risk Mitigation on credit exposures as at 31 March 2012 of the Bank

Bank 2012	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central banks	**8,568,744**	**–**	**8,568,744**
Public sector entities	**77,156**	**5,578**	**71,578**
Banks, Development Financial Institution & MDBs	**622,891**	**–**	**622,891**
Corporates	**5,335,448**	**95,296**	**5,240,152**
Regulator retail	**3,697,098**	**2,739**	**3,694,359**
Residential real estate	**1,568,255**	**–**	**1,568,255**
Higher risk assets	**22,943**	**–**	**22,943**
Other assets	**265,399**	**–**	**265,399**
Defaulted exposures	**168,404**	**–**	**168,404**
	20,326,338	**103,613**	**20,222,725**
(a) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	**1,569,695**	**–**	**1,569,695**
Derivative financial instruments	**11,001**	**–**	**11,001**
	1,580,696	**–**	**1,580,696**
Total Credit Exposures	**21,927,034**	**103,613**	**21,803,421**

Note:

* *After netting and credit risk mitigation*

6.0 CREDIT RISK MITIGATION (CRM) DISCLOSURES UNDER THE STANDARDISED APPROACH (CONT'D.)

Table 20: Credit Risk Mitigation on credit exposures as at 31 March 2011 of the Bank (cont'd.)

Bank 2011	Gross Exposures RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	*Net Exposures RM'000
Credit Risk			
(a) On Balance Sheet Exposures			
Sovereign/Central banks	8,259,774	–	8,259,774
Public sector entities	120,182	9,586	110,595
Banks, Development Financial Institution & MDBs	330,064	–	330,064
Corporates	2,057,286	90,050	4,967,236
Regulator retail	2,855,703	4,592	2,851,111
Residential real estate	1,147,875	–	1,147,875
Higher risk assets	11,308	–	11,308
Other assets	308,526	–	308,526
Defaulted exposures	235,973	–	235,973
	18,326,689	104,229	18,222,461
(a) Off-Balance Sheet Exposures			
Credit-related off-balance sheet exposure	2,027,394	–	2,027,394
Derivative financial instruments	2,131	–	2,131
	2,029,525	–	2,029,525
Total Credit Exposures	20,356,214	104,229	20,251,986

Note:
* *After netting and credit risk mitigation*

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK (CCR)

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers.

Notwithstanding the above, the Bank establishes specific limits to manage its exposure to off-balance sheet and counterparty risks, which are derived based on, amongst others, the respective counterparty's financial strength and credit rating, domicile country's risk rating, existing relationship with the Bank and utilisation trend of allocated limits. These limits are monitored and reviewed on a regular basis. No material losses are anticipated as a result of these transactions. Risk weighted exposures of commitments and contingencies are as follows:

Table 21: Commitments and contingencies

	Group and Bank					
	2012			2011		
	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Total risk weighted amount RM'000
The commitments and contigencies constitute the following:						
Contingent Liabilities						
Direct credit substitutes	**1,208**	**1,208**	**1,208**	11	11	11
Trade-related contingencies	**65,352**	**13,070**	**5,739**	45,914	9,183	9,025
Transaction related contingencies	**616,105**	**308,053**	**248,935**	871,491	435,745	371,611
Obligations under an on-going underwriting agreement	**41,000**	**20,500**	**4,100**	65,000	32,500	6,500
Housing financing sold directly and indirectly to Cagamas with recourse	**64,910**	**64,910**	**33,962**	364,308	364,308	174,040
Commitments						
Credit extension commitment:						
– Maturity within one year	**349,478**	**69,896**	**65,135**	323,002	64,600	55,443
– Maturity exceeding one year	**2,184,119**	**1,092,060**	**376,999**	2,242,093	1,121,047	391,538
Bills of Collection	**19,883**	**–**	**–**	37,009	–	–
Derivative Financial Instruments						
Foreign exchange related contracts	**870,214**	**5,001**	**3,783**	1,796,996	2,131	1,608
Profit rate related contract	**75,000**	**6,000**	**1,200**	75,000	6,000	1,200
Total Off-Balance Sheet Exposures	**4,287,269**	**1,580,698**	**741,061**	5,820,824	2,035,525	1,010,976

7.0 GENERAL DISCLOSURE FOR OFF-BALANCE SHEET EXPOSURE AND COUNTERPARTY CREDIT RISK (CCR)

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Table 22: Derivative financial assets & liabilities

Group and Bank	Contract/ notional amount 2012 RM'000	Fair value Assets 2012 RM'000	Fair value Liabilities 2012 RM'000	Contract/ notional amount 2011 RM'000	Fair value Assets 2011 RM'000	Fair value Liabilities 2011 RM'000
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards						
Less than one year	**110,486**	**1,983**	**(272)**	52,994	770	(302)
– Currency swaps						
Less than one year	**569,975**	**2,082**	**(1,383)**	256,702	1,384	(558)
– Currency spot						
Less than one year	**189,753**	**85**	**(86)**	1,487,300	3,023	(2,968)
	870,214	**4,150**	**(1,741)**	1,796,996	5,177	(3,828)
Islamic profit rate swap (IPRS)						
More than one year	**75,000**	**–**	**(3,889)**	75,000	–	(158)
Total	**945,214**	**4,150**	**(5,630)**	1,871,996	5,177	(3,986)

8.0 MARKET RISK AND ASSETS-LIABILITY MANAGEMENT (ALM)

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. Assets-Liability Management (ALM) refers to the coordinated management of the Group's and the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on the Group's and the Bank's overall performance that can be measured in terms of net income. In turn, the primary determinant of net income will be the overall risk-return position of the Group and the Bank.

The key objective of market risk management and ALM of the Bank is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile, consistent with Bank's strategic plan.

The Bank's market risk management and ALM objectives are to:

- Ensure the implementation of an effective market risk management system in the Bank;
- Assume an appropriate balance between the level of risk and the level of return desired in order to maximise the return to shareholders' funds;
- Ensure prudent management of the Bank's resources to support the growth of the Bank's economic value; and
- Proactively manage the Bank's balance sheet in order to maximise earnings and attain its strategic goal within the overall risk/return preferences.

The Bank has an independent market risk control function that is responsible for measuring market risk exposures in accordance with the policies and guidelines. The unit will report to ALCO Working Committee on monthly basis that proactively discuss the balance sheet and capital management of the Bank that later escalates any recommendations and decision to the ERMC, BRMC and Board respectively.

The Bank's effective market risk and ALM management process which include the risk identification, measurement, mitigation, monitoring and reporting is translated into the following policies & guidelines:

- Market Risk & ALM Policies and Guidelines ("MRAPG").
- Trading Book Policy Statement ("TBPS")

Market Risk Measurement

1. **Value at Risk**

   Value at Risk which include the Monte-Carlo and historical simulation is widely used by the Bank as a tool to measure the risk of loss on a specific portfolio of financial assets, limit setting activities and market forecasting.

2. **Sensitivity Analysis**

   The Bank is using various methodologies such as in assessing the sensitivity of the Bank's portfolio against changes in the market variables.

3. **Stress Testing and Scenario Analyses**

   Stress testing and scenario analyses are used as market risk and ALM tools for evaluation of potential impact on the Bank's performance under plausible extreme adverse conditions. The stress testing include the assessment on the funding and market liquidity, rate of return risk, displaced commercial risk and currency volatility.

8.1 MARKET RISK (DISCLOSURES FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH)

The Group and the Bank clearly define and segregate the trading and banking book position through the Trading Book Policy Statement ("TBPS") as required by the Capital Adequacy Framework for Islamic Bank ("CAFIB") of Bank Negara Malaysia. The policy covers the definition of trading and banking book for financial instruments, classification, performance and limit monitoring, position valuation and hedging requirements.

Valuation Policy

The Group and the Bank to adhere to minimum prudent valuation practices as stipulated in CAFIB and FRS139. Broad guidelines are drawn out below:

- **Systems and Controls**

  The Group and the Bank have established and maintained adequate systems and controls sufficient to give management and the Group's and the Bank's supervisors the confidence that the valuation estimates are prudent and reliable.

- **Valuation Methodologies**:

  There are 3-level of fair value hierarchies to reflect the level of judgment involved in estimating fair values. The hierarchy is broken down into three levels:-

  i. <u>Level 1</u>

  The preferred inputs to valuation efforts are available close out of quoted prices in the active markets for identical assets or liabilities that are sourced independently from various sources. If a quoted market price is not available, the Group and the Bank should make an estimate of fair value using the best information available in the circumstances. The resulting fair value estimate would then be classified in Level Two or Level Three.

  ii. <u>Level 2</u>

  In the absence of quoted market price, the Group and the Bank should estimate the fair values based on market observables by using a valuation technique. Significant assumptions or inputs used in the valuation technique require the use of inputs that are observable in the market. Examples of observable market inputs include: quoted prices for similar assets, profit rates, yield curve, credit spreads, prepayment speeds, etc.

  iii. <u>Level 3</u>

  Within this level, fair value is also estimated using a valuation technique on not observable inputs. Therefore, necessitates the use of internal information. This category allows "for situations in which there is little, if any, market activity for the asset or liability at the measurement date". Despite being "assumptions about assumptions", Level 3 inputs can provide useful information about fair values (and thus future cash flows) when they are generated logically and with best efforts without any attempt to influence users' decisions.

As at 31 March 2012, the Group and the Bank used the standardised approach in computing the market risk weighted assets of the trading book position of the Group and the Bank. The following is the minimum regulatory requirement for market risk.

8.1 MARKET RISK (DISCLOSURES FOR PORTFOLIOS UNDER THE STANDARDISED APPROACH) (CONT'D.)

Table 23: Minimum regulatory requirement for market risk

Group and Bank 2012	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	**481**	**(3,166)**	**100,693**	**8,055**
Foreign Currency Risk	**14,928**	**(2,709)**	**14,929**	**1,194**
Total	**15,409**	**(5,875)**	**115,622**	**9,250**

Group and Bank 2011	Long Position RM'000	Short Position RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Benchmark Rate Risk	366	(1,725)	68,022	5,442
Foreign Currency Risk	563	(7,040)	7,040	563
Total	929	(8,764)	75,061	6,005

8.2 EQUITIES (DISCLOSURES FOR BANKING BOOK POSITIONS)

The classification of equities purchased must be made at the point of transaction. The equities are classified as banking book when they were acquired and held for positive profit spread over average funding cost and(or) for capital growth purposes.

Muamalat Invest Sdn Bhd ("MISB") is a 100% owned subsidiary of the Bank, which is currently managing the holding of equities in banking book. The equity investment that consists of listed quoted shares and unit trusts are held for yield purposes, in which to benefit for positive changes in equity prices.

The supervision and decision of equity fund resides within Investment Committee ("IC") authority which includes purchase and sells of stocks and reviews of equity funds performance. MISB on monthly basis will be reporting to IC on the performance of the fund.

Table 24: Equity Exposures

Group and Bank
2012

Publicly Traded	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
Investment in Unit Trust Funds	–	–	–
Investment in Quoted Shares	**48,691**	**48,691**	**(668)**
Total	**48,691**	**48,691**	**(668)**

2011

Publicly Traded	Gross Credit Exposure RM'000	Risk Weighted Assets RM'000	Unrealised Gain/(Losses) RM'000
Investment in Unit Trust Funds	9,910	9,910	214
Investment in Quoted Shares	22,803	22,803	2,148
Total	32,713	32,713	2,362

8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORBB")

8.3.1 Rate of Return Risk ("RoR") Management

Rate of return risk refers to the variability of the Bank assets and liabilities resulting from the volatility of the market benchmark rates, both in the trading and banking books. The Bank actively manages the following risks:

Table 25: Rate of return risks

Risks	Definition
Repricing Risk	• Timing differences in the maturity and repricing of the Bank's assets and liabilities.
Yield Curve Risk	• Unanticipated yield curve shifts that have adverse impact on the Bank's income and economic values.
Basis Risk	• Arises from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics.
Optionality	• The risk arises from option embedded in many Bank's assets, liabilities and off-balance sheet portfolio.
Displaced Commercial Risk	• The risk that the Bank may confront under commercial pressure to pay returns higher that the rate that has been earned on its assets financed by investment account holders.

8.3.2 Rate of Return Risk Measurement

The Bank measures on a monthly basis various parallel rate shocks scenarios (up to 200 basis points as per Basel II recommendations) and the impact on the earning and equities by assessing key assumptions which incorporates the Bank's balance sheet profile, business strategies, economic outlook and behavioural analysis of non-maturity deposits.

1. **Earning at Risk (EaR)**

   The focus of analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Bank by undermining its capital adequacy and reducing market confidence.

2. **Economic Value of Equity (EVE)**

   Economic value of an instrument represents an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of a bank can be viewed as the present value of the Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance-sheet position. The sensitivity of a bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

3. **Repricing Gap Analysis**

   Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

4. **Other Risk Assessment**

   Simulation analysis will also be used to evaluate the impact of possible decisions that includes assessment on product pricing, new product introduction, derivatives and hedging strategies, changes in the asset-liability mix and short term funding decisions.

8.3 DISCLOSURE FOR RATE OF RETURN RISK IN BANKING BOOK ("RORBB") (CONT'D.)

8.3.3 Rate of Return Risk in the Banking Book ("RORBB")

The increase or decline in earnings and economic value for upwards and downward rate shocks which are consistent with shocks applied in the stress test for measuring RORBB:

Table 26: Sensitivity analysis of rate of return risk

Group and Bank
2012

	Effect on profit after tax RM'000	Effect on other comprehensive income RM'000	Effect on equity RM'000
Increase/(decrease) in basis points			
-50	**27,092**	**78,394**	**129,432**
+50	**(27,092)**	**(78,394)**	**(129,432)**

Group and Bank
2011

	Effect on profit after tax RM'000	Effect on other comprehensive income RM'000	Effect on equity RM'000
Increase/(decrease) in basis points			
-50	16,882	49,047	84,303
+50	(16,882)	(49,047)	(84,303)

8.4 LIQUIDITY RISK

Liquidity Risk Management

Liquidity risk is best described as the inability to fund the increase in assets and failing to provide financial resources to meet the obligation as they come due.

In view of this, it is the Bank's priority to manage and maintain a stable financial resources towards fulfilling the depositors expectation. The Bank through balance sheet management will ensure that sufficient cash and liquid assets availability are in place to meet the short and long term obligation as they fall due.

Generally, liquidity risk can be divided into two types which are:

- ***Funding Liquidity Risk***

  Refers to the potential inability of the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost.

- ***Market Liquidity Risk***

  Refers to the Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Table 27: Liquidity risk indicators

Magnitude	Indicators
Low	Earnings and capital exposure from the liquidity risk profile is negligible.
Moderate	Earnings or capital exposure from the liquidity risk profile is manageable.
High	Funding sources and liability structures suggest current or potential difficulty in maintaining long-term and cost-effective liquidity.

The bank monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Bank's ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its customer deposit base.

The marketing strategy of the Bank has ensured a balanced mix of deposits. Stability of the deposits base thus minimises the Bank's dependence on volatile short-term receiving. Considering the effective maturities of deposits based on retention history (behavioural method) and in view of the ready availability of liquidity investments, the Bank is able to ensure that sufficient liquidity is always available whenever is necessary.

The Asset Liability Committee (ALCO) chaired by the Deputy Chief Executive Officer, is conducted on a monthly basis purposely to review the Liquidity Gap Profile of the bank. In addition, the Bank applies the liquidity stress test which addresses strategic issues concerning liquidity risk.

The Bank adopts the following liquidity management strategies namely:

- Management under normal condition: Normal condition is defined as the situation in which the Bank is able to meet any liquidity demands when they come due.
- Management under crisis condition: Crisis condition is defined as the situation in which the Bank faces difficulties to meet liquidity demand when they fall due.

8.4 LIQUIDITY RISK (CONT'D.)

The table below is the analysis of assets and liabilities of the Group and the Bank as at 31st March 2012 and 2011 based on contractual undiscounted payment obligation.

Table 28: Maturity analysis of assets and liabilities based on remaining contractual maturity

Group 2012	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	3,252,625	1,138,598	–	–	–	–	4,391,223
Cash and placements with financial institutions	–	–	18,389	91,944	–	–	110,333
Financial investment held-to-maturity	–	298	–	27,649	–	46,547	74,494
Financial investment available-for-sale	–	350,778	175,528	481,282	404,557	4,731,873	6,144,018
Financing of customers	–	514,337	365,509	439,506	690,822	7,028,309	9,038,483
Islamic derivative financial assets	162	2,330	1,645	13	–	–	4,150
Other assets	–	–	–	–	96,724	609,044	705,768
TOTAL ASSETS	3,252,787	2,006,341	561,071	1,040,394	1,192,103	12,415,773	20,468,469
LIABILITIES AND EQUITY							
Deposits from customers	1,755,512	8,255,153	5,944,495	1,547,083	624,637	24,207	18,151,087
Deposits and placements of banks and other financial institutions	–	–	–	2,946	252	8,698	11,896
Islamic derivative financial liabilities	311	185	1,132	10	103	3,889	5,630
Other liabilities	–	385,918	–	–	77,971	406,079	869,968
TOTAL LIABILITIES	1,755,823	8,641,256	5,945,627	1,550,039	702,963	442,873	19,038,581
Equity attributaable to shareholders of the Bank	–	–	–	–	–	1,429,888	1,429,888
NET MATURITY MISMATCH	1,496,964	(6,634,915)	(5,384,556)	(509,645)	489,140	10,543,012	–

8.4 LIQUIDITY RISK (CONT'D.)

The table below is the analysis of assets and liabilities of the Group and the Bank as at 31st March 2012 and 2011 based on contractual undiscounted payment obligation. (cont'd.)

Table 28: Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Group 2011	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	4,701,413	1,498,540	–	–	–	–	6,199,953
Cash and placements with financial institutions	–	–	190,506	60,506	–	–	251,012
Financial investment held-to-maturity	–	361	–	–	–	28,224	28,585
Financial investment available-for-sale	–	227,852	287,499	437,491	254,286	3,163,859	4,370,987
Financing of customers	–	773,147	661,746	383,617	516,622	4,813,028	7,148,160
Islamic derivative financial assets	3,122	1,689	366	–	–	–	5,177
Other assets	–	–	–	–	64,708	240,129	304,837
TOTAL ASSETS	4,704,535	2,501,589	1,140,117	881,614	835,616	8,245,240	18,308,711
LIABILITIES AND EQUITY							
Deposits from customers	1,865,816	6,886,507	5,654,500	1,315,137	467,131	27,082	16,216,173
Deposits and placements of banks and other financial institutions	–	–	–	300	500	14,193	14,993
Islamic derivative financial liabilities	3,031	309	149	339	–	158	3,986
Other liabilities	–	384,895	–	251,128	76,106	–	712,129
TOTAL LIABILITIES	1,868,847	7,271,711	5,654,649	1,566,904	543,737	41,433	16,947,281
Equity attributable to shareholders of the Bank	–	–	–	–	–	1,361,430	1,361,430
NET MATURITY MISMATCH	2,835,688	(4,770,122)	(4,514,532)	(685,290)	291,879	6,842,377	–

8.4 LIQUIDITY RISK (CONT'D.)

The table below is the analysis of assets and liabilities of the Group and the Bank as at 31st March 2012 and 2011 based on contractual undiscounted payment obligation. (cont'd.)

Table 28: Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Bank 2012	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	3,252,625	1,138,598	–	–	–	–	4,391,223
Cash and placements with financial institutions	–	–	18,389	91,944	–	–	110,333
Financial investment held-to-maturity	–	298	–	27,649	–	46,547	74,494
Financial investment available-for-sale	–	350,778	175,528	481,282	399,757	4,731,873	6,139,218
Financing of customers	–	514,337	365,509	439,506	690,822	7,040,631	9,050,805
Islamic derivative financial assets	162	2,330	1,645	13	–	–	4,150
Other assets	–	–	–	–	89,747	615,428	705,175
TOTAL ASSETS	3,252,787	2,006,341	561,071	1,040,394	1,180,326	12,434,479	20,475,398
LIABILITIES AND EQUITY							
Deposits from customers	1,763,172	8,255,153	5,944,495	1,547,083	624,637	24,207	18,158,747
Deposits and placements of banks and other financial institutions	–	–	–	2,946	252	8,698	11,896
Islamic derivative financial liabilities	311	185	1,132	10	103	3,889	5,630
Other liabilities	–	386,105	–	–	77,948	406,079	870,132
TOTAL LIABILITIES	1,763,483	8,641,443	5,945,627	1,550,039	702,940	442,873	19,046,405
Equity attributable to shareholders of the Bank	–	–	–	–	–	1,428,993	1,428,933
NET MATURITY MISMATCH	1,489,304	(6,635,102)	(5,384,556)	(509,645)	477,386	10,562,613	–

8.4 LIQUIDITY RISK (CONT'D.)

The table below is the analysis of assets and liabilities of the Group and the Bank as at 31st March 2012 and 2011 based on contractual undiscounted payment obligation. (cont'd.)

Table 28: Maturity analysis of assets and liabilities based on remaining contractual maturity (cont'd.)

Bank 2011	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash and short-term funds	4,701,413	1,498,540	–	–	–	–	6,199,953
Cash and placements with financial institutions	–	–	190,506	60,506	–	–	251,012
Financial investment held-to-maturity	–	361	–	–	–	28,224	28,585
Financial investment available-for-sale	–	192,948	287,499	437,491	254,286	3,187,963	4,360,187
Financing of customers	–	773,146	661,746	383,617	516,622	4,830,903	7,166,034
Islamic derivative financial assets	3,122	1,689	366	–	–	–	5,177
Other assets	–	–	–	–	57,653	246,608	304,261
TOTAL ASSETS	4,704,535	2,466,684	1,140,117	881,614	828,561	8,293,698	18,315,209
LIABILITIES AND EQUITY							
Deposits from customers	1,872,433	6,886,507	5,654,500	1,315,137	467,131	27,082	16,222,790
Deposits and placements of banks and other financial institutions	–	–	–	300	500	14,193	14,993
Islamic derivative financial liabilities	3,031	309	149	339	–	158	3,986
Other liabilities	–	384,998	–	251,128	76,027	–	712,153
TOTAL LIABILITIES	1,875,464	7,271,814	5,654,649	1,566,904	543,658	41,433	16,953,922
Equity attributable to shareholders of the Bank	–	–	–	–	–	1,361,287	1,361,287
NET MATURITY MISMATCH	2,829,071	(4,805,130)	(4,514,532)	(685,290)	284,903	6,890,978	–

9.0 OPERATIONAL RISK MANAGEMENT ("ORM") DISCLOSURES

9.1 ORM Minimum Capital Requirement (Pillar 1)

The Group and the Bank adopt Basic Indicator Approach (BIA) to determine its minimum capital requirement. Under this approach, the Group and the Bank set aside a fixed percentage (α or alpha factor) of 15% of positive annual average gross income, averaged over the previous three years. The Group and the Bank minimum capital is presented in table below:

Table 29: ORM minimum capital requirement

	2012		2011	
	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	**1,006,091**	**80,487**	960,106	76,808
Bank	**998,498**	**79,880**	953,244	76,260

9.2 Operational Risk Management

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people, and systems, and/or from various external events. The objective of Operational Risk Management is to effectively manage risk to minimise possible financial losses due to these operational risks.

In relation to operational risk management, the key risk organs which play a critical role in the overall integrated risk management framework are the Operational Risk Management unit, Operational Risk Management Committee (ORMC), the Internal Audit and the business lines.

Operational Risk Management Committee	Internal Audit Department	Bank's Line Management

Operational Risk Management Committee (ORMC)

The ORMC comprises heads of department of respective business/support units, who are collectively responsible for the effective implementation of the ORM Framework within the Bank. The ORMC deliberates, reviews and recommends all policies pertaining to ORM on a monthly basis. Among the responsibilities of the ORMC are:

- Evaluate and recommend operational risk appetite.
- Report material operational risk and loss incidents to Board and Management committees for their oversight and decision making.
- Supervise the adequacy of the Bank's operational risk mitigation strategies.
- Ensure that periodic risk reporting of business/support units are timely done and in accordance with the operational risk management framework.
- Review periodically the adequacy of ORM policies, controls and systems in place within the Bank.

9.0 OPERATIONAL RISK MANAGEMENT ("ORM") DISCLOSURES (CONT'D.)

9.2 Operational Risk Management (cont'd.)

Risk Agent

The Risk Agents are the eyes and ears of ORMC and ORM unit. These agents are appointed personnel within each business and support unit. Under a self risk-assessment culture, a Risk Agent performs the required risk management processes on his or her unit using the standard tools as per Basel II requirement.

Internal Audit Department

Internal Audit Department (IAD) acts as an independent party to provide independent assessment and evaluation on the effectiveness of the Group's and the Bank's ORM in the following areas:

- Assess the operational risk management process.
- Assess the methods for monitoring and reporting its operational risk profile.
- Assess the procedures for the timely and effective resolution of operational risk events and vulnerabilities.
- Ensure operational risk mitigation efforts in terms of effectiveness and efficiency.

In addition, IAD works together with the ORM Unit, business/support units and departments by sharing information pertaining to the risk and control on the Bank's operations, thus contributing towards overall operational risk management.

Business/Support Lines

Operational risk, by its nature, is inherent in any business. The Business / Support Units are responsible for the day-to-day management of these risks arising from their business activities.

Among their responsibilities are:

- Implement and execute the ORM Framework.
- Create awareness of the operational risk control environment within each business unit.
- Ensure adequate and effective controls are in place.
- Assess and manage the day-to-day operational risks in their respective units.
- Report operational risk issues to ORM Unit on periodic basis.

9.0 OPERATIONAL RISK MANAGEMENT ("ORM") DISCLOSURES (CONT'D.)

9.3 Business Continuity Management (BCM)

The Group and the Bank adopt the Bank Negara Malaysia Guidelines on Business Continuity Management, which entails enterprise-wide planning and arrangements of key resources and procedures that enable the institution to respond and continue to operate critical business functions across a broad spectrum of interruptions to business, arising from internal or external events.

BCM Methodology

The Bank prepares the Business Unit BCP by completing the Risk Assessment (RA) and the Business Impact Analysis (BIA). RA is a tool used to identify the potential threat on all business function. The likelihood of the identified threat will then be assessed. A BIA will be carried out to identify critical business functions, resources and infrastructure of the institution. RA and BIA session is being conducted annually with business unit.

<u>The life cycle of BCM</u>

Our practices of BCM life cycle comprise of the following:

- Analysing the Group and the Bank's business functions and their criticality through Risk Assessment (RA) and Business Impact Analysis (BIA) Report. The input in RA and BIA is completed by business user.
- Come out with appropriate BCM recovery strategies based on the RA and BIA.
- Developing and implementing the Business Continuity Plan (BCP).
- Testing the plans with result being communicated to Bank Negara Malaysia.
- Reviewing the plans annually.
- Conducting scheduler education on BCM.

Testing and Reporting

BCP test is conducted at least once a year for critical business function. Prior to the test, a test script is prepared to determine the scenario, test goal, criteria and type of test. A post-test analysis report is prepared and sent to Bank Negara Malaysia.

10.0 SHARIAH GOVERNANCE DISCLOSURES

10.1 Overview

The Shariah Governance Structure of Bank Muamalat Malaysia Bhd is governed by BNM's Shariah Governance Framework for Islamic Financial Institutions (IFIs), and any related guidelines issued by the authorities, subject to any variation and amendments from time to time.

Shariah governance system as defined by The IFSB Guiding Principles on Shariah Governance System in Institutions Offering Islamic Financial Services (IFSB-10) refers to a set of institutional and organisational arrangements to oversee Shariah compliance aspects in IFIs.

In this context, Shariah compliance risk defined as "The risk that arises from the Group's and the Bank's failure to comply with the Shariah rules and principles determined by the relevant Shariah regulatory councils or committees."

10.2 Shariah Governance Structure

Internal Shariah Control

Shariah compliance management is driven top down from the BOD through Shariah Committee ("SC"), who has the responsibility of understanding the Shariah related matters in the activities assumed by the Group and the Bank.

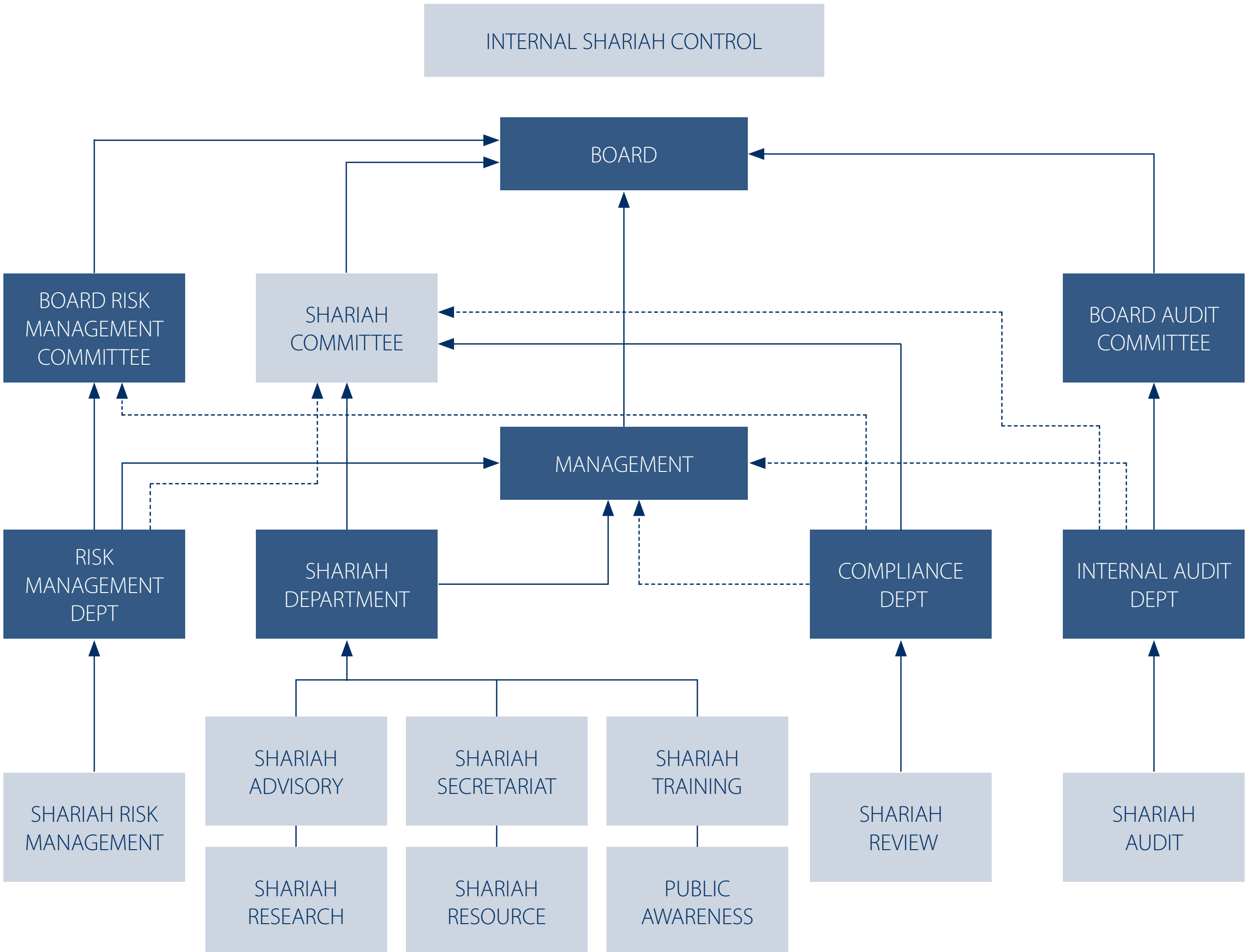
The Group and the Bank shall realign its Shariah Management & Compliance organisational responsibilities with the objective of ensuring a single view of risks across the Group and the Bank and putting in place capabilities for integrated compliance management. The SC shall function independently and shall ensure the integration of compliance management.

To ensure that the Group's and the Bank's compliance management functions are able to provide an independent evaluation of its overall business decision and strategies, the functions shall then be segregated to the business operating units.

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D.)

10.2 Shariah Governance Structure (cont'd.)

Table 30: Shariah governance structure



Shariah Risk Management was established in May 2012 pursuant with the requirement of BNM's Shariah Governance Framework (SGF) for Islamic Financial Institutions. The function is carried out by the Shariah Risk Management Unit (SRMU) which is responsible for managing the Shariah risk within the Bank's integrated risk management framework. SRMU has to ensure that the Shariah risk areas, which may interrelate with operational risk, credit risk and market risk, are proactively identified, assessed, controlled, mitigated, monitored and reported to the Management and Board of Directors.

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D.)

10.2 Shariah Governance Structure (cont'd.)

The general responsibilities of the SRMU are:

- Formulate policies and guidelines on Shariah compliance risk management.
- Identify and assess Shariah compliance risks in business operations and activities as well as in products and services.
- Assess the effectiveness of the existing controls and recommend appropriate controls or mitigation plan.
- Monitor Shariah compliance risk and periodically report the risk to the Board, Shariah Committee and Management.
- Identify any potential profit arising from business operations and activities that could not be recognised as a halal (lawful in Shariah) income to the Bank due to non-adherence with Shariah requirements.
- Formulate procedures on cleansing of non-halal income and monitor the de-recognition process.
- Conduct training and awareness program on Shariah compliance risk to inculcate a Shariah compliance risk culture.
- Assess new products and new/existing operating procedures from Shariah compliance risk perspective

10.3 Strategies and processes for managing Shariah Compliance Risk

Shariah compliance falls within a higher priority category as compared to other identified risks. Therefore, a structured approach for managing Shariah compliance risk will enable the Group and the Bank to make fully informed decisions to further enhance shareholders value without exposing the Group and the Bank to unacceptable level of risk.

The key processes of the Shariah Compliance in the Group and the Bank are as follows:

Table 31: Shariah compliance process

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D.)

10.3 Strategies and processes for managing Shariah Compliance Risk (cont'd.)

Shariah Risk Management Strategy

- Effectively provides Shariah advisory and consultancy, in ensuring the compliance of all matters towards Shariah.
- Inculcate Shariah compliance culture via the implementation of Shariah Review and Compliance Program (SRCP), and to ensure the implementation on the resolutions of the Shariah Committee in overall banking activities.
- Enhance Shariah knowledge and produce competent staff via various series of training suited to specified participants, and conduct research and development.
- Ensure that all the Group's and the Bank's activities and businesses are endorsed by the SC.
- Communicate to the relevant personnel the decisions resolved at the SC level, circulars or guidelines issued by BNM or SeC pertaining to Shariah *issues*.
- Identify, measure and recommend the solutions for the discrepancy/ies exist/s in the Group's and the Bank's products, documentation, processes including but not limited to legal documentation, manuals, brochures and its daily operations.

10.4 Reporting on Shariah Issues/Shariah Committee's Decision

1. Shariah Review and Compliance Program Report: to Shariah Committee, ERMC & BRMC.
2. Shariah Quarter Board Report: to Board of Directors

10.5 Measurement Tools:

1. Conducting Shariah Review and Compliance Program (SRCP) fieldwork visit to branches, business units (BU) and support unit (SU).

   Conduct the SRCP as per following activities:

   - Briefing/*ta'aruf* session and morning tazkirah
   - Distribute SRCP short test
   - Discussion with Branch Manager/ Head of Department
   - Interview session with the respective staff
   - Marking the SRCP short test
   - Perform files/documents checking based on the SRCP Checklist and assessment form
   - Exit review (will be performed during last day of visit)
   - Preparing the reports of SRCP
   - Reporting to Shariah Committee (SC), Executive Risk Management Committee (ERMC) and Board Risk Management Committee (BRMC)
   - Inform and forward a copy of SRCP report to respective parties for their onward action
   - Monitor and control the actions taken by the related department/branch and perform the updates status.

10.0 SHARIAH GOVERNANCE DISCLOSURES (CONT'D.)

10.5 Measurement Tools: (cont'd.)

2. Circulating Shariah Short Test to all branches and regional office for the purpose to ensure a constant Shariah culture awareness and a wide-ranging Shariah compliance.

3. Reviewing end to end product development process.

10.6 Ratification of income

Earning and Expenditure Prohibited by Shariah

Any earning if it discovers to be prohibited by Shariah, for example: when involving the payment of interest, it is permissible for the Group and the Bank to accept such earning.

However, this earning shall not be utilised and expended for any private purpose of the Group and the Bank. Instead, it must be channelled to a designated account to be consumed for public benefit referred to as *Maslahah'Ammah*.

Year to date balance of this account as at 31 March 2012 amounted to RM392,175, as compared to position as at 31 March 2011 amounted RM186,092.

BRANCH NETWORK

REGIONAL OFFICE FEDERAL TERRITORY

Bank Muamalat Malaysia Berhad
Regional Office Federal Territory
1st Floor, No. 32 & 33
Jalan Medan Pusat Bandar 4
Seksyen 9, 43650 Bandar Baru Bangi
Selangor Darul Ehsan
Tel : 03 - 8925 1654
Fax : 03 - 8925 5894

BRANCHES

Wilayah Persekutuan

1) JALAN MELAKA
1st Floor, Blok Podium
Menara Bumiputra
21, Jalan Melaka
50100 Kuala Lumpur
Tel : 03 - 2032 4060/61/62
Fax : 03 - 2032 5997

2) TAMAN SEGAR
No. 30, Jalan Manis 4
Taman Segar Off Jln Cheras
56100 Kuala Lumpur
Tel : 03 - 9130 4209
Fax : 03 - 9130 2007

3) JALAN IPOH
Ground Floor, Wisma TCT
No. 516-1, Batu 3, Jalan Ipoh
51200 Kuala Lumpur
Tel : 03 - 4041 1885
Fax : 03 - 4043 1467

4) JALAN TAR
No. 399, Ground Floor
Bangunan UMNO Lama
Jln. Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel : 03 - 2697 7077
Fax : 03 - 2697 8020

5) TAMAN MELAWATI
268, 269 & 270
Jalan Bandar 12, Taman Melawati
53100 Kuala Lumpur
Tel : 03 - 4108 1160
Fax : 03 - 4107 4625

6) BANDAR TASIK SELATAN
No. 14, Ground & 1st Floor
Jalan 4/146, Metro Center
Bandar Tasik Selatan
57000 Kuala Lumpur
Tel : 03 - 9058 7129
Fax : 03 - 9058 1476

7) PUTRAJAYA
No. 2 & 4, Ground & 1st Floor
Jalan Diplomatik 2
Pusat Komersial Diplomatik
Precint 15, 62050 Putrajaya
Tel : 03 - 8888 9778
Fax : 03 - 8889 2053

REGIONAL OFFICE SELANGOR & NEGERI SEMBILAN

Bank Muamalat Malaysia Berhad
Regional Office Selangor & Negeri Sembilan
G-1, 2 & 3, Ground Floor
Kompleks PKNS
40000 Shah Alam
Selangor Darul Ehsan
Tel : 03 - 5510 1791
Fax : 03 - 5510 6611

Selangor

1) BATU CAVES
No. 53, 53 (M), 51 & 51 (M)
Jalan SBC 1 Taman Sri Batu Caves
68100 Batu Caves
Selangor Darul Ehsan
Tel : 03 - 6187 8235
Fax : 03 - 6186 2387

2) KAJANG
Ground, 1st & 2nd Floor
No. 2-1-G/1/2, Jalan Prima Saujana 2/1
Prima Saujana, 43000 Kajang
Selangor Darul Ehasan
Tel : 03 - 8733 9569
Fax : 03 - 8733 8014

3) KELANG
No. 46 & 48, Jalan Kelicap, 42A/Ku1
Klang Bandar Diraja, Off Jalan Meru
41050 Kelang
Selangor Darul Ehsan
Tel : 03 - 3344 4145
Fax : 03 - 3344 4146

4) PETALING JAYA
45, Jalan SS 2/64
47300 Petaling Jaya
Selangor Darul Ehsan
Tel : 03 - 7874 5722
Fax : 03 - 7874 5150

5) LAMAN SERI
Ground & 1st Floor
No. G03A & 103A
Laman Seri Business Park
No. 7, Jalan Sukan, Seksyen 13
40100 Shah Alam
Selangor Darul Ehsan
Tel : 03 - 5512 8830
Fax : 03 - 5512 8836

6) RAWANG
No. 9 & 11, Jalan Bandar Rawang 1
Bandar Baru Rawang
48000 Rawang
Selangor Darul Ehsan
Tel : 03 - 6092 1680
Fax : 03 - 6092 1677

7) SHAH ALAM, PKNS
G-1, 2 & 3, Ground Floor
Kompleks PKNS
40000 Shah Alam
Selangor Darul Ehsan
Tel : 03 - 5510 6511
Fax : 03 - 5510 6611

8) SUBANG JAYA
9 & 11, Lot 4015 & 4017
Jalan SS 15/5A
47500 Subang Jaya
Selangor Darul Ehsan
Tel : 03 - 5634 3971
Fax : 03 - 5634 3954

BRANCH NETWORK

9) BANDAR BARU BANGI
Ground, 1st & 2nd Floor
D32 & D33, Jalan Medan Pusat Bandar 4
Seksyen 9, 43650 Bandar Baru Bangi
Selangor Darul Ehsan
Tel : 03 - 8925 0705/03 - 8925 3879
Fax : 03 - 8925 5884

10) UNIVERSITI ISLAM ANTARABANGSA
Ground & First Floor
Azman Hashim Complex
PT 5063, Mukim Setapak
Universiti Islam Antarabangsa Malaysia
Jalan Gombak, 53300 Kuala Lumpur
Tel : 03 - 6185 8102
Fax : 03 - 6187 8579

11) GLENMARIE, SHAH ALAM
No. 2, Jalan Presiden F U1/F
Accentra Glenmarie, Seksyen U1
40150, Shah Alam
Selangor Darul Ehsan
Tel : 03 - 5569 1402/03 - 5569 1403
Fax : 03 - 5569 1435

KIOSK

GIANT HYPERMARKET KEMUNING UTAMA, SHAH ALAM,
Lot G8
Giant Hypermarket Kemuning Utama
No. 3, Jalan Kemuning Prima E33/E
Kemuning Utama, Seksyen 33
40400 Shah Alam, Selangor Darul Ehsan
Tel : 03 - 5519 8549
Fex : 03 - 5121 2766

Negeri Sembilan

12) SEREMBAN
Wisma Great Eastern
No. 105, 107 & 109
Jalan Yam Tuan
70000 Seremban
Negeri Sembilan Darul Khusus
Tel : 06 - 765 1506
Fax : 06 - 762 7218

REGIONAL OFFICE NORTHERN

Bank Muamalat Malaysia Berhad
Regional Office Northern
3rd Floor, No. 64, Lebuh Pantai
Georgetown, 10300 Pulau Pinang
Tel : 04 - 250 3551/04 - 251 3552
Fax : 04 - 261 1503

Perak

1) IPOH
Ground & Mezzanine Floor
Wisma Maju UMNO
Jalan Sultan Idris Shah
30000 Ipoh
Perak Darul Ridzuan
Tel : 05 - 249 8802
Fax : 05 - 243 4997

2) PARIT BUNTAR
No. 40 & 42, Jalan Wawasan 4
Taman Wawasan Jaya
Pusat Bandar Baru
34200 Parit Buntar
Perak Darul Ridzuan
Tel : 05 - 716 6737
Fax : 05 - 716 7204

3) SITIAWAN
Ground & 1st Floor
No. 392, Taman Samudera
32040 Seri Manjung
Perak Darul Ridzuan
Tel : 05 - 688 4915
Fax : 05 - 688 4931

4) TAIPING
98-100, Ground & 1st Floor
Jalan Kota, 34000 Taiping
Perak Darul Ridzuan
Tel : 05 - 807 8372
Fax : 05 - 807 8375

Kedah

5) ALOR SETAR
Lot T-1, Ground & Mezanin Floor
Wisma PKNK, Jalan Sultan Badlishah
05000 Alor Setar
Kedah Darul Aman
Tel : 04 - 731 5722
Fax : 04 - 731 5724

6) SOUQ AL - BUKHARY
Ground Floor
Bazaar Souq Al-Bukhary
No. 1, Jln Tun Abdul Razak
05200 Alor Setar
Kedah Darul Aman
Tel : 04 - 731 5480
Fax : 04 - 731 5546

7) KULIM
No. 6, Bangunan Al-Ikhwan
Pusat Perniagaan Putra
Jalan Kilang Lama
09000 Kulim
Kedah Darul Aman
Tel : 04 - 496 3500
Fax : 04 - 490 7714

8) SUNGAI PETANI
No. 21, Lot 88
Jalan Perdana Heights 2/2
Perdana Heights
08000 Sungai Petani
Kedah Darul Aman
Tel : 04 - 420 4300
Fax : 04 - 421 5007

Pulau Pinang

9) BAYAN BARU
No. 24, 26 & 28, Ground & 1st Floor
Taman Seri Tunas, Jln. Tengah
11950 Bayan Baru
Kedah Darul Aman
Tel : 04 - 630 8100
Fax : 04 - 641 1058

10) USM
Universiti Sains Malaysia
Bangunan D12, Minden Campus
11800 Minden, Pulau Pinang
Tel : 04 - 660 4600
Fax : 04 - 658 5945

11) SEBERANG JAYA
Ground, 1st & 2nd Floor
No. 27 & 28, Jalan Todak 2
Bandar Sunway Seberang Jaya
13700 Perai, Butterworth
Pulau Pinang
Tel : 04 - 397 2494
Fax : 04 - 399 3797

12) LEBUH PANTAI
No. 64, Lebuh Pantai
Georgetown
10300 Pulau Pinang
Tel : 04 - 262 0000/04 - 262 0266
Fax : 04 - 261 1700

KIOSK

KEPALA BATAS
Lot G-13A, Ground Floor
Pusat Perniagaan Dato' Kailan
13200 Kepala Batas
Pulau Pinang
Tel : 04 - 574 4071
Fax : 04 - 575 4084

Perlis

13) KANGAR
No. 11 & 13, Jalan Bukit Lagi
01000 Kangar
Perlis Indera Kayangan
Tel : 04 - 976 4751
Fax : 04 - 976 4799

REGIONAL OFFICE EAST COAST

Bank Muamalat Malaysia Berhad
Regional Office East Coast
Tingkat 2, Bangunan Perbadanan
Menteri Besar Kelantan
Jalan Kuala Krai
15150 Kota Bharu
Kelantan Darul Naim
Tel : 09 - 743 3339/09 - 743 5050
Fax : 09 - 743 3993

Terengganu

1) KUALA TERENGGANU
1, Jalan Air Jerneh
20300 Kuala Terengganu
Terengganu Darul Iman
Tel : 09 - 622 2177
Fax : 09 - 622 3543

2) KG. RAJA
Lot 5678 & 5679, Taman D'Lahar
Gong Kepas, Kampung Raja
22200, Besut, Terengganu Darul Iman
Tel : 09 - 697 3133/3233
Fax : 09 - 697 5566

Kelantan

3) KOTA BHARU
Ground & 1st Floor
Bangunan Perbadanan Menteri
Besar Kelantan (PMBK)
Jalan Kuala Krai, 15150 Kota Bharu
Kelantan Darul Naim
Tel : 09 - 744 1711
Fax : 09 - 744 4622

4) KOK LANAS
Ground & 1st Floor, Lot PT 5080
Kompleks Perniagaan Saidina Ali
Jalan Kuala Kerai, Kok Lanas
16450 Kota Bharu
Kelantan Darul Naim
Tel : 09 - 788 6868
Fax : 09 - 788 6828

5) JALAN SULTAN YAHYA PETRA
Ground Floor, Lot PT 265 & PT 266
Wisma Nik Kob
Jalan Sultan Yahya Petra
15200 Kota Bharu
Kelantan Darul Naim
Tel : 09 - 747 3187
Fax : 09 - 747 3230

6) JELI
Ground & First Floor
No. PT4646, Lot 2003
PN 3523, 17600 Bandar Jeli
Kelantan Darul Naim
Tel : 09 - 944 1339
Fax : 09 - 944 8228

Pahang

7) KUANTAN
B-114 & B-116
Sri Dagangan Centre
Jalan Tun Ismail, 25000 Kuantan
Pahang Darul Makmur
Tel : 09 - 516 2782
Fax : 09 - 516 2853

8) MENTAKAB
6 & 7, Jalan Tun Abd Razak
28400 Mentakab
Pahang Darul Makmur
Tel : 09 - 277 5917
Fax : 09 - 277 4940

9) PEKAN
G-02, Ground Floor
Bangunan UMNO (Bahagian Pekan)
Jalan Teng Que
26600, Pekan
Pahang Darul Makmur
Tel : 09 - 422 4488/09 - 422 3751
Fax : 09 - 422 3751

10) TEMERLOH
C-8, Jalan Tengku Ismail
Temerloh
28000 Pahang Darul Makmur
Tel : 09 - 2962 358/09 - 2962 362
Fax : 09 - 2962 364

REGIONAL OFFICE SOUTHERN

Bank Muamalat Malaysia Berhad
Regional Office Southern
1st Floor, Lot 1 & 2
Kebun Teh Commercial City
Jalan Kebun Teh
80250 Johor Bahru
Johor Darul Takzim
Tel : 07 - 222 7682/07 - 223 6067
Fax : 07 - 228 1550

Melaka

1) MELAKA
395, Taman Sinn, Jalan Semabuk
75050 Melaka
Tel : 06 - 282 8464
Fax : 06 - 286 7518

2) TAMAN CHENG BARU
Ground & 1st Floor
No. 92, Jln Cheng Baru
Taman Cheng Baru
75250 Melaka
Tel : 06 - 312 5086
Fax : 06 - 312 5091

KIOSK

SUNGAI UDANG
No. 11, Jalan Kerambit 1
Bandar Baru Sungai Udang
76300 Sungai Udang
Melaka
Tel : 06 - 351 5700
Fax : 06 - 351 3703

BRANCH NETWORK

Johor

3) JOHOR BAHRU
Ground & 1st Floor, Lot 1 & 2
Kebun Teh Commercial City
Jalan Kebun Teh
80250 Johor Bahru
Johor Darul Takzim
Tel : 07 - 223 5822
Fax : 07 - 224 0811

4) BATU PAHAT
24 - 25, Ground & 1st Floor
Jalan Kundang, Taman Bukit Pasir
83000 Batu Pahat
Johor Darul Takzim
Tel : 07 - 432 5257
Fax : 07 - 432 4945

5) UNIVERSITI TUN HUSSEIN ONN MALAYSIA (UTHM)
Ground Floor
Bangunan Pusat Khidmat Pelajar
Universiti Tun Hussein Onn Malaysia
86400 Parit Raja, Batu Pahat
Johor Darul Takzim
Tel : 07 - 453 6969
Fax : 07 - 453 6125

6) JOHOR JAYA
Ground & 1st Floor
No. 17, Jalan Ros Merah 2/20
Taman Johor Jaya
81100 Johor Bahru
Johor Darul Takzim
Tel : 07 - 357 7451
Fax : 07 - 355 8106

7) KLUANG
No. 1
Jalan Persiaran Dato' Haji Ismail Hassan
86000 Kluang
Johor Darul Takzim
Tel : 07 - 772 2487
Fax : 07 - 774 4419

8) KULAI
No. 32, Jalan Sri Putra 1
Bandar Putra
81000 Kulai, Johor
Johor Darul Takzim
Tel : 07 - 662 1570
Fax : 07 - 663 8496

9) SEGAMAT
No. 37 & 38, Jalan Genuang Perdana
Taman Genuang Perdana
85000 Segamat
Johor Darul Takzim
Tel : 07 - 943 3281/07 - 943 3292
Fax : 07 - 943 3042

10) TAMAN UNIVERSITI
Ground & 1st Floor
No. 28, Jalan Kebudayaan 5
Taman Universiti
81300 Skudai
Johor Darul Takzim
Tel : 07 - 520 6875
Fax : 07 - 520 5503

KIOSK

JOHOR BHARU SENTRAL TERMINAL
SK05, 3rd Floor, JB Sentral Terminal
Jalan Lingkaran Dalam
80300 Johor Bahru
Johor Darul Takzim
Tel : 07 - 221 2397
Fax : 07 - 221 1597

PASIR GUDANG
L3-18B, Kompleks Pusat Bandar Pasir Gudang
Jalan Bandar
81700 Pasir Gudang
Johor Darul Takzim
Tel : 07 - 252 1350
Fax : 07 - 252 1094

REGIONAL OFFICE EAST MALAYSIA

Bank Muamalat Malaysia Berhad
Regional Office East Malaysia
Ground & Mezzanine Floor
Wisma Gek Poh
No. 18, Jalan Haji Saman
88000 Kota Kinabalu
Sabah
Tel : 088 - 233 024
Fax : 088 - 233 530

Sarawak

1) KUCHING
Lot 543 - 545, Bangunan Cheema
Jalan Tun Ahmad Zaidi Adruce
93400 Kuching, Sarawak
Tel : 082 - 25 7877
Fax : 082 - 41 4142

2) BINTULU
Ground 1st & 2nd Floor
No. 252, Lot 73
Park City Commercial Centre
Jalan Tanjung Batu
97012 Bintulu, Sarawak
Tel : 086 - 337 462
Fax : 086 - 337 461

3) MIRI
433 - 434 Ground & First Floor
Jalan Bendahara
98000 Miri, Sarawak
Tel : 085 - 420 622
Fax : 085 - 418 111

Sabah

4) KOTA KINABALU
Ground & Mezzanine Floor
Wisma Gek Poh
No. 18, Jalan Haji Saman
88000 Kota Kinabalu
Sabah
Tel : 088 - 239 122
Fax : 088 - 239 128

5) LABUAN
UO 114, Ground Floor
Jln OKK Awang Besar
87000 Wilayah Persekutuan Labuan
Tel : 087 - 424 190
Fax : 087 - 424 204

6) TAWAU
Lot 69 & 70, Ground & First Floor
Kubota Square, Jalan Kubota
91000 Tawau, Sabah
Tel : 089 - 771 492/089 - 771 488
Fax : 089 - 771 493

KIOSK

PUTATAN
Ground & Mezzanine Floor
Wisma Gek Poh
No. 18, Jalan Haji Saman
88000 Kota Kinabalu
Sabah
Tel : 088 - 779 601
Fax : 088 - 779 603