

a n n u a l   r e p o r t

**2013**



determination  
drives  
achievement



determination  
drives  
achievement

Determination and commitment to an unrelenting pursuit of excellence has enabled Bank Muamalat Malaysia Berhad (the Bank) to progress in its drive to attain continued success.

Resilience and perseverance are the key attributes, which have enabled the Bank to survive and overcome obstacles, adapt and anticipate turbulence and eventually forge ahead to continue the journey in a quest for a better positioning as the preferred Islamic financial services provider.

This year's cover reflects the determination of a strong team to advance through the challenges while making headway towards exploring new possibilities, heralding significant achievements.

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## vision

To become the preferred Islamic financial services provider

## mission

To deliver best value to the stakeholders

## values

Care

Respect

Integrity

Innovative

Service Oriented



The Bank's logo and identity are 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.

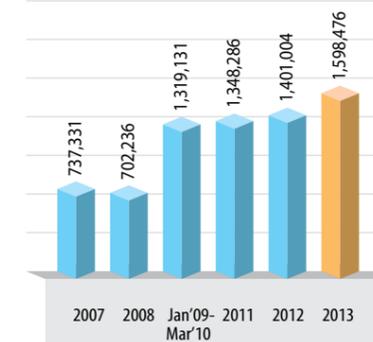
The dome is a basic design element of Islamic architecture. It is used to signify the place for prayers and shelter. This represents the products and services that the Bank can offer to its customers. The five domes are representative of the five tenets of Islam and the five times Muslims are called 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 over time. 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.

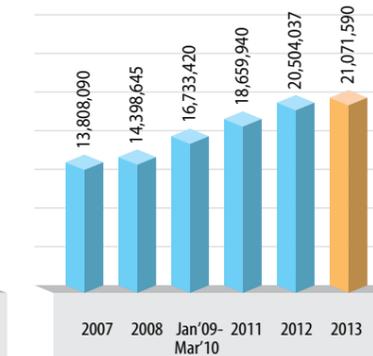
## 10 years financial highlights (2003-2013) – GROUP

	2003	2004	2005	2006	2007	2008	Jan 2009 - Mar 2010	2011 Restated	2012 Restated	2013
Total Shareholders Fund (RM'000)	353,020	507,564	523,683	713,126	737,331	702,236	1,319,131	1,348,286	1,401,004	<b>1,598,476</b>
Profit/(Loss) Before Tax (RM'000)	7,267	(26,819)	41,251	103,409	64,238	44,068	142,061	186,785	103,006	<b>235,963</b>
Profit/(Loss) After Tax (RM'000)	3,586	(28,720)	32,328	72,520	48,138	31,951	98,834	120,433	69,244	<b>167,936</b>
Total Assets (RM'000)	7,315,942	8,070,831	10,269,647	13,450,636	13,808,090	14,398,645	16,733,420	18,659,940	20,504,037	<b>21,071,590</b>
Total Deposits (RM'000)	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	<b>18,744,179</b>
Total Financing (RM'000)	2,272,526	2,887,415	4,154,021	5,373,343	5,870,585	6,427,747	7,037,126	7,495,007	9,064,271	<b>10,352,626</b>
No of Branches	40	41	42	43	48	48	49	51	58	<b>59</b>
No of Service Centres/Kiosk	7	7	6	6	3	5	6	4	2	<b>7</b>
No of Offshore Branches/Labuan	1	1	1	1	1	1	1	1	1	<b>1</b>
No of Staff	1,244	1,241	1,145	1,380	1,454	1,419	1,584	1,763	1,929	<b>2,099</b>
RETURN ON ASSET (%)	0.10	(0.35)	0.45	0.87	0.47	0.31	0.73	1.06	0.53	<b>1.14</b>
RETURN ON EQUITY (%)	2.07	(6.23)	8.00	16.72	8.86	6.12	11.24	15.24	7.49	<b>15.73</b>

### TOTAL SHAREHOLDERS FUND



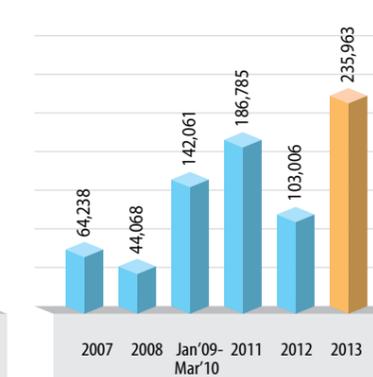
### TOTAL ASSETS



### TOTAL DEPOSITS



### PBT



## Corporate Information

### BOARD OF DIRECTORS

#### Chairman

Tan Sri Dato' Dr Mohd Munir Abdul Majid

#### Members

Dato' Sri Che Khalib Mohamad Noh

(appointed w.e.f. 27 August 2012)

Dato' Mohamed Hazlan Mohamed Hussain

(appointed w.e.f. 27 August 2012)

Dato' Haji Mohd Redza Shah Abdul Wahid

Haji Mohd Izani Ghani

Haji Ismail Ibrahim

Haji Abdul Jabbar Abdul Majid

Tengku Dato' Seri Hasmuiddin Tengku Othman

Dato' Azmi Abdullah

Dato' Haji Kamil Khalid Ariff

### 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

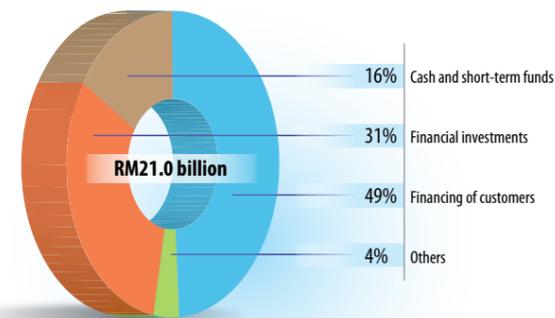
# Asset Quality

## TOTAL ASSETS

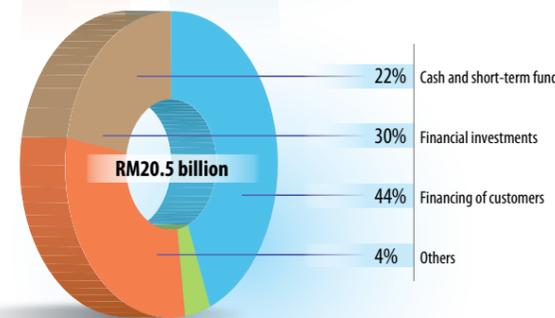
The Group's total assets as at 31 March 2013 expanded to RM21.0 billion from RM20.5 billion as at 31 March 2012. The growth in total assets was attributed to higher growth in financing of customers and financial investments portfolio by RM1.3 billion and RM334 million respectively.

Cash and short term funds declined by 6% to RM3.2 billion from RM4.4 billion as at 31 March 2012 as a result of an effective asset liability management strategy adopted during the year.

**TOTAL ASSETS**  
As At March 2013



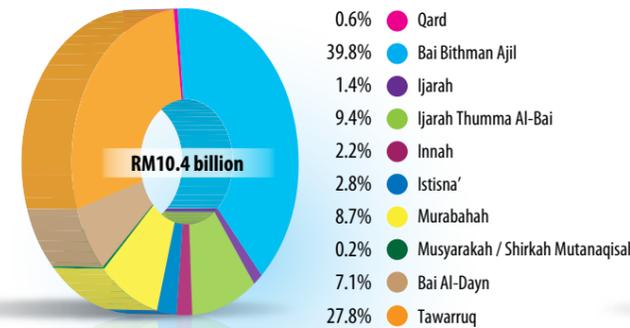
As At March 2012 (restated)



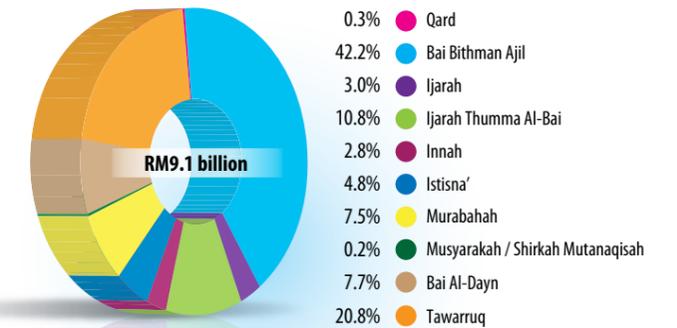
## FINANCING BY CONTRACT

The Bank's financing assets are formulated based on approved shariah principles. The composition of the Bank's current financing portfolio, largely comprised of Bai' Bithman Ajil (deferred payment sale), 39.8%, Tawarruq (commodity murabahah), 27.8%, Ijarah Thumma Al-Bai (lease ended with purchase), 9.4%, while the balance made up of other contracts such as Murabahah (cost plus) and Istisna (sale order). Comparison against the previous year saw a shift towards Tawarruq contract financing as reflected by its impressive yearly growth of 10.3%, where the composition increased from 20.8% in previous year to 27.8% of total outstanding financing as at end of FY 2013.

**FINANCING BY CONTRACT**  
As At March 2013



As At March 2012 (restated)

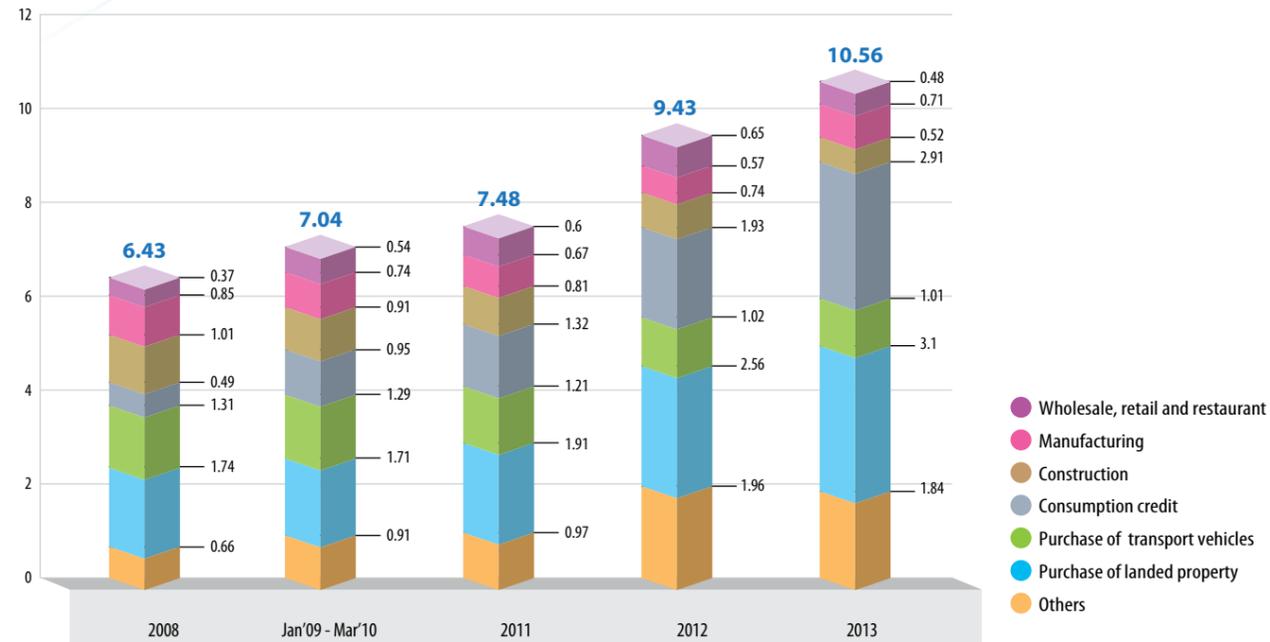


COMPONENTS	2008 RM million	Jan'09- Mar'10 RM million	2011 RM million	2012 RM million	2013 RM million
Assets					
- Gross financing	6,427.7	7,037.1	7,483.4	9,512.8	10,642.3
- Financial investments	2,901.9	4,041.0	4,360.1	6,213.7	6,547.1
- Cash and short-term funds	5,067.3	5,775.4	6,447.3	4,501.5	3,341.7
Gross impaired financing	592.2	513.8	378.3	452.3	271.4
Gross impaired financing ratio	8.7%	6.9%	4.8%	4.8%	2.5%
Industry average*	4.1%	3.6%	3.3%	2.4%	1.6%
Financing loss reserve ratio	67.6%	79.7%	89.0%	87.8%	102.2%
Industry average*	76.5%	75.0%	90.8%	105.9%	120.1%

\*Bank Negara Malaysia's March 2013 Monthly Statistical Bulletin

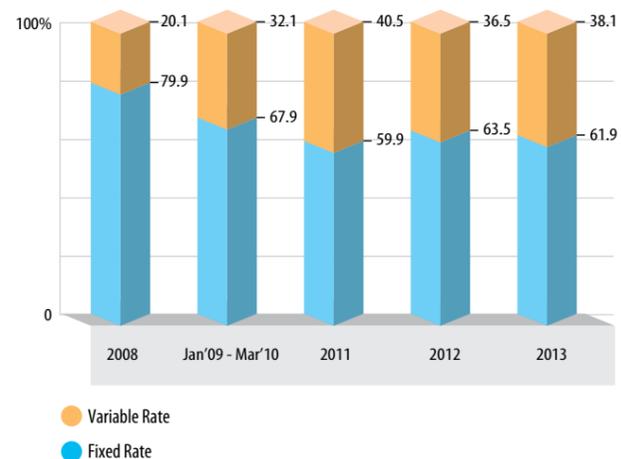
The Bank's gross impaired financing ratio recorded a remarkable improvement to 2.5% as at 31 March 2013 compared to 4.8% in the previous year on the back of strengthened credit underwriting processes, aggressive recoveries and proactive management of delinquent accounts.

**FINANCING BY SECTOR**  
(RM billion)



The Bank's financing assets portfolio continued to be dominated by fixed rate financing which accounts for 61.9% of total outstanding financing as at FY 2013. Nevertheless, this was an improvement from 63.5% in the previous year as the Bank continues to focus on rebalancing its portfolio to variable rate financing in order to be more resilient in facing any future upward movement in market rates.

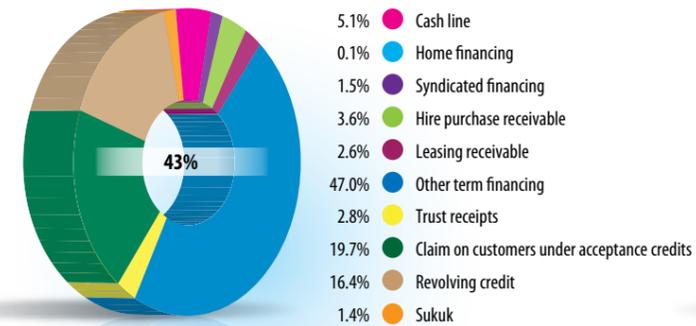
**FIXED AND VARIABLE RATE FINANCING**



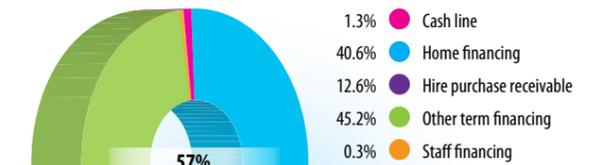
**FINANCING BY TYPE**  
(RM billion)

2013

Business

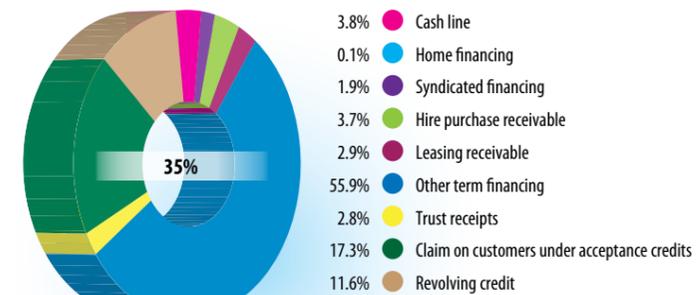


Consumer

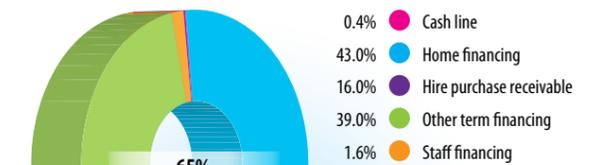


2012

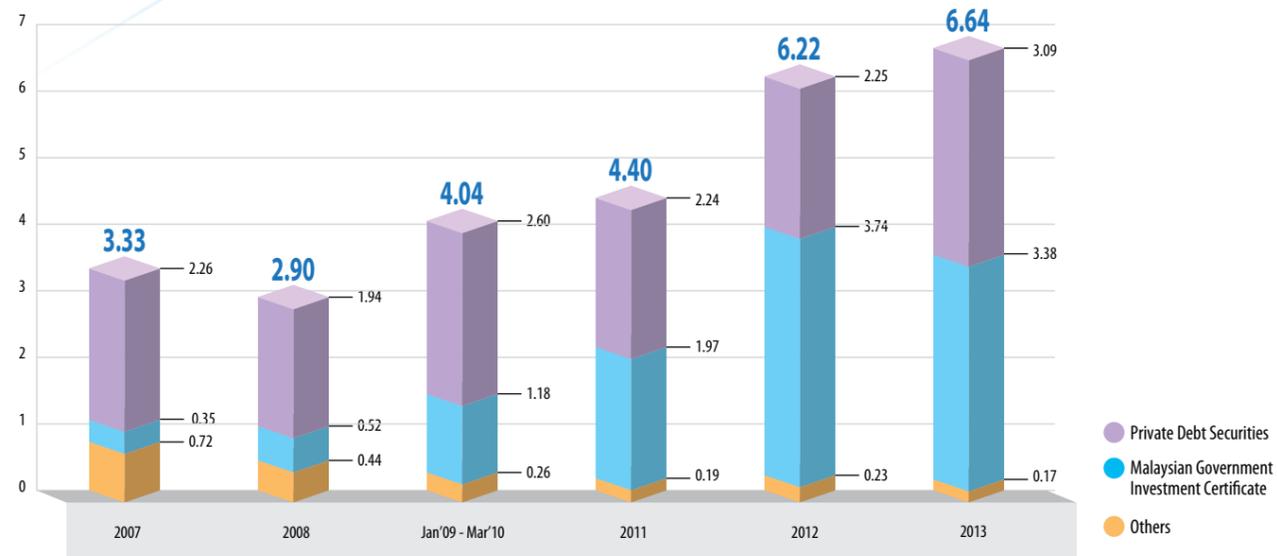
Business



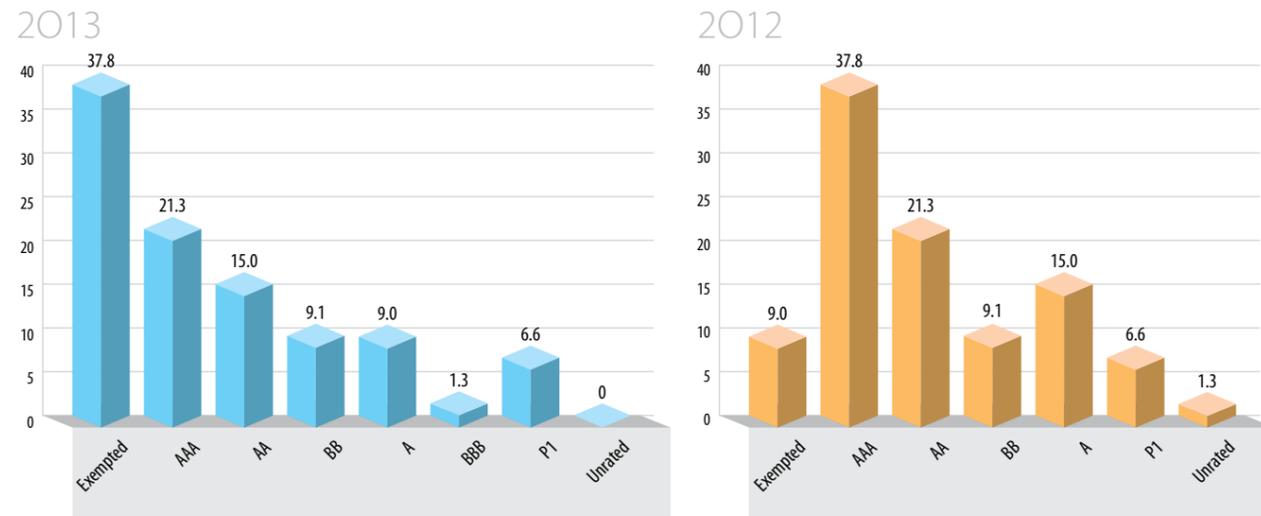
Consumer



**FINANCIAL INVESTMENTS**  
(RM billion)



**PDS RATING**  
Percentage

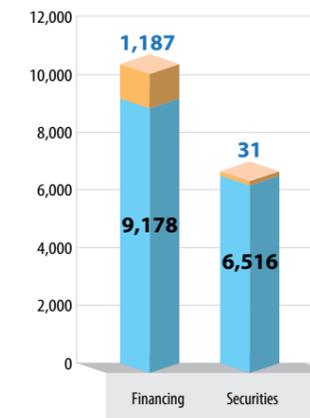


The Bank has been accumulating its Private Debt Securities (PDS) compared to Malaysian Government Investment Certificates (GII) holding during the FY 2013 due to higher yield. However, it was still within 60%/40% allocation for GII/PDS.

# Connected Party

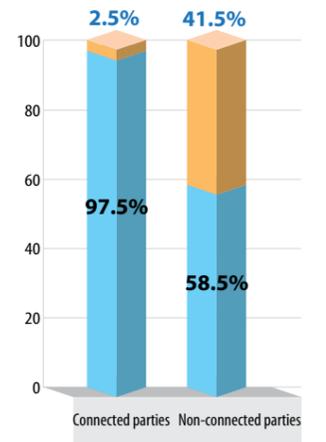
As at 31 March 2013, outstanding credit exposures to connected parties accounted for 6% of the total outstanding credit exposures, RM20.21 billion. The amount stood at 59.2% against the Bank's capital base of RM2.06 billion. Both measurements were well below the threshold limit set by BNM.

**CONNECTED PARTIES EXPOSURE BY FINANCIAL INSTRUMENT**  
As At March 2013



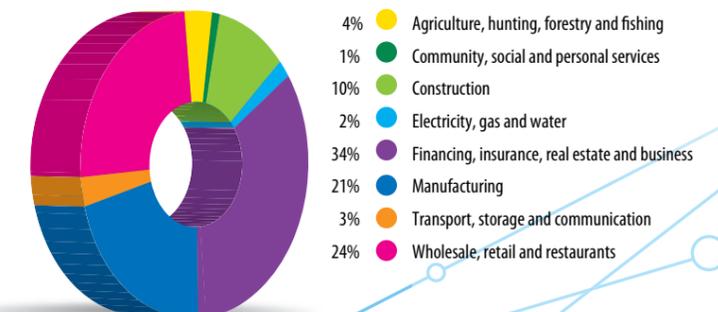
Connected parties  
Non-connected parties

**CONNECTED PARTIES VS NON-CONNECTED PARTIES EXPOSURE**  
As At March 2013



Securities (%)  
Financing (%)

**COMPOSITION OF CONNECTED PARTIES BY SECTOR**  
As At March 2013



# Care drives passion



“The believers are like a wall whose bricks are fitted tightly together; each one of them support another.” [Al-Bukhari]



# Board of Directors

**Back (From Left to Right)**  
Nora Shikhen Ramli (Company Secretary), Dato' Sri Che Khalib Mohamad Noh, Dato' Mohamed Hazlan Mohamed Hussain, Dato' Azmi Abdullah, Dato' Haji Kamil Khalid Ariff , Tengku Dato' Seri Hasmuddin Tengku Othman , Haji Abdul Jabbar Abdul Majid , Haji Ismail Ibrahim and Haji Mohd Izani Ghani  
**Front (From Left to Right)**  
Dato' Haji Mohd Redza Shah Abdul Wahid and Tan Sri Dato' Dr Mohd Munir Abdul Majid



## 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 the 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 Ph.D 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 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 Chief Executive Office (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 had also 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 & President of the Kuala Lumpur Business Club (2003-2008) and is now 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 started and headed the Southeast Asia International Affairs Programme. Dr Munir is Adjunct Professor of Universiti Utara Malaysia (UUM). He is a member of the board of governors of Wawasan Open University.

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 also 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-rounded student in 1967. He left for London the next year.

## Profile of Board of Directors

### Dato' Sri Che Khalib Mohamad Noh Non-Independent Non-Executive Director



Dato' Sri Che Khalib Mohamad Noh was appointed as a Non-Independent Non-Executive Director of the Bank, nominated by DRB-HICOM Berhad on 27 August 2012. He is a member of Remuneration, Nomination and Veto Committees.

Dato' Sri Che Khalib is currently the Group Managing Director of MMC Corporation Berhad. He was the former President and Chief Executive Officer of Tenaga Nasional Berhad (TNB), prior to his position as the Chief Operating Officer - Finance, Strategy & Planning of DRB-Hicom Berhad.

He is a qualified accountant, a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

Throughout his career, he has helmed several public-listed companies including Ranhill Utilities Berhad, and KUB Malaysia Berhad prior to his appointment as President and Chief Executive Officer of TNB in 2004. He has also served on the Board of Directors in several of the United Engineers Malaysia Berhad Group of Companies, in Bank Industri & Teknologi Malaysia Berhad, and in Khazanah Nasional Berhad from 2000 to 2004, where he also served on the Executive Committee.

### Dato' Mohamed Hazlan Mohamed Hussain Non-Independent Non-Executive Director



Dato' Mohamed Hazlan Mohamed Hussain was appointed as a Non-Independent Non-Executive Director of the Bank, nominated by DRB-HICOM Berhad on 27 August 2012. He is a member of Board Muamalat Banking Solutions Steering Committee.

Prior to his appointment to DRB-HICOM Berhad as the Group Director of Services, he was the Group Director for Commercial Division, Prasarana Group since November 2011. Dato' Mohamed Hazlan has held various high ranking positions in various organizations including Group Director for Bus Division, Chief Operating Officer, RapidKL, Chief Corporate Strategist of Offshore Works Sdn. Bhd. and Chief Operating Officer of Posmel, Pos Malaysia Berhad from 2007 until 2009.

He started his career with Arnold Hill & Co Chartered Accountants in London, United Kingdom since 1988 until 1993. With extensive experience and expertise in trust management and audit, he returned and joined Projek Lebuhraya Utara Selatan Berhad (PLUS) where he led the establishment of Internal Audit Department in 1994. In 1998, he led the Toll Department before he was promoted to Regional Manager II managing Operations for Central Region in the same year. He later became the General Manager of Operations Division in September 1999 until 2003 and was promoted as a Senior General Manager in 2004.

He graduated from Imperial College of Science and Technology, University of London majoring in Civil Engineering leading to Bachelor of Engineering.

## Profile of Board of Directors

### Dato' Haji Mohd Redza Shah Abdul Wahid

Chief Executive Officer/Executive Director



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 Economics 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 Islamic Banking & Finance Institute Malaysia (IBFIM), and the Bank's subsidiaries.

### Haji Mohd Izani Ghani

Non-Independent Non-Executive Director



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

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 and was admitted to fellowship in 2000. He is also a member of Malaysian Institute of Accountants.

He is currently the Executive Director/Chief Financial Officer of Khazanah. On Islamic finance initiatives, he was deeply involved in the issuance of the world's first exchangeable sukuk for USD750 million in 2006, followed by other landmark sukuk transactions in SGD and Renminbi currencies in 2010 and 2011 respectively. In relation to RM funding, he was instrumental in the setting up of various sukuk programmes at Khazanah.

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 Khazanah.

He is also the director of Malaysia Airports Holdings Berhad and Fajr Capital.

## Profile of Board of Directors

### **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 (Khazanah) on 23 March 2001. He is also a member of the Remuneration, Nomination, Board Audit, Board Muamalat Banking Solutions Steering and Veto 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. He joined Khazanah 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. Subsequently, he was appointed as Assistant Director in the Funds Management Division until 1995.

### **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 was 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 Remuneration, Nomination and Board Risk Management 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 is 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.

## Profile of Board of Directors

### **Tengku Dato' Seri Hasmuiddin Tengku Othman** Independent Non-Executive Director



Tengku Dato' Seri Hasmuiddin 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 Remuneration, Board Risk Management, Board Audit and Veto Committees.

Tengku Dato' Seri Hasmuiddin 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 aspects of Islamic banking and finance, corporate banking and project financing, corporate matters, corporate Muamalat Islamic banking and litigation as well as matters relating to Shariah.

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

He is also a member of Task Force on Islamic Finance for Labuan IOFC, Chairman of the Task Force on AIBIM National Land Code Steering Committee and Member of Jawatankuasa Pemantauan dan Pengawasan Syarikat Jaminan Pembiayaan Perniagaan Berhad.

He is active in social and charitable activities and has been appointed as trustee for Yayasan Munarah, Tuanku Najihah Foundation, Yayasan Institut Quran Kuala Lumpur, Tabung Amanah Pesakit Malaysia, Institut Quran Tuanku Jaafar and Yayasan Kolej Islam Sultan Alam Shah.

### **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, Board Muamalat Banking Solutions Steering and Veto 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 was conferred Honorary Doctorate in Business Administration from Universiti Kebangsaan Malaysia in 2006 and is presently a Director of Universiti Kebangsaan Malaysia. He is also a director of Kumpulan Wang Persaraan (Diperbadankan) and a Council Member of Hospital UKM Malaysia, and a member of Investment Committee of Amanah Raya Berhad.

## Profile of Board of Directors

### **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 the Chairman of Board Muamalat Banking Solutions Steering Committee and member of Board Risk Management and Board Audit Committees.

He graduated with MBA in International Business from Michigan, USA in 1979. Prior to this, he obtained B.Sc in Management from Syracuse University, New York and a 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 the 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 a founder Director of the Kuala Lumpur Tin Market, which he, as part of a Government Steering Committee, help set up in the mid 1980s.

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



# Shariah Committee

## Ustaz Azizi Che Seman Chairman

Ustaz Azizi Che Seman is currently a lecturer at the Academy of Islamic Studies, University of Malaya, a position he has held since 2002. He has been with the Bank since 1 April 2005. He is currently the Chairman for the Bank's Shariah Committee. He has also been appointed as Shariah Advisor of AIBIM. Ustaz Azizi is currently pursuing his studies in the field of Islamic capital market. 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 Islamic Research Methodology. Besides being an expert in Shariah advisory, he also contributes his ideas and experiences in the development of the Bank's IT system.

## Ustaz Engku Ahmad Fadzil Engku Ali

Ustaz Engku Ahmad Fadzil Engku Ali obtained his early education at Malay College Kuala Kangsar until 1986. In 1993 he graduated with a Bachelor's Degree in Law (Second Class Honors Upper) from International Islamic University of Malaysia. 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 International Islamic University of Malaysia. Some of the subjects that he teaches are Islamic Law of Successions, Islamic Jurisprudence and Islamic Criminal Laws. He is now pursuing a Ph.D at the University of Malaya in Multi-level Marketing from the perspective of the Islamic Law. He has been a member of the Bank 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 completed his Master of Comparative Law at International Islamic University of Malaysia in 1993. He succeeded in obtaining his Ph.D. in Islamic Law (Fiqh and Usul Fiqh) in 1998 from University of Jordan. He has been with Bank since

December 2003. His specialisation areas are in Islamic Economics and Islamic Civilisation. He also has 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 Ph.D of Shari'ah at St. Andrews University Scotland 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. Prior to joining National Shariah Advisory Council of Bank Negara Malaysia in 2004, he was the first Chairman of Shariah Committee of the Bank. He has been re-appointed as a member of the Bank's Shariah Committee since 30 November 2009. He was also a member of the Shariah Committee of Security Commission and is currently a Shariah Committee of ASDI Unit Trust Terengganu, Apex Unit Trust and Reit Johor.

## 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 studies in a 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 Ph.D at Universiti Sains Malaysia

(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 on Fatwa, Islamic Law and Islamic Jurisprudence. He has 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 has served as a member of Fatwa Committee for Negeri Sembilan state and the Chairman for Shariah Committee in World Fatwa Management and Research Institute (INFAD) at USIM. He also frequently appears on local television and radio, lecturing on various Islamic fields.

## Dr Wan Marhaini Wan Ahmad

Dr Wan Marhaini Wan Ahmad is currently a lecturer at the Finance and Banking Department, University of Malaya, since 2002. She completed her doctorate in Zakat Investment at the University of Edinburgh, United Kingdom in 2012. She received a Master Degree in Economics from International Islamic University of Malaysia in 2002 and has a degree in Shariah from the Academy of Islamic Studies University of Malaya in 1996. Her research interest lies in the area of Fiqh Muamalat, Islamic Economics, Islamic Finance and Banking. At the University of Malaya, she taught both Islamic and conventional economics and finance for both undergraduate and Masters programmes (MBA and MM). Currently, she teaches principles of Islamic economics and Islamic finance as well as the applications of modern Islamic banking, takaful and Islamic capital market. Prior to joining the Bank, she served as a Shariah Committee member for EONCAP Islamic Bank Berhad from April until November 2011.



### Front (From Left to Right)

Ustaz Azizi Che Seman, Ustaz Engku Ahmad Fadzil Engku Ali,  
Dr Zulkifli Mohamad Al-Bakri, Dr Wan Marhaini Wan Ahmad

### Back (From Left to right)

Assoc Prof Dr Mohamad Sabri Haron, Dr Ab Halim Muhammad

# Terms of Reference

## OBJECTIVE/PURPOSE

These Terms of References were prepared to inform and notify the appointed Shariah Committee on all relevant matters pertaining their duties, process and procedure.

## AUTHORITY

These Terms of Reference are governed by the Central Bank Act 2009, Islamic Financial Services Act 2013 (IFSA) and the Shariah Governance Framework for Islamic Financial Institution (including any amendment that will be made from time to time)(Laws and Regulations).

## DUTIES, RESPONSIBILITIES & ACCOUNTABILITY OF THE SHARIAH COMMITTEE

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, they are responsible and accountable for all Shariah decisions, opinions and views provided by them.
2. **Advise the Board of Directors (the Board) and the Bank including its subsidiaries**  
The Shariah Committee is expected to advise the Board and 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) 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. Requesting 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 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 make reference 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 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 the Bank internal information and shall be responsible for the safe guarding of confidential information. The Shariah Committee 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.

# Statement

## From Chairman of Shariah Committee



“In line with its vision to become the preferred Islamic financial services provider, the Bank has set distinguished examples in the industry as one of the leading Islamic banks. The Shariah Committee’s and the Bank’s adherence to the Shariah Governance Framework for Islamic Financial Institutions (SGF) issued by Bank Negara Malaysia (BNM) has placed us among the best Islamic Financial institution (IFI) in terms of Shariah governance. The Bank has exemplified initiatives in promoting Shariah not only in the domain of its product offerings but also encompassing all aspects in the organisation.”

As the Shariah Committee of the Bank, we have given our utmost dedication to quality and demonstrated our commitment to ensure Shariah compliance in the products, process, documentations, marketing, IT systems and other related matters. With the assistance of other SGF organs within the Bank, we believe that we have played our role to oversee Shariah matters related to the Bank’s business operations and activities. Besides regular banking businesses, the Committee also support the development of other Shariah based products and services initiated by the Bank namely *wakaf*, *rahn*, *zakat* and *qardh* to fulfill the need of the Ummah at large.

We would like to extend our warmest congratulations to the Board of Directors and the Management for their genuine concern and strong passion to ensure not only the productivity and profitability of the Bank, but also to assure the commandments and requirements of Shariah are properly observed and adhered to. Indeed, we are very thankful and proud of the cooperation received, especially from the Management and generally from the staffs, in providing the Shariah Committee with adequate information and materials in ensuring our deliberations on each issue may be resolved accordingly.

It is highly hoped and reasonably anticipated that this Bank becomes profitable and successful in business while upholding the Shariah implementations and applications 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

Wassalam

**Ustaz Azizi Che Seman**  
Chairman, Shariah Committee

# Senior Management

*From Right to Left*

Dato' Haji Mohd Redza Shah Abdul Wahid ,  
Musa Abdul Malek, Mohd Asri Awang,  
Haji Ismail Ibrahim, PeerMohamed Ibramsha,  
Dato' Hj Salamat Haji Wahit and Lim Teck Gam



# Profile of Senior Management

## Musa Abdul Malek

Deputy Chief Executive Officer

Musa joined the Bank as 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, he oversees the Business Banking, Consumer Banking, Product Development and Management and also assist the Chief Executive Officer on other banking matters.

Musa brings with him a wealth of experience of more than 31 years in the Banking industry. Prior to joining the Bank, Musa held 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

Chief Risk Officer

Asri is currently the Chief Risk Officer with direct oversight of Risk Management and Credit Assessment Departments and the Regional Approving Center which is the central approving unit for all consumer financing. He also serves as a member of the Management Committee, Executive Risk Management Committee, Investment Committee, IT Steering Committee and ALCO. He sits on the board of Muamalat Invest Sdn Bhd and Muamalat Venture Sdn Bhd, the asset management and venture capital subsidiaries of the Bank.

Asri's previous appointments include being the Chief Executive Officer of Malaysian Rating Corporation, a domestic rating agency; Head of Corporate Planning and Business Development of Amanah-MIDF Berhad; Country Treasurer of the then Chase Manhattan Bank Malaysia; General Manager of Treasury and Southern Region of BSN Commercial Bank and Chief Executive Officer of Kewangan Bersatu Berhad, a finance company.

He is an Economics graduate from Macquarie University, Sydney.

## Haji Ismail Ibrahim

Executive Vice President, Operations

Haji Ismail Ibrahim joined the Bank as Executive Vice President, CEO's Office in April 2012 and was subsequently redesignated to Executive Vice President, Operations on 1 February 2013 with direct oversight of Business Process & Transformation, Credit Operation, Document Management, Compliance and Treasury Processing & Settlement Departments.

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 operation.

## PeerMohamed Ibramsha

Executive Vice President, Finance

PeerMohamed Ibramsha currently serves as Executive Vice President, Finance Division. His current portfolio covers Finance, Information Communication & Technology, Project Management, Legal and Administration & Services. He holds a Bachelor Degree in Accountancy and is also a member of Malaysian Institute of Accountant and a Fellow Certified Practising Accountant (FCPA) with CPA Australia. He has been with the Bank since November 2008. Prior to this, he was the Chief Financial Office (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

Executive Vice President, Credit Management

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. 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, he 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.

## Dato' Haji Salamat Haji Wahit

Executive Vice President, Strategic Liaison

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

As a member of the Bank's Management Committee, he is involved in the management decision making. He also liaises with the relevant public and private sectors to develop businesses and form strategic alliances in pursuit of enhancing the Bank's performance.

Dato' Hj Salamat brings with him a total of 32 years of working experience, 13 years in the public sector and 19 years in the private sector. Prior to his secondment to the Bank, he was the Head, Institutional Liaison & Business Development for DRB-HICOM Berhad Group. Prior to that he was the Chief Executive Officer, PUSPAKOM Sdn Bhd.

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



“He is not one of us who does not show affection to our young ones, nor respect to our elders” [At-Timidhi].



respect  
drives trust

# Chairman's Statement

**TAN SRI DATO' DR MOHD MUNIR ABDUL MAJID**  
Chairman



Dear Fellow Stakeholders,



It is my pleasure to make the Chairman's Statement for the financial year ending 31 March 2013 which saw the Bank achieved the best result since its establishment in 1999. While this is clearly something to be proud of, we must not get carried away. The operating environment is challenging. There remain internal changes that must be effected. Let what has been achieved be a stepping stone, even a giant stride, towards sustained success.



## OPERATING ENVIRONMENT

Last year was another challenging year for global economic growth with the European sovereign debt crisis largely unresolved whilst the US economy continued its tepid growth. The Asian economies, on the other hand, exhibited a general resilience despite signs of moderation in China. The first few months of 2013 were a little more encouraging when the potential disruption to the US economy from the so-called fiscal cliff was avoided while financial stresses in the euro area have somewhat eased. But China has continued to demonstrate relative uncertainty in its growth prospects amid recent reports of slower growth in industrial production and retail sales.

Despite weak global economic growth, the Malaysian economy continued to expand moderately, supported by resilient domestic demand, with the national gross domestic product recording a higher growth of 5.6% compared to 5.1% in 2011. Inflation remained low at 1.6% while the overnight policy rate stayed at 3.0%, unchanged since April 2011, reflecting continued accommodative monetary policy.

The overall health of the Malaysian banking industry also remained largely intact, driven by strong capital and liquidity buffers, high level of private and domestic demand and low inflation. However, the flattening of the yield curve over the period has inevitably made managing the income spread for banks even more challenging as they compete for deposits as well as financings.

The Islamic financial sector however continued to record a robust growth trend. Total assets in the Islamic banking sector (including DFIs) grew by 13.8% to RM494.6 billion to account for 24.0% of the total banking system as at end 2012. Total financing recorded a sterling growth of 17.4%, contributing 25.8% to the total banking system loans and financing. Asset quality improved as net impaired financing ratio was at 1.2%, compared to 1.6% at the end of 2011.

## PERFORMANCE REVIEW

In line with the overall encouraging performance of the Islamic financial sector, the Bank recorded a stellar performance, achieving a historical high in profitability. The result reflected the conscientious effort of the management and staff to improve the Bank's competitiveness in the industry, and their continued commitment to its longer term aspiration to become the preferred Islamic financial services provider.



**"As at 31 March 2013, the Bank recorded RM236.0 million in Profit Before Tax (PBT) and RM167.9 million in Net Profit, the highest levels in its 13 year history. The PBT and Net Profit as at March 2013 were 129% and 143% higher respectively as compared to March 2012."**

Underpinning the encouraging performance was the increase in total revenue which grew by 11.8% to RM999.3 million contributed mainly by significant increases in financing and fee income as well as by much lower allowances for impairment on financing, the latter reflecting the booking of better quality assets.

Financing income grew by a sturdy 18.2% to RM616.5 million while fee income recorded a stronger annual growth of 27.5% to RM94.7 million. The Bank's notable improvement in fee based income was driven mainly from the continued focus on its capital market activities and the newly developed Ar-Rahnu business and wealth management services. At the same time, the latest result also witnessed significant overall improvements in recovery efforts in which the Bank registered a RM20.2 million writeback as compared to a net impairment loss of RM52.7 million in the last financial year.

The total assets of the Bank grew in tandem by 2.8% to RM21.1 billion as at March 2013. The growth was achieved mainly through the expansion of the Bank's financing base

that climbed from RM9.5 billion to RM10.6 billion, with consumer financing being the major contributor. Equally significant, the gross impaired financing ratio narrowed further to 2.5% compared to 4.7% as at March 2012. This performance is a clear testimony of our effective recovery efforts as well as of improved underwriting standards. Total deposits grew by a moderate 3.3% to RM18.74 billion whilst our savings deposit registered a growth of 17.3% to RM967.2 million.

In terms of capital adequacy measures, the Bank's key capital ratios remained healthy, with the core capital ratio at 14.7% and risk weighted capital ratio at 19.2%, both of which were above the industry averages of 11.0% and 13.5% respectively.

## PROGRESS AND CHALLENGES

The Bank's business plan for the financial year 2013 was largely driven by the newly established Risk Appetite Statement (RAS) which had been approved by the Board in early 2012. Given the uncertain economic environment which prevailed in the previous financial year, the Bank developed a moderate expansionary strategy but placed greater emphasis on preserving an optimal portfolio of core businesses, improving asset quality, maintaining sufficient liquidity and further strengthening our operational efficiency and productivity.

The relatively flat yield curve and the prevailing thin margins for most banking products remained the biggest business challenge for our financing and investment decision making. Despite the competitive pressures, we managed to show strong growth in the key segments of our consumer products namely in housing and personal financing, and preserve income margins through differential pricing strategies and relationship building. The car financing segment however remained highly competitive and price sensitive; hence we had deliberately taken a more moderate growth stance.

## Chairman's Statement

Business banking posed an even more daunting challenge. Driven by high market liquidity and intense competition which pushed income margins to at times unrealistic levels, acquisition and retention of customers' financing proved to be a challenging endeavor.

Of note is the continued emphasis on our deposit strategy. Recognising the inherent structural imbalance in our asset and liability profile, even if typical of most banks, which affects our Economic Value of Equity (EVE), we have recently mounted an aggressive strategy to improve our stable deposits and address the over-reliance on wholesale deposits. A new retail deposit acquisition campaign was recently launched nationwide and new products for the SME sector are being planned to help expand our retail SME current account deposits.

With improving credit and risk awareness culture, we have become very protective of our asset quality. To this end we had, during the financial year, reviewed and tightened the credit underwriting standards and introduced new credit rating scorecards for consumer and retail business financing. Following the launch of the new credit rating system for corporate and commercial business in November 2011, four new scorecards have been introduced in March 2013, specifically for home, vehicle, personal and retail SME financing. The marked improvement in our asset quality is clearly evident at both the total bank and portfolio levels and we will maintain a tight lid on our underwriting standards and credit management process.

The Bank's internal capital adequacy assessment process (ICAAP), developed in line with the prescribed regulatory requirements and best market practices, defines the framework for capital management and adequacy assessment, material risk assessment, risk appetite and use of capital. The ICAAP document was completed on time in March 2013 for submission to Bank Negara Malaysia.

Subsequent to the submission, we have engaged an external consultant to conduct an independent review of the Bank's ICAAP methodologies and document. Under the new Basel III regime, we expect a more rigorous regulatory oversight and supervisory review process which will necessitate continuous improvements in our key risk management practices, operational processes and controls, and improved system delivery and security.

The Board has also authorised the implementation of a new core banking system as well as peripheral Treasury, Trade Finance and Risk Management systems beginning December 2012. The entire project is expected to be fully functional and rolled out before the end of calendar year 2014. Our initiatives under the Six Sigma and Continuous Improvements programmes have generated significant cost savings and tangible improvements in our operations and work processes. In due acknowledgement of our efforts to address the risk and operational issues faced by the bank, we were greatly comforted by the improved recognition of our risk rating accorded by BNM during the first quarter of 2013.

In line with the Bank's aspiration to increase contribution from fee based business, the Bank has further expanded its Ar-Rahnu (Islamic pawn broking) business and strengthened its Wealth Management, Bancatakaful and Investment Banking services. Ar-Rahnu services are now available at ten(10) branches across the country. After further improvement to our process and system, we plan to expand the services to other branches as well. The Wealth Management team has witnessed the entry of more experienced personnel and we expect to see the roll out of a range of wealth management and bancatakaful products during the new financial year. The Bank has also been awarded a licence to operate a Bureau de Change (BDC) at the new KLIA II Terminal. The operation of the BDC will help to contribute meaningfully to our fee income portfolio.



## Chairman's Statement



On 27 September 2012, in strategic collaboration with Perbadanan Wakaf Selangor, the Bank launched a new service, Wakaf Selangor Muamalat which will allow the public the convenience to contribute to the waqaf fund through our network of branches. The Wakaf Selangor Muamalat will enable our customers the choice of investment that will be channeled for a noble cause. To kick off the fund, the Bank made a maiden contribution of RM1.0 million.

On the asset management side, a new Chief Executive Officer for Muamalat Invest Sdn Bhd (MISB) has been appointed to strengthen its organisational structure and chart a new strategy. MISB is a wholly owned subsidiary of the Bank and a full-fledged Islamic fund management company servicing institutional and retail customers. In January 2013, MISB successfully launched its first wholesale fund Dana Al-Ikhwan."

### PROSPECTS 2013-2014

Amid the challenging external environment, the Malaysian economy is projected to grow at a steady but moderate pace of 5-6% in 2013, slightly higher than last year's 4-5% forecast. Economic activity will be supported by the continued relative resilience in domestic demand and private investment. Headline inflation is expected to average around 2-3% in 2013 following expectation of a moderation in global commodity prices and modest domestic growth. The domestic banking sector, including Islamic banking, is expected to register a similar growth pattern as last year. We anticipate the ongoing initiatives under the Economic Transformation Programme and the Government's expansionary policies coupled with ample market liquidity to continue to support credit growth.

As much as we anticipate continued competitive pressures and narrow margins, we nonetheless foresee strong growth prospects in our consumer segments of housing and personal financing. Business financing

will see a differentiated and selective growth strategy in preferred growth sectors and those which are less vulnerable to an economic downturn. A major thrust for the Bank is to further develop and strengthen fee income activities. Wealth Management, Bancatakaful, Asset Management, Ar-Rahnu and Investment Banking services offer compelling prospects for the bank to enhance its non-funded income and will definitely be areas of our strategic focus.

At the same time, our investments in operational, system and risk management initiatives will continue unabated. The new core banking system and its peripheral application systems will augment our operational efficiency, data quality and analytical output and further improve timeliness in management reporting system.

Our new deposit drive at both consumer and retail SME levels as well as the intended diversification in our liability management are expected to address, to a significant extent, the apparent imbalance and concentration risk of our funding profile. With a forward looking yet conservative risk appetite and cost discipline, we are confident that continued progress in terms of quality financing growth, increased fee based income, more diversified funding profile and prudent risk management practices can be attained.

### ACKNOWLEDGEMENT

In July and August 2012 respectively, Tan Sri Dato' Sri Haji Mohd Khamil Jamil and Dato' Lukman Ibrahim retired from our Board. We benefited from their leadership, judgement, and experience, and would like to acknowledge and thank them for their contribution.

My warmest welcome goes to Dato' Sri Che Khalib Mohamad Noh and Dato' Mohamed Hazlan Mohamed Hussain who joined the Board as Non-Independent Non-Executive Directors on 27 August 2012. Both directors bring with them vast knowledge and experience.

I would like to acknowledge the management and members of staff for their unstinting commitment and continuous support towards achieving the Bank's goals.

My sincere gratitude goes to my fellow board members, for their valuable time, guidance and dedication in working to ensure the continued and sustained success of the Bank.

My heartfelt appreciation also goes to our valuable customers who remain supportive and confident of our ability to serve them and also to our shareholders for their support of the measured strategic and risk based approach that we adopted throughout our journey in 2012/13. We look forward to working with them even more closely in the coming year.

Finally, I would like to extend my gratitude to the relevant authorities for providing the necessary assistance and guidance, particularly Bank Negara Malaysia, the Securities Commission and the Ministry of Finance.

Yours Sincerely,

**Tan Sri Dato' Dr Mohd Munir Abdul Majid**



“Anas ibn Malik reported: The Messenger of Allah, peace and blessings be upon him, said, “The faith of a servant is not upright until his heart is upright, and his heart is not upright until his tongue is upright. A man will not enter Paradise if his neighbor is not secure from his evil.”

*Source: Musnad Ahmad 12636*



Integrity  
drives reliability

# Business Banking

Business Banking started off cautiously into the financial year in view of the economic uncertainty. Momentum, however, picked up towards the end of the fifth month where financing approvals increased substantially.

## FINANCING ACTIVITIES

During the year, the assets quality has been further strengthened. Those high risk accounts were being gradually phased out and new financing from good names were brought in. There was a substantial write-off of Non-Performing Financing (NPF) which has brought down the NPF rate by half.

The above, coupled with some recovery from legacy accounts had contributed to Business Banking its record high Profit Before Tax (PBT) increasing by almost three folds. The commercial portfolio had performed extremely well with less provisioning as compared to the previous year.

During the year, Business Banking had lead-arranged a RM525 million syndicated Islamic facility for Tradewind (M) Berhad. Business Banking also co-arranged with other financial institutions a RM458.3 million syndicated Islamic financing for Peninsular Medical Sdn Bhd. which was the first Islamic syndicated facility under the Private Financing Initiative (PFI) arrangement.



The Bumiputra small and medium size businesses scheme through the collaboration with the Majlis Amanah Rakyat (MARA) under the scheme *Skim Jaminan Usahawan MARA* has continued to show good response. Business Banking together with MARA, will continue to promote this scheme to ensure the fund allocated is fully utilised.

Premised on the advice of the authority, Business Banking has ceased the financings that have the element of *Inah*, namely *Istisna'* and the *Murabahah* Revolving Facility. These financings have been replaced by the financing under the concept of *Tawarruq* which is permissible under Shariah.

## MOVING FORWARD

For the new financial year, Business Banking will embark on targeting commercial banking customers which will provide better yield. To improve delivery, Business Banking is in the process of coming up with new products to cater for the needs and to better serve the customers.

# Consumer Banking

## CONSUMER BANKING: CONTINUE TO GROW

Consumer Banking has consistently maintained outstanding financing performance over the past five years despite the continuously challenging economic environment. The uptrend performance gross financings outstanding grew by 30% (RM1.63 billion) to RM7.02 billion for FY2013. Mortgages and Personal Financing remained the key contributors, making up 85% of the total consumer financing portfolio. The financing portfolio expanded without compromising credit standards by having in place a rigorous credit risk management infrastructure, risk based pricing and stringent policies at various stages of financing assessments from financing origination to financing approval. This resulted in a 33% improvement in the gross impaired financing ratio, bringing the ratio to 2%.

Core Deposits grew by 19% with focus and effort skewed towards building a long term core customer deposit base to meet the Bank's funding requirements. CASA (Current Account and Savings Account) deposits grew 1.3% (48.6 million), increasing the portfolio to RM3.77 billion with a 23.6% CASA ratio.

The year under review saw the Consumer Banking putting in place key initiatives to further focus on the sustainable growth with an aggressive financial footing. We continue to have a dedicated approach in providing a distinctively superior customer experience. We have undertaken a strategic transformation, anchored on three strategic areas i.e. Business, Operations and Technology with the below details:

### Business Transformation

Design, develop and incubate a sustainable customer-centric retail bank with new fundamental capabilities in becoming one of the main competitive players for target segments by providing a distinctively superior customer experience.

### Operational Transformation

Centralise common processes and operational support functions into an optimised single platform for efficiency, continuous improvement and economies of scale, leveraging on capabilities and best practices.

### Technology Transformation

Enhance core systems to seamlessly connect all our operations to improve turnaround times and support long term sustainable business growth.

The robust sales growth, which was attributed to an aggressive sales and distribution strategy, have caused an uptrend in the Consumer Banking's new acquisition of financing. During the year Consumer Banking saw continued financing growth of 30% (year-on-year) was buoyed by a good take up of Personal Financing with remarkable growth by 50%, Mortgage of 21% and Auto financing of 12% compared to the corresponding period last year.

Total Mortgage Financing continued to hold momentum. As at FY2013, total assets of Mortgage financing grew by more than 21% and it accounted for 47% of the Consumer Banking's gross financing.

To meet increased customers' needs as well as to retain and grow the customer base for the Mortgage portfolio, Consumer Banking explored and worked with other business units and partners to introduce more product bundling in a move to ensure that it stays competitive.

A strategic re-balancing of Consumer Banking's assets portfolio saw Personal Financings earmarked as one of the new growth engines. Personal Financings portfolio grew 50% from last financial year.

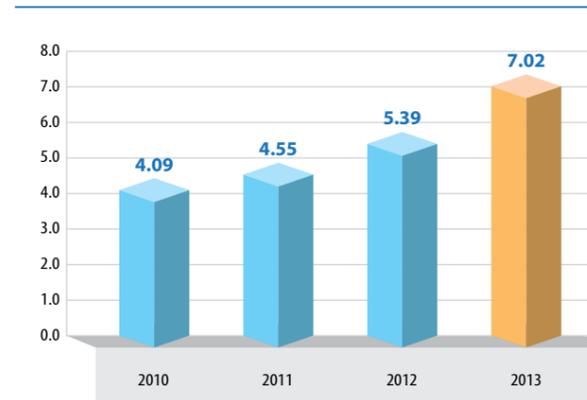
The balance sheet growth, coupled with the improved margin saw Personal Financings doubled more than its year-on-year revenue, contributing 38% to the total Consumer Banking portfolio.

Despite of the high risk financing products, the current NPF position at 0.6% is still lower than the industry benchmark of 2% due to stringent credit monitoring activities. The increased regulatory burden placed on financial institutions presented further challenges in an intensely competitive business environment.

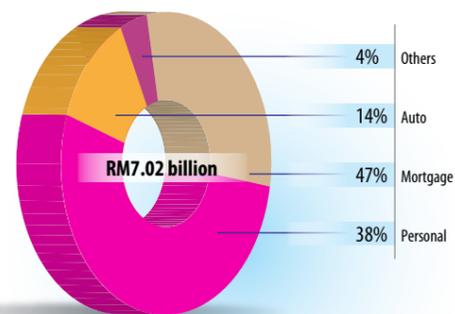
Our focus on Auto Financing saw several key initiatives being undertaken in the FY2013 to improve portfolio quality and build stronger sales and risk capability. Today,

## FINANCING PERFORMANCE

TOTAL FINANCING ASSET TREND (RM billion)



FINANCING COMPOSITION As At FY2013



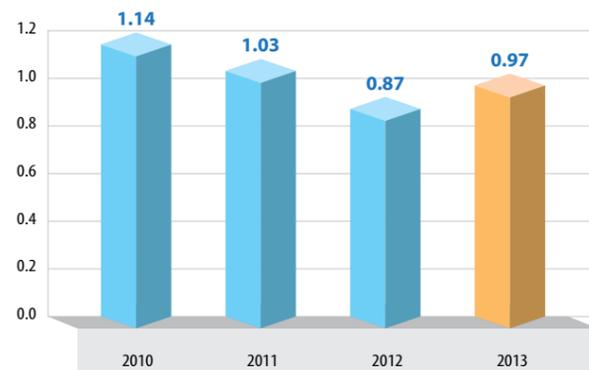
**MORTGAGE TREND**  
(RM billion)



**PERSONAL FINANCING TREND**  
(RM billion)



**AUTO FINANCING TREND**  
(RM billion)



Auto Financing has placed a more structured approval and credit policy with clearly-defined parameters. Auto Financing achieved a net growth of 12% in the FY2013 despite a 16% drop in total new car sales in FY2012.

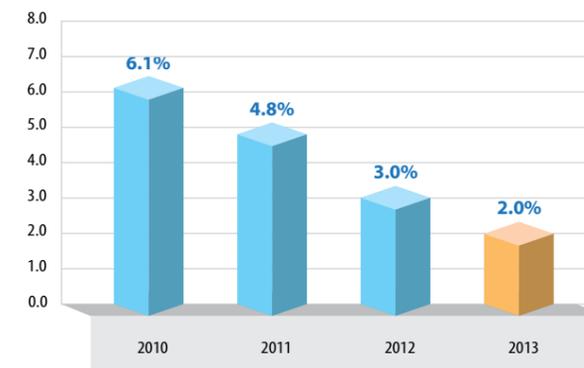
In maintaining its credit prudence, the Consumer Banking is committed to expand its financing portfolio without sacrificing credit standards, which could compromise the asset quality of the Bank's balance sheet by placing a rigorous credit risk management infrastructure and through stringent policies at various stages of assessing financing from origination to financing approval. In addition, Consumer Banking is vigilant and proactive in identifying potential impaired financing. Significant resources is put in to identify and monitor such financing accounts, as well as taking proactive recovery efforts by actively interacting with customers to advise, restructure, reschedule or rehabilitate distressed financings.

Financing loss coverage strengthened further to 126% while our gross impaired financing ratio improved to 2%; meeting the banking system average. The Bank will continue to uphold our philosophy of having strong credit disciplines in running Consumer Banking business.

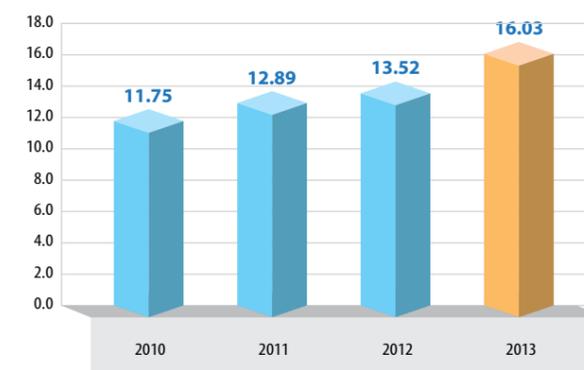
**DEPOSIT PERFORMANCE**

The increase in financing assets was supported by a strengthened liability program which recorded considerable improvements in deposit level. The deposits that stood at RM13.52 billion as at FY2012 grew by 19% to RM16.03 billion as at FY2013. The past year recorded more than RM2 billion incremental deposits for the full year and 85,169 new current and savings accounts. This record of continued year-on-year growth of 14% was attributed to the brand strength and realisation of synergy through Personal Financing product and driven by continuous product and campaign offerings i.e. OH YEAH Deposit Campaign. The result is an affirmation of the strong support of the community towards the Bank as a trusted bank.

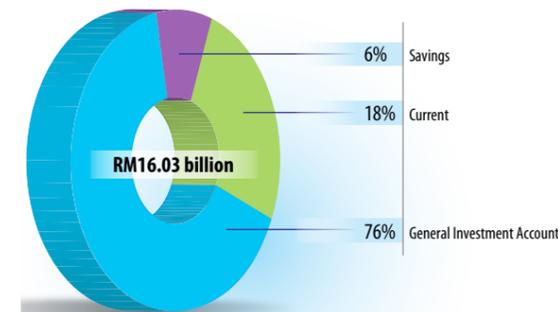
**OVERALL NPF RATIO TREND**  
(%)



**CORE DEPOSIT TREND**  
(RM billion)



**CORE DEPOSIT COMPOSITION**  
As At FY2013



## DISTRIBUTION CHANNELS

In line with the re-positioning strategy, the Bank further strengthened, rationalised and diversified the distribution channels to improve operational and processes efficiencies and customer service to meet differentiated customers' expectations. The transformation and aggressive growth in distribution channels saw positive results in all product segments in the financial year under review. Higher sales of 1.5 to 3 folds were achieved across all businesses - Mortgage, Personal Financing, Auto and BancaTakaful which continued to hold momentum.

The Bank adopted an aggressive branch repositioning strategy which covers re-locating, re-modeling and re-branding its branch network nationwide underscoring the Bank's long-term competitiveness and market relevance. Since 2010, the Bank had opened six (6) new branches, re-located fifteen (15) existing branches to new market centres and ten (10) branches underwent expansion and upgrading of their premises and services to better serve the community. The Bank will continue to position flagship and key large branches to provide personalised and efficient services to the customers. The Bank is committed to a continued investment in, and expansion of, the branch network.

Moving in sync with the industry distribution trends, the Bank also established a Sales Kiosk channel to fuel customer acquisition at lower cost of sales to support the Bank's long-term business growth. The Sales Kiosk channel will complement current branch outlet by availing new customers for branches to build relationships and cross-selling products according to individual needs; creating a platform to deliver an enhanced customer experience.

Significant investments were made in Self-Service Terminal (SST) channels and Internet Banking, in recognition of technological advancements, changing lifestyles and increased customers' demands. The number of customers who are more receptive to electronic self-service banking, including Internet services, has increased. Total transactions for electronic SST channels recorded a

net increase of 9.1 million transactions from last year. SST were also installed in high-traffic vicinities, including malls, petrol station to better serve customers. Going forward, all SST electronic channels will be 24/7 service enabled and expanded.

## MOVING FORWARD: SUSTAINABLE GROWTH IN CHALLENGING ECONOMICS

The current economic and monetary policy challenges were moving fast. Asia, in particular South-East Asia continues to benefit from strong economic growth and market momentum on the back of robust economic fundamentals and sound policy management. In Malaysia, the country will continue to see a steady pace of growth in the next year, led by increase in investments and resilient domestic consumption.

However, the banking industry will remain challenging with increased regulations and intense competition from excess liquidity in the system and entry of new competitors. For us at Bank Muamalat, our transformation journey continues. Having laid the foundational blocks for synergies of our integration, the Bank will continue to re-engineer ourselves as a "Customer Centric Bank" while scaling efficiencies as well as pursuing value creations in support of the country's economic transformation and expand our branch footprints. The Bank remains focused and committed to building strong, long-term relationships with our customers, delivering sustainable returns and value to all our stakeholders and staying agile, nimble and relevant to take the Consumer Banking of the Bank to the next level.

The growth in all these business lines augurs well to position us for a stronger financial year ahead. Moving forward, we will continue to leverage on our strengths and capabilities to build a sustainable consumer business in the face of market challenges. The pillars consist of the following tenets:

- 1) **Community Presence**  
Our foremost priority is to transform our branch network to become a differentiating marketing and distribution capability for the Bank and a pillar of our relationship with customers and the community.
- 2) **Multiple Distribution and Reach**  
Sales Kiosk also efficiently serves its diverse customer base through multiple distribution channels and touch points sales force, call centre and Telemarketing centre selling multiple products, direct marketing and internet banking services.
- 3) **Consumer-Centric and Innovative Products**  
The emphasis remains focused on developing a broad spectrum of relevant and innovative consumer driven product offerings and quality customer service levels.
- 4) **Expanding Ar Rahnun Business**  
The Bank is optimistic that the business will become a significant contributor to the Consumer Banking's annual turnover. A niche strategy could prove to be successful as Ar Rahnun provides an alternative to easy financing for small communities. The Bank also believes that non-Muslims were attracted to Ar Rahnun's relatively low safe-keeping fee and reasonable payback period while finding it trustworthy in handling pawned items.
- 5) **Introducing Bureau De Change (BDC)**  
The Bank is in the midst of introducing our first Bureau De Change (BDC) to serve new communities and townships at the new economic growth area; KLIA 2 Departure Terminal. Foreign currency exchange is often seen as a necessary part of international travel.

The Bank's Ar-Rahnun Scheme had significantly grown, with RM82.2 million increase as at FY2013 compared to the previous year while the current market penetration of Islamic pawnbroking in the country was still less than 50%. In Industry level, the cumulative financing for the Ar-Rahnun market totalled RM5.4 billion to date, with more than 4.3 million people benefited from this business.



**6) Expansion of Wealth Management**

To strengthen BancaTakaful business and gain competitiveness as a market player, the Bank revamped and expanded BancaTakaful product suite to meet the distinct protection needs of our customers at different life stages. The full spectrum of BancaTakaful products covers the health, investment, education and savings needs of Malaysians of all age group - children, students, young adults, parents, retirees and the elderly. The business will also be driven along a customer segmentation approach, focusing on key target segments. Aggressive customer acquisition campaigns will be implemented to increase market share in the high net worth segment. The Bank remains cautiously optimistic to strengthen its wealth management business to fully capitalise on the Bank's rich base of Commercial, Corporate and Investment Banking customers, in line with the strategic objective to grow income.

In widening the range of saving and investment options to customers beyond conventional deposit products, the Bank intends to actively market alternative savings products by rolling out new product development, marketing and sales incentive. The Bank has also planned to launch structured investment products over the years and will continue to introduce such products in the future.

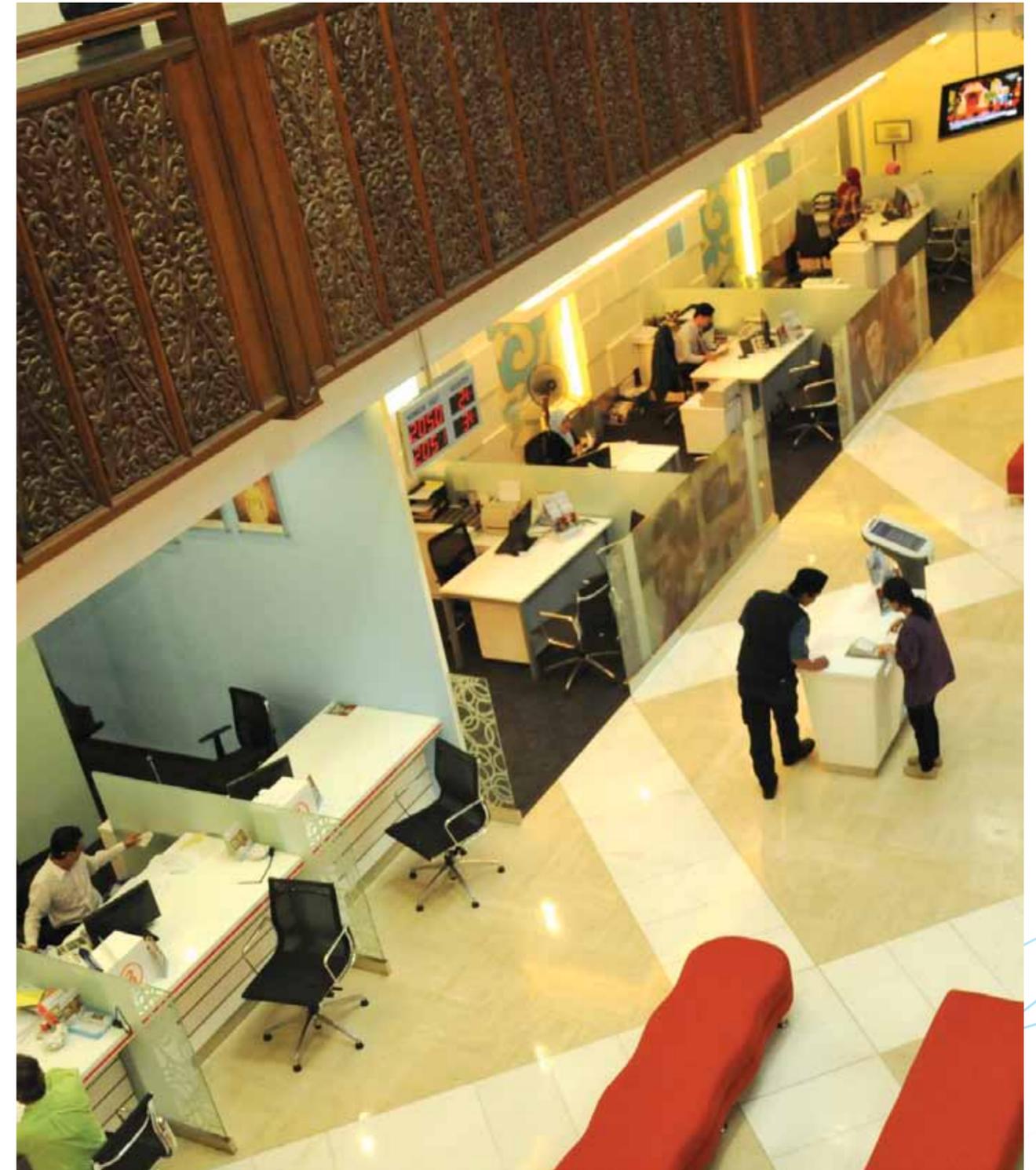
**7) Strategic Customer Management**

The strategic priorities is to create more value for customers for higher total returns on each relationship as well as to further enhance the quality of our people, service delivery on the ground and credit culture embedment. Moving ahead, we are confident that the enhancement of "share of wallet" we have put in place this year will provide positive revenue leverage for the coming financial year as we continue on our journey to be a sustainable value generator for our customers. Indeed, it had

set the platform for a sustainable and continued profitable growth in the Consumer Banking performance. Increasing the share of a customer's wallet, a company receives is often a cheaper way of boosting revenue than increasing market share. Increasing share of wallet can be done by adding new products or services that a firm will offer to existing customers. This can also be done by cross-selling services within the same company. By cross-selling within the Bank they can increase their share of the customer's wallet.

The Bank strives to deliver quality and innovative products and services that add enduring value to manage the experiences of customers through a unified approach along with the execution of standardised and systematic processes in providing financial advisory and financial planning service to government servant, army and other public institutions to facilitate 'cross-buying'.

Despite the best practices, back-end support and infrastructure has been strengthened and streamlined, customer retention is more than giving the customer what they expect. It's about exceeding their expectations so that they become loyal advocates for our brand. Our tactically-driven approach and focus on customer behavior creates a positive reputation within and across all our products and services.



# Treasury and Capital Markets

Treasury and Capital Markets Department (Treasury) gave an admirable performance this year with all trading income targets being exceeded. However, the thinning profit margin posed an immense challenge in terms of fund-based income.

## FIXED INCOME TRADING AND INVESTMENT

Treasury kicked off the year by completing a bond redemption exercise followed by some profit-taking on selected securities in line with the initial expectation of a rate hike in the second half of 2012. However, with Europe and US struggling to keep above water, the Malaysian market experienced a yield compression instead. This narrowed our opportunity to aggressively collect more papers but on a positive note, it increased the value of our holding.

We have managed to build our books up to RM6.90 billion in cost (as at March 2013) from RM6.06 billion (April 2012) with a total of RM1.34 billion worth of securities maturing throughout the year. Thus, we have collected more than RM2.0 billion of securities in financial year 2012/2013.

## MONEY MARKET

The market has remained competitive in terms of rates, whereby corporate rates are still exceeding Interbank rates but this has softened in the last quarter of our financial year with the relaxation of the Basel III Liquidity compliance dateline.

## FX MANAGEMENT AND FX SALES

We are fully committed to providing the best services to our valued clients. Continuous improvements are being made to enhance the quality of services provided and delivered including expanding our team in our effort to grow the pool of clients exponentially.



## WHAT'S IN STORE FROM TREASURY FOR NEXT FINANCIAL YEAR....

Our traders will be vigilant and cautious this year to ride the volatile movement of the fixed income and currency markets. With the thinning net profit margin and flat yield curve, Treasury is looking at slightly increasing our duration to enhance our yield pick-up.

On another note, Treasury is also embarking on an aggressive client acquisition exercise, targeting customers and corporate clients outside Klang Valley.

## Investment Banking

Our Investment Banking practice continues to grow amidst a challenging capital market environment as we aspire to become the leading Islamic Investment Banking house in Malaysia.

For the year, the Bank participated as underwriter for two (2) of the world's largest and landmark IPO deals namely the RM10.5 billion Felda Global Ventures Berhad and RM6.7 billion IHH Healthcare Berhad listings. The Bank also acted as underwriter in the successful listing of Gas Malaysia Berhad in June 2012.

In the debt capital market, we pioneered the first Islamic private finance initiative syndication financing for the development of a teaching hospital to raise up to RM460 million. We have also successfully arranged and managed the inaugural issuance of RM300 million unrated Sukuk Programme by Columbia Asia Sdn Bhd, a rapidly expanding hospital operator in the Asia's healthcare industry. To cap an exciting year, the Bank was the Joint Lead Manager in the RM3.29 billion Sukuk Murabahah issued by Tanjung Bin Energy Issuer Sdn Bhd.

Going forward, the Investment Banking Department is poised to increase its contribution to the Bank's financial performance.



## Human Capital

The focus for the next two (2) years in Human Capital is Human Development because people are our greatest asset and through people we bring the Bank to greater heights.

Strengthening operational efficiency and developing human capability continue to be the focus to ensure competitiveness in the Industry. Hence, it is crucial that we continue our commitment to invest in human capital development and several key initiatives were undertaken throughout the last financial year to ensure sustainability of talent in tandem with the growth of the Bank.

### ATTRACT AND RETAIN TALENTS

The Bank is committed to bring in talented professionals that can contribute towards revenue growth. To-date, we have more than 2000 employees nation-wide. The growing number of sales staff in Consumer Banking, Business Banking, Wealth Management and the Ar Rahn Business is pertinent due to the expansion of the business.

Efforts are also taken to ensure that effective recruitment methods and strategy are put in place to attract the right talent. We have also identified programmes to retain high performers and among others are sending several of them abroad for new exposures. Development plans are drawn for these group of employees to ensure sustainability and continuity of talent in the Bank.

### TALENT AUDIT

Human Resource (HR), with the support of the management team, has initiated the search for core talent within the Bank. To date, 203 profiles were completed using Chally Talent Profiling Tool, narrowing to five (5) job profiles. Each profile deliberates an expanded view of competencies that will quickly define areas of strengths and development opportunities by individual or by team. This is to create a corporate-wide profile of strengths to prioritise effective development initiatives, succession planning and high-potential identification.

## Human Capital

### STRENGTHENING HUMAN CAPITAL PERFORMANCE

HR continues to educate the employees through series of briefings and road shows nationwide on the management of the performance management system. Managers are trained in-depth to develop better understanding in the implementation of the performance management system.

Management also addresses its concern on non-performers through comprehensive performance coaching and mentoring programme. Managing Improvement Plan Program is now in the second year of implementation and this will allow the non-performers to improve their performance under a structured process in line with the legal parameters.

In addition to the above, a Disciplinary Matrix has been developed and introduced to the Bank nationwide. This is an extended form of managing performance & discipline, and the Head of Departments are given the mandate and are empowered to exercise the initial control at their end.

### EMPLOYEE SATISFACTION SURVEY

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

The Customer Satisfaction Index captured from the Employee Satisfaction Survey continue to be incorporated in the Corporate Key Performance Indicator (KPI) for the year. To express the seriousness of the survey, all internal service departments have to develop an improvement plan which will then be tabled to the Management Committee.

### BUILDING HUMAN CAPABILITY

At all levels of human resource development, the importance of training and development cannot be ruled out. In support of our objectives and development plans to deploy the right people as enablers of growth, we continue to promote training and development throughout the Bank in the year under review. Targets have been set for all employees to achieve an average of four (4) training days per year by attending various courses organised either internally or externally.

For financial year 2012/2013, the Bank invested RM4.0 million in training and development including internal and external training, well above the statutory requirements. Staff Training Expenditure for the Bank against total gross salary for 2012 was 3.09%. This exceeds Bank Negara Malaysia's minimum standard of 2.50%.

Over the past year, the Bank instituted the following key training for the staff development:

- Leadership Development Programme (LDP) for Heads of Department and Branch Managers
- My Job and My Pride Programme

The objective is to expose newly promoted executives with the rudiments of teamwork and able to perform their day to day job at their work place effectively.

- Certified Master Sales Professional Programme
- Financial Planning, Selling With Impact – Banca and Selling With Impact – Unit Trust Programme
- Essential Business Communication and Advanced Business Communication
- Certified Credit Professional (CCP)
- Six Sigma Yellow Belt and Green Belt Programme
- Sales Booster Training
- The Bank's compliance to Anti-Money Laundering and Anti-Terrorism Financing Act 2001 (AMLATFA) continues to be an important agenda to the Bank. We have also continued with the E-Learning on Islamic Banking and AMLATFA to complement the classroom training



The above were some of the initiatives taken in the financial year under review to better manage and develop our people in pursuit of our goal to be a world class workforce. Going forward, we will continue to progressively implement our people-development initiatives introduced in 2013/2014 as a foundation on which to develop and manage our talent pool with a focus on both leadership and functional competencies.

### SUSTAINING GOOD RELATIONS AND WORKPLACE HARMONY

During the financial year, the Bank negotiated and renewed the 1st Collective Agreement (CA) with the Sarawak State union - Kesatuan Pegawai-Pegawai Bank Sarawak (KPPBS). The CA covers all employees at executive level in Grade 11 and 12. The coverage also includes certain positions in Grade 10.

A total of 33 employees benefited from the renewed CA which took effect from 1 December 2012 until 30 November 2015. The official signing of the CA was held in Kuching, Sarawak on 15 April 2013.

## Business Process & Transformation

### 'THINK & DO BETTER'

The theme for the financial year of 2013 is 'Think & Do Better', which was launched during the Bank's Continuous Improvement Programme. The programme kicked off in October 2012 focusing on three(3) key activities or campaigns:

- WorkSmart Campaign
- 5S Workplace Organisation Initiative
- Lean Six Sigma – 'School of Wizardry'

**WorkSmart Campaign** focuses on small, "just do it" improvement initiatives within a unit, section or department that can bring hard financial savings, business opportunity or soft benefits for the team. So far, this campaign has received 80 improvement ideas, at which 39 were accepted and executed. The initiatives have generated hard savings of RM3.43 million and soft benefits equivalent to RM461,000 since its launching seven (7) months ago.

**5S Workplace Organisation** initiative was launched in the Bank with the objective to inculcate a culture of discipline and teamwork by creating a sustainable, safe and conducive working environment within the Bank. For FY2013, a total of eight (8) departments and one(1) branch were selected. Regional Approving Centre and Business Process & Transformation Department were selected to complete all three (3) phases and audited by DRB-HICOM Berhad Group. Both departments were rated 'GOLD'.



**Lean Six Sigma – 'School of Wizardry'** is an extension of Phase 2 of the Lean Six Sigma (LSS) Deployment. The focus for FY2013, is to develop trained specialists in this area, therefore training was concentrated on developing LSS Black Belt practitioners. There are currently 29 active LSS projects consisting of five (5) Black Belts and 24 Green Belts. The program focuses on four (4) categories to improve the following areas:

- Revenue Enhancement
- Operation Cycle Time
- Service Quality
- Staff Retention

88 key solutions or improvements were recommended, which upon full completion will be able to generate and estimate soft and hard financial benefits of RM1.48 billion. 213 quick fixes are being implemented or have been identified to be implemented from these initiatives.

For this financial year of 2014, the theme is '**Transformation through People, Process & Technology**' – at which will expand innovation and transformation beyond processes. It will focus on the following key areas to ensure that all improvement initiatives executed are sustainable:

- MS1900:2005, setting the base for the Bank to go for certification
- Small Rapid Change programme or Action Work Out for leaders in the Bank
- Extension of 5S Workplace Organisation to more branches
- Productivity review and assessment on each type of branch and kiosk to ensure optimisation of resources

## Enterprise Content Management

### THE ADVANCEMENT OF ECM-EDMS

The Enterprise Content Management-Electronic Document Management Services (ECM-EDMS) initiative has now progressed to a more advance phase into Business Process Management (BPM) and Form Processing Management (FPM).

The Bank's obligation towards this progression and evolution in ECM takes a step further with the focus on automation of business processes.

BPM integrates human-driven processes whereby human interactions take place in series or parallel through the use of technology with the objective of optimising and delivering quality processes while maintaining regulatory compliance.

Through the implementation of FPM, information will be digitally captured and uploaded into data fields and thereafter converted into process-enable format, ranging from small application forms to large scale forms.

In meeting the needs of clients, this holistic approach of aligning processes not only promotes business effectiveness and efficiency but also strive for innovation, flexibility and integration with latest technology.

To a great extent, the initiative minimises and reduces repetitive lengthy processes and tedious human labors, with the aim of improving delivery time and shortens decision-making processes.



## Muamalat Banking Solution

Muamalat Banking Solution (MBS) Programme is the main transformation agenda of the Bank and poised to transform the Bank into an innovative and competitive player in the financial market. It involves the replacement of the current siloed core banking systems and supporting applications with a single integrated and comprehensive suite of Shariah compliant solution. The programme kicked off on 13 December 2012 and is expected to complete in 2014.

The new solution, Silverlake Axis Integrated Islamic Banking System (SIIBS) and Sungard Treasury has the features for an adaptive platform which is secured with an advanced set of security features to ensure information confidentiality, data integrity and prevention of fraud.

The robust and single system platform solution aims to achieve:

- Streamlined business operations;
- Improve customer service satisfaction;
- Single customer view, and
- Improve product time to market.



Being the catalyst in our business transformation, MBS is set to raise productivity and improve the quality of our service delivery essentially for higher sustainable returns to our shareholders. It is as an investment to increase our technology's effectiveness and efficiency necessary to support business growth and our vision to be the preferred financial services provider.

# Customer Service

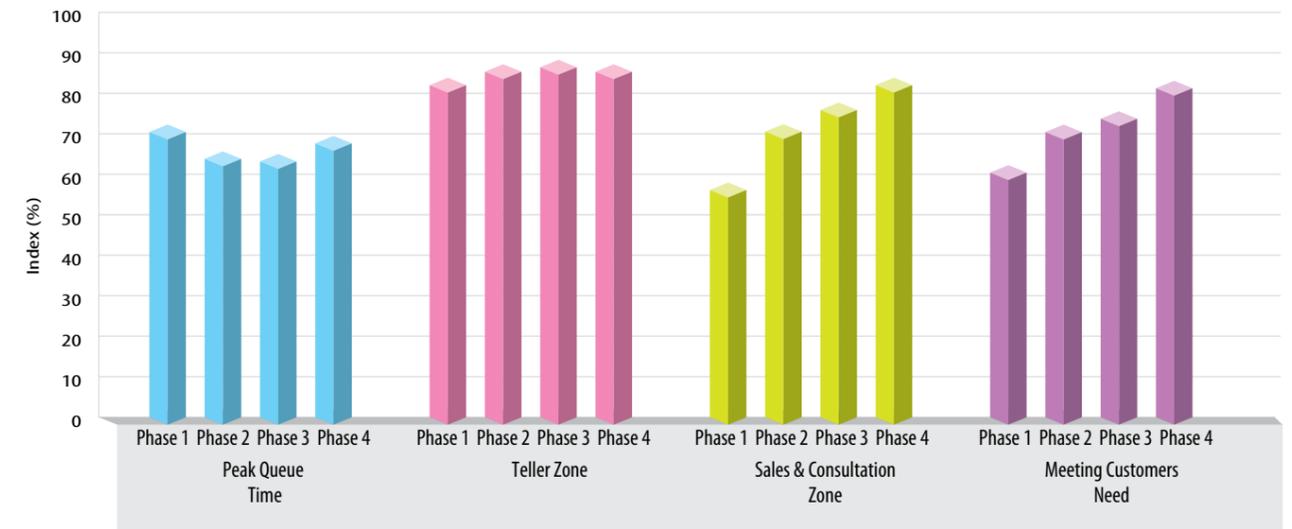
The measure of true customer service is how well the customers themselves rate the service they receive and as such, their own satisfaction level. On Wikipedia, customer satisfaction is defined as “a measure of how products and services supplied by a company meet or surpass customer’s expectations”. Customer service is undeniably an important competitive business differentiator. The Bank understands and recognises the need to deliver consistent high levels of service and this has been a focal point over the past years – to develop and inculcate a service culture within the bank which is second to none. Since initiating the customer service programme in 2009, the Bank has been showing commendable progress in this regard.

Mystery shopping has been a key indicator to the bank’s service provision since it started in Phase 1 back in 2011. The latest Phase 4 results FY2013 registered a bank wide service evaluation index score of 87.2 which is a creditable development as compared to 85.1 from the Phase 3 2012 survey and a remarkable improvement from the baseline Phase 1 2011 score of 75.9.

The key customer touch point sector of Teller Zone maintained a commendably high index score although it registered a slight drop from 86.3 to 85.0. Most impressive was the improvement in the Sales Zone and Meeting Customers Needs segments which recorded index scores of 81.5 and 80.9 respectively, an increase of 6.1% and 7.5% compared to Phase 3 survey scores 75.4 and 73.4. The improvement in meeting customer’s needs is augmented not just by the consistent provision of service at the teller zone but also by the improved service provision at the consumer sales zone.

“Being on par in terms of price and quality only gets you into the game. Service wins the game.”  
– Tony Allesandra.

INDICATOR OF CUSTOMERS’ PERCEPTION



Another aspect of service provision important to customers is the queue time. Since scoring 70.0 in Phase 1, the score dipped to a low of 42.9 in Phase 3 before closing on a slightly higher note of 67.3 in Phase 4. This is an area the Bank needs to improve based on feedback received and it is currently studying this matter closely to fulfill customer’s expectations.

Collecting data is important as it is an indicator of the customers’ perception from which the organisation can ensure a positive experience. A positive experience correlating to customer satisfaction may lead to customer loyalty and hence customer retention. A satisfied customer is also likely to recommend the organisation to others and this is a very powerful marketing advantage. In Phase 1, 19% of customers surveyed said they would recommend the bank to others. In Phase 4, this figure has increased to 62% - a strong indication that the bank’s initiatives are contributing positive results.

In addition to this, internal bank surveys on customer service performed direct to the customers at branches through interactive touch screen devices also register a high level of satisfaction with over 90% affirming to positive experiences. The quest to continuously provide excellent products and services is a daunting challenge, however, at the Bank we believe in the benefit of a “strong customer focused” culture. The rewards that come when an organisation is able to provide service that continuously exceeds customers’ expectations ensures long term growth and profitability.

To quote Sam Walton, founder of Wal-Mart,

“The goal of a company is to have customer service that is not just the best, but legendary.”

To this we aspire, and the recent survey indexes which show steady overall quality services rendered by the bank complementing its sales efforts no doubt reflect an indelible truth that we are on the right track.

## Shariah Department

### SHARIAH ADVISORY & SECRETARIAT SECTION

The section acts as secretariat to the Shariah Committee (SC) and effectively providing Shariah advisory and consultancy.

The roles of Shariah Secretariat comprises providing input and support to the SC, coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders, engaging with relevant parties who seek further deliberations on issues from the SC, and ensuring the welfare of SC members is accordingly served.

In terms of Shariah advisory and consultancy roles, the functions are to assist and provide advice to the relevant parties based on the decision of the SC, includes pre-product approval, operation process, documentations, activities of Business Unit, Support Unit, the Bank's subsidiaries and external clients (upon request).

During financial year 2013, several initiatives were conducted including the issuance of General Shariah Decision on selected topics to all staff, organised familiarisation programme to the SC, conducted Strategic Planning Session with the Bank's Shariah Governance Organs (SGF) and managed Training Needs Analysis for SC.

Among the SC's decision during this financial year is for the Bank to explore and offer alternatives to the controversial *Bai' Inah* and *Bai' ad-Dayn* contracts in the Bank's products, for example to *Tawarruq* and *Bai' ad-Dayn bi as-Sila'*. The SC also supports the development of Shariah based products and services include Micro financing based on Qardhun Hasan, services of *wakaf*, *zakat*, and *ar-rahnu*. Ultimately, these products aimed to attain the desired objectives of the Shariah (*Maqasid Shariah*), and to protect human masalahah (public interest).

### RESEARCH & DEVELOPMENT SECTION

The role of Shariah Research is to perform in-depth research and studies on Shariah matters, which provides day-to-day Shariah advice and consultancy to relevant parties, especially those involved in the product development process. For this financial year, a total of twenty eight (28) research papers have been completed comprising of Shariah issues, product development and special requests by Shariah Committee and other parties.

Apart from in-house research, the Bank goes the extra mile with the establishment of strategic alliances with International Islamic University of Malaysia (IIUM) and University Sains Islam Malaysia (USIM) through research grant, which details are as follows:

University	Research Grant	Status
IIUM	1. Stakeholders' Perceptions of the Implementations of Home Financing Based on the Concept of Musharakah Mutanaqisah: The Case of Bank Muamalat Malaysia Berhad	Completed
	2. The Empirical Study on the Effectiveness of the Malaysian Shariah Governance Framework 2011	Completed
USIM	3. Enhancing Comparability of Financial Information Reporting in BMMB through Harmonization of Current Practice with AAIOFI and IFSB	Completed

#### Publication

For this financial year, Shariah Research & Development Section managed to complete one (1) book, four (4) handbooks, and four (4) al-Muamalat newsletters in various topics but not limited to Islamic Banking and Finance, Wakaf, etc. These types of publications act as a guidance and reference especially to Bank's staff and the public generally for them to understand basic contracts and issues in Islamic Banking and Finance.

### PUBLIC AWARENESS

It is realised that there is a real need to educate the public on Islamic Banking and Finance. The Bank has taken initiative to create awareness programmes. The purpose of the programme is to increase the level of understanding and stimulating change towards Islamic Banking and Finance nation-wide. Among the programmes initiated by the Bank are as follows:

- Sponsoring Radio and TV programme such as Forum Perdana Hal Ehwal Islam on TV1, Tazkirah Ramadhan on TV3, Slot 30 minutes with Ustaz Don on TV al-Hijrah and Slot Bicara Muamalat on IKIM.
- Public Talk/Briefing on Islamic Banking & Finance and wakaf to government agencies, private companies, education centers and religious bodies where several programmes conducted was in collaboration with Association of Islamic Banking Institutions Malaysia (AIBIM) and Jabatan Kemajuan Islam Malaysia (JAKIM).
- Khutbah Jumaat on Islamic Banking & Finance and wakaf to various mosques in Malaysia.



## Shariah Department

For this financial year, the Shariah Department managed to initiate and conduct 120 public awareness programmes. All the programmes conducted received good responses from the audience and well-accepted by the community. This is a platform to educate the public towards understanding Islamic banking and finance as well as part of the Bank's social obligation to the community. It has successfully created awareness and subsequently, a very good marketing tool for the Bank.

### RESPONSIBLE BANKING



#### Responsible Banking

In line with Bank Negara Malaysia (BNM)'s Guidelines on Responsible Financing issued on 1 January 2012, the financial institution has to ensure that the financing and services offered are affordable to the customers.

#### Credit assessment to customer

As an Islamic financial institution, the Bank conducts proper credit assessment for customers within his/her means upholding the concept of justice in Islam. Islamic bank must make appropriate enquiries into a prospective customer's income after statutory deductions for tax and

EPF, and consider all debt obligations, in assessing his/her affordability.

#### Marketing and advertising

Marketing and advertising is essential to ensure transparency between financial institution and customers. The Bank should ensure that all advertising and promotional materials financing products offered is clear, fair and complete. Meanwhile, customers are advised to read the documents involved carefully before signing it.

#### Charge and payment

Customers are entitled to pay monthly installments and charges as per terms and conditions agreed between the customer and the Bank. The Bank however, is responsible to clearly state the mechanism of payment and charges imposed on the customer.

#### Monitoring and recovery process

The Islamic bank should monitor and identify the cause of the default payments by customer and offer alternative payment plan to assist customers. The Islamic bank is also required to provide customers with specific information on the total payment amount and total profit cost as well as the impact of an increase in the financing rate to ensure that customers understand the full implications of a financing decision.

#### Corporate Social Responsibility (CSR)

Ethics, moral values, and social responsibility are some key challenges faced by different business managements in recent years. Islamic bank not only influences the profit/loss of its shareholders but drives the economy of the whole nation. For the Bank, microfinance acts as a crucial part of corporate social responsibility movement. This lending process has dual advantages. Firstly it assists emerging entrepreneurs in becoming socially responsible and secondly it encourages economic development.



# Wakaf Selangor Muamalat

Wakaf Selangor Muamalat (WSM) is a collaboration initiative between the Bank and Perbadanan Wakaf Selangor (PWS) which was officially launched on 27 September 2012 by HRH Sultan of Selangor. Under the collaboration, the Bank collects the wakaf fund from the public and jointly manages its distribution with PWS in health and education sectors.

WSM service is part of the Bank's CSR programme to help the public especially the people in need regardless of religion. The vision, mission, objective and values of WSM are:

**Vision:**

Upholding Excellence Wakaf Institution

**Mision:**

To effectively manage and give added value to wakaf asset by inculcating the culture of wakaf for the betterment of the Ummah by 2015

**Objectiv:**

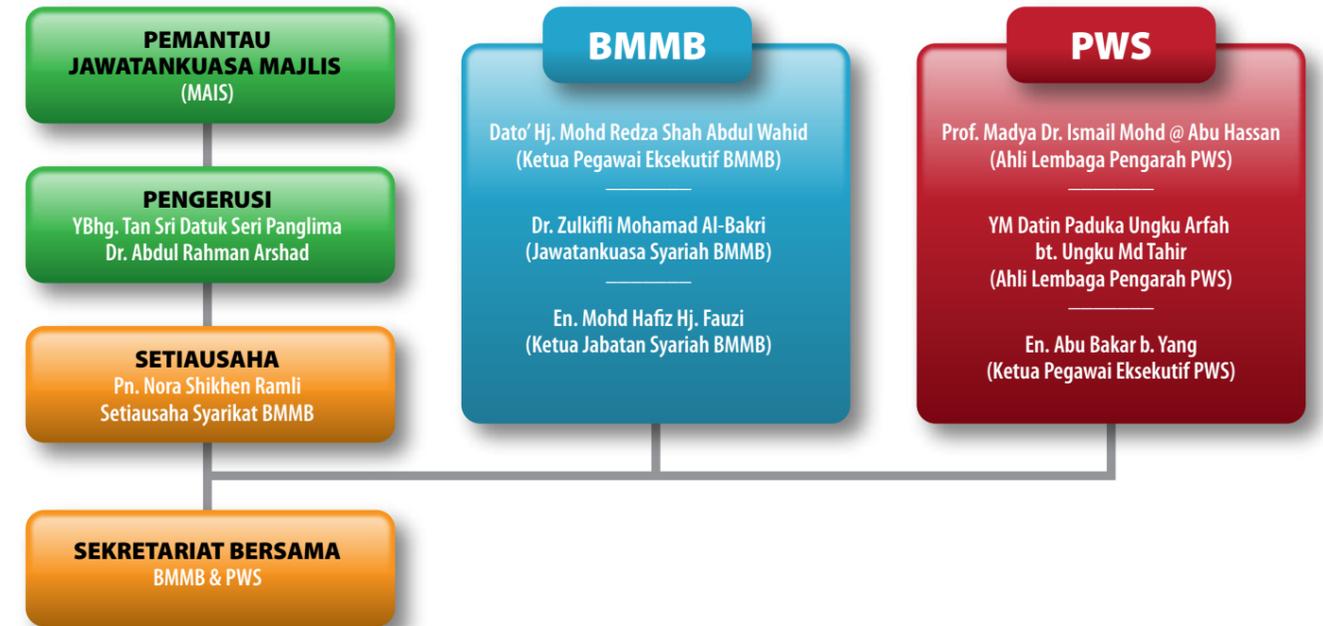
Strive to cultivate wakaf practice and increase the value added in the waqf asset management towards the economy of ummah in an effective and holistic manner and consistent with the Islamic law.

**Value:**

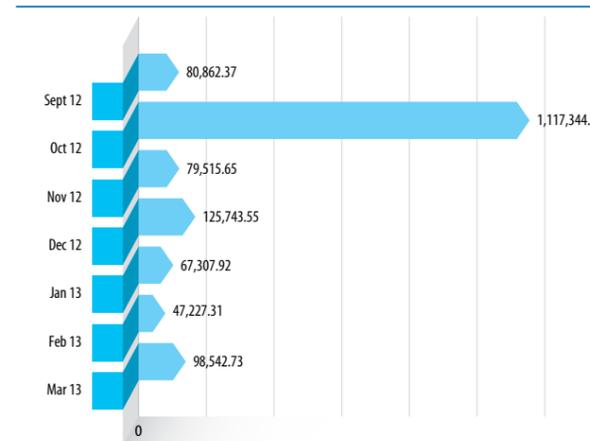
- W- Wasatiah
- A - Amanah
- K - Kualiti
- A - Akhlak
- F - Fisabilillah

The collection of the waqf fund is for and on behalf of PWS and credited into PWS collection account, whereas the distribution of the fund is jointly managed by the Joint Management Committee (JMC). The financial reporting on the collection and distribution of the fund shall be reflected under PWS.

**ORGANISATION STRUCTURE OF JMC**



**COLLECTION OF WSM FUND AS AT MARCH 2013**



The total collection of WSM fund as at March 2013 was RM1,618,543.75.

Even with the medium size of fund collected during the early stage of WSM implementation, WSM has already approved several wakaf charity projects and activities as follows:

No	Beneficiaries of WSM Aid	Type of Aid	Value in Ringgit (RM)
1	Maahad Tahfiz Al-Quran Wa Ulumuddin, Sg Besar	Hostel equipments	43,100.00
2	Mobile Clinic Service (to be operated by KPJ)	Mobile clinic	254,900.00
3	Hospital Sungai Buloh, Sungai Buloh	Medical equipments	37,030.00
4	Pusat Dialisis Nur'Ain, Rawang	2 units of Dialysis Machines	76,000.00
5	Persatuan Orang Cacat Penglihatan Islam Malaysia	1 unit of Braille Embosser machine	14,634.00
<b>Total contribution</b>			<b>425,664.00</b>

# Tabung Mawaddah

Tabung Mawaddah (TM) Committee has being in operation since 2002, dedicated to aid and implement charitable activities to 8 Asnaf recipients (Fakir, Miskin, Amil, Muallaf, Riqab, Gharimin, Fisabilillah and Musafir) and non-asnaf recipients. TM is funded by zakat and alms (sedekah) sources contributed by the Bank and the staff.

The objectives of TM Committee's establishment are:

- to provide assistance and financial aid to the needy;
- to ensure that each donation, charity and alms reach the targeted groups;
- to carry out the Bank's corporate social responsibilities to the society on the basis of *Maslahah Ammah*;
- to instill the spirit and caring nature of Malaysian society in creating harmonious community ; and
- to practice the teaching of Islam on helping the needy.

Other than a one off contribution, TM also provides monthly allocation to:

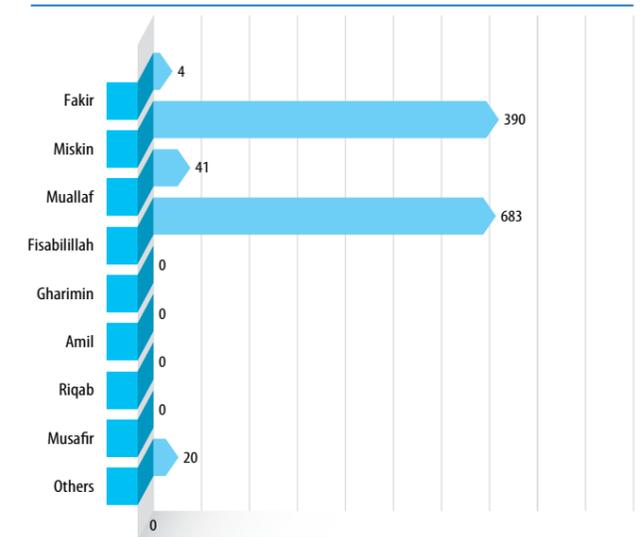
- Food for homeless programme
- Micro credit scheme to aid small entrepreneurs
- Maahad Tahfiz Mawaddah, Lembah Beringin, Hulu Selangor
- Masih Ada Yang Sayang (MAYs) community programmes
- Program Dakwah Serantau, Yayasan Amal Malaysia

The size of TM funds distributed and the trend of TM aids applications for FY2013 are described in Table 1 and 2.

**Table 1**  
TOTAL TM CONTRIBUTION BY ASNAF & NON-ASNAF



**Table 2**  
NO. OF TM APPLICATIONS IN FY 2012/2013



# 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 its stakeholders in its operations and activities, with the primary aim of achieving sustainable development not only in the economical but also in the social and environmental realms.

Being an Islamic Bank, CR is at the heart of our business and our aim is to strive to operate responsibly towards the environment, society and our own employees in-line with the teachings of the holy Quran.



**"Of the good that they do, nothing will be rejected of them for Allah knoweth well those that do right"**

*(Surah Adi Imran: 115)*

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



**"Our programmes include amongst, others giving back to the society through community initiatives such as education, supporting orphanages and old folks' homes, supporting mosques and suraus, as well as providing food for the homeless. Another new initiative that has been introduced pertains to the collection of cash waqf. The funds collected are then distributed where needed within then health and education sectors irrespective of race or religion."**

Financial contributions are one of the measures of our commitment, along with product donations and investing our time, expertise and resources through volunteering.

In FY2013, the charitable contributions made by the Bank through our CR and Tabung Mawaddah programmes totalled RM10.5 million.

In addition to financial contributions, we also strongly believe in operating our business ethically, with transparency and in a socially responsible manner in line with Islamic values and principles. To this end, the Bank only finances Shariah compliant activities, offers transparency and disclosure in its transactions and dealings, and provide products and services that benefit society in general.

## A GOOD WORKPLACE

"Our future success depends primarily on our ability to attract, train, retain and develop the right people within our organisation" - Abe Reichental

The pillars of an organisation are its people and the Bank emphasizes and promotes continuous learning & development as well as health & safety programmes. The Bank also promotes 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 an enviable workplace. Our employees are treated with utmost respect and dignity across their gender, cultural and individual divides.

Our CR programmes cover regular briefings on products & services, personal mastery, leadership mastery, business mastery, functional mastery, health awareness and fire drill exercises which encourage human resource development as well as keeping the staff abreast with current banking knowledge. Various trainings on AMLATFA and Shariah are also conducted.

## COMMUNITY

"We Care, We Share" has been the philosophy behind our success stories. This ongoing commitment has been a part of the Bank's fabric since our earliest days. We hold strongly

to our belief in making a positive and sustainable impact to the communities we operate in. Our business helps support economic growth through 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 and disaster relief efforts.

## MARKETPLACE

The Bank is committed to being a responsible corporate citizen not only within the community but also with our business partners. Hence, we strive at building long term relationships based on clarity of purpose, integrity, respect, honesty and fairness. Programmes such as friendly golf, bowling and other sports activities are held occasionally to foster and strengthen relationships.

## 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 social responsibility as 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 be dedicated to these ideals.

# Calendar of Events



Friendly Golf Jabatan Perdana Menteri



KLIFF



29 Apr 2012 Continuous Improvement Programme Prize giving Ceremony

27 May 2012 2012 Friendly Tournament Between Bank Muamalat Malaysia Berhad and Jabatan Perdana Menteri

16 Jun 2012 Majlis Anugerah Kecemerlangan Anak-anak DRB-Hicom

29 Jun 2012 Perasmian Cawangan Bank Muamalat Tawau, Sabah

05 Jul 2012 "Oh Yeah! – Prize Giving Ceremony

20 Jul 2012 Bank Muamalat Malaysia Berhad Signs Mou With Bank Of Shi Zui Shan, China

10 Aug 2012 Pemberian Beras Kepada Kakitangan BMMB

28 Aug 2012 Visit by Aichin Gakuin University, Tokyo

29 Aug 2012 Bank Muamalat Staff Raya Open House "Santai 1Raya 2012"

31 Aug 2012 55 Tahun Merdeka Janji Ditepati



Oh Yeah! Prize Giving Ceremony



Pemberian Beras kepada kakitangan BMMB



Santai 1Raya 2013



Visit by Central Bank of Nigeria



Microfinancing Signing Ceremony



Visit by Aichin Gakuin University, Tokyo



55 Tahun Merdeka Janji Ditepati



Wakaf Selangor Muamalat Launch



Continuous Improvement Programme Launch

# Calendar of Events



Visit by KUIM



BGGT 2012



Visit by UiTM Kedah



MBS Signing Ceremony



DRB-Hicom Auto Fest 2013



Ceramah Perdana Sambutan Maulidur Rasul " Bumi Bergolak Syria "



Visit by UiTM Dungun, Terengganu



Management Roadshow



Management Roadshow



Majlis Penyerahan Peralatan Perubatan Sumbangan Wakaf Selangor Muamalat kepada Hospital Sungai Buloh



Kempen Minggu Kesihatan



Kempen Minggu Kesihatan



DRB-Hicom Auto Fest 2013



Majlis Kesyukuran BMMB 2013

12 Sep 2012	Continuous Improvement Programme Launch
03 Sep 2012	Visit by Participants From Central Bank Of Nigeria
27 Sep 2012	Wakaf Selangor Muamalat Launch
03 Oct 2012	Visit by Politeknik Nilai, Negeri Sembilan
15-18 Oct 2012	The 9th Kuala Lumpur Islamic Finance Forum 2012
24 Oct 2012	Microfinancing Signing Ceremony
08 Nov 2012	Visit by UiTM Dungun, Terengganu
17 Nov 2012	BMMB Golf Get Together 2012, Kuala Lumpur
6 Dec 2012	Visit by UiTM Kedah
13 Dec 2012	MBS Contract Signing Ceremony and Project Kick Off between Bank Muamalat Malaysia Berhad And Silverlake Structured Services Sdn Bhd
15 Jan 2013	BMMB 2013 Roadshow Head Quarters & Central Region
20 Jan 2013	DRB-Hicom Auto Fest 2013
24 Jan 2013	Sambutan Maulidur Rasul - Wasatiyyah Tonggak Kesatuan Ummah
30 Jan 2013	Majlis Penyerahan Peralatan Perubatan Sumbangan Wakaf Selangor Muamalat kepada Hospital Sungai Buloh
12-14 Mar 2013	Kempen Minggu Kesihatan BMMB
16 Feb 2013	41st Inter-Financial Institutions Golf Tournament 2013
19 Mar 2013	Visit by Politeknik Metro Johor Bharu
21 Mar 2013	Majlis Kesyukuran BMMB 2013
27 Mar 2013	Visit by Sekolah Menengah Kebangsaan Tengku Idris Shah, Kapar, Klang
28 Mar 2013	Visit by Kolej Universiti Islam Melaka (KUIM)
30 Mar 2013	Treasury & Capital Markets Friendly Golf Tournament



"Ibn Hajar reported: Ash-Shafi'ee, may Allah have mercy on him, said, "Innovations are of two kinds: praiseworthy and blameworthy. Whatever agrees with the Sunnah is praiseworthy and whatever differs from it is blameworthy."



innovative  
drives success

# Statement on Corporate Governance

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 (the Revised Code) as well as the Guidelines on 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 best practices are adopted 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 placed 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 currently comprises ten (10) members, one (1) CEO/Executive Director and nine (9) Non-Executive Directors, of which five (5) are Independent Directors. 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 the Revised BNM/GP1-I as more than one-third of the Board members are Independent Directors.

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 judgement and act in the best interest of the Bank and its shareholders.

A brief profile of each member of the Director is presented on pages 16 to 26 of this Annual Report.

### Directors' Code of Ethics

The Directors continue to observe a 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.

### Roles & 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 its duties, the Board acts on well-informed basis, in good faith, with due diligence and care, and in the best interest 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;
- Oversight 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 function as determined by the Board from time to time;
- Approves changes to the corporate organisation structure;
- Institutes comprehensive policies, process and infrastructure to ensure Shariah compliance in all aspects of the Islamic bank's operations, products and activities; and
- 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 12 times a year with additional meetings convened as and when urgent issues and/or 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 Chairman/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 convened 13 meetings for the financial year ended 31 March 2013 and the attendance of each director in office during the financial year is set out below:

Directors	Number of meetings		
	Held	Attended	%
<b>Tan Sri Dato' Dr Mohd Munir Abdul Majid</b> (Chairman/Independent Non-Executive Director)	13	13	100
<b>Tan Sri Dato' Sri Haji Mohd Khamil Jamil</b> (Non-Independent Non-Executive Director) *resigned w.e.f. 4 July 2012	3	2	67
<b>Dato' Lukman Ibrahim</b> (Non-Independent Non-Executive Director) *resigned w.e.f. 29 August 2012	4	4	100
<b>Dato' Sri Che Khalib Mohamad Noh</b> (Non-Independent Non-Executive Director) *appointed w.e.f. 27 August 2012	9	6	67
<b>Dato' Mohamed Hazlan Mohamed Hussain</b> (Non-Independent Non-Executive Director) *appointed w.e.f. 27 August 2012	9	9	100
<b>Dato' Haji Mohd Redza Shah Abdul Wahid</b> (Executive Director/Chief Executive Officer)	13	13	100
<b>Haji Mohd Izani Ghani</b> (Non-Independent Non-Executive Director)	13	12	92
<b>Haji Ismail Ibrahim</b> (Non-Independent Non-Executive Director)	13	13	100
<b>Haji Abdul Jabbar Abdul Majid</b> (Independent Non-Executive Director)	13	12	92
<b>Tengku Dato' Seri Hasmuddin Tengku Othman</b> (Independent Non-Executive Director)	13	13	100
<b>Dato' Azmi Abdullah</b> (Independent Non-Executive Director)	13	13	100
<b>Dato' Haji Kamil Khalid Ariff</b> (Independent Non-Executive Director)	13	12	92

### 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 is to 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 appointment of directors are subject to the approval by BNM.

The primary responsibility of the directors' appointment/re-appointment has been delegated to the Board Nomination Committee. The Board Nomination Committee comprises exclusively of non-executive directors, with the Chairman and the majority of whom are independent. In line with the Revised BNM/GP1-i, the Board Nomination Committee recommends to the Board suitable candidates for directorships and appointment of key senior personnel of the Bank and relevant subsidiaries. The Board 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 Board Nomination Committee has, during the year under review evaluated and recommended the appointments of Dato' Sri Che Khalib Mohamad Noh and Dato' Mohamed Hazlan Mohamed Hussain (nominees of DRB-HICOM Berhad) to replace Tan Sri Dato' Sri Haji Mohd Khamil Jamil and Dato' Lukman Ibrahim as Non-Independent Non-Executive directors in the Board of the Bank.

The Board considers that the recent appointments of the above directors who bring 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 are appropriately addressed and provide fresh insights that would help the Bank 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. If eligible they may offer themselves for re-election, a process that 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 to re-election by the shareholders at the next Annual General Meeting following their appointment.

### Annual Board Assessment

One of the broad responsibilities of the Board 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 Board Nomination Committee has conducted and established clear selection criteria, processes and procedures to assess each director's ability to contribute to the effective decision making of 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 Board Nomination Committee upon its recent annual review carried out is satisfied that the size of the 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 the Revised Code.

The Board Committees in the Bank are as follows:

### 1. Board Audit Committee

The Board Audit Committee comprises exclusively Non-Executive Directors 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:

Directors	Number of meetings		
	Held	Attended	%
<b>Haji Abdul Jabbar Abdul Majid</b> (Chairman/Independent Non-Executive Director)	20	20	100
<b>Haji Ismail Ibrahim</b> (Non-Independent Non-Executive Director)	20	17	85
<b>Tengku Dato' Seri Hasmuddin Tengku Othman</b> (Independent Non-Executive Director)	20	18	90
<b>Dato' Azmi Abdullah</b> (Independent Non-Executive Director)	20	20	100
<b>Dato' Haji Kamil Khalid Ariff</b> (Independent Non-Executive Director)	20	19	95

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 pages 98 to 99 of this Annual Report.

### 2. Board Nomination Committee

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

The Board Nomination Committee comprises of Non-Executive Directors and the Chairman who is independent. Meetings are held as and when required for the Board 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 Board Nomination Committee	Number of meetings		
	Held	Attended	%
<b>Tengku Dato' Seri Hasmuddin Tengku Othman</b> (Chairman/Independent Non-Executive Director)	6	6	100
<b>Tan Sri Dato' Sri Haji Mohd Khamil Jamil</b> (Non-Independent Non-Executive Director) *resigned as a member on 4 July 2012	2	1	50
<b>Dato' Sri Che Khalib Mohamad Noh</b> (Non-Independent Non-Executive Director) *appointed as a member on 30 October 2012	2	2	100
<b>Haji Mohd Izani Ghani</b> (Non-Independent Non-Executive Director)	6	5	83
<b>Haji Ismail Ibrahim</b> (Non-Independent Non-Executive Director)	6	5	83
<b>Haji Abdul Jabbar Abdul Majid</b> (Independent Non-Executive Director)	6	6	100
<b>Dato' Azmi Abdullah</b> (Independent Non-Executive Director)	6	6	100

The primary duties and responsibilities of the Board 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 Board 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; and
- Recommends to the board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities.

### 3. Board Remuneration Committee

The Board 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 Board Remuneration Committee is also responsible for developing remuneration policy for the Shariah Committee members that commensurate with their roles and responsibilities. The Board 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 Board Remuneration Committee are as follows:-

Directors	Number of meetings		
	Held	Attended	%
<b>Dato' Azmi Abdullah</b> (Chairman/Independent Non-Executive Director)	5	5	100
<b>Tan Sri Dato' Sri Haji Mohd Khamil Jamil</b> (Non-Independent Non-Executive Director) *resigned as a member on 4 July 2012	2	1	50
<b>Dato' Sri Che Khalib Mohamad Noh</b> (Non-Independent Non-Executive Director) *appointed as a member on 31 January 2013	2	2	100
<b>Haji Mohd Izani Ghani</b> (Non-Independent Non-Executive Director)	5	5	100
<b>Haji Ismail Ibrahim</b> (Non-Independent Non-Executive Director)	5	5	100
<b>Haji Abdul Jabbar Abdul Majid</b> (Independent Non-Executive Director)	5	4	80
<b>Tengku Dato' Seri Hasmuddin Tengku Othman</b> (Independent Non-Executive Director)	5	5	100

The specific responsibilities of the Board 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; and
- 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:

Directors	Number of meetings		
	Held	Attended	%
<b>Dato' Azmi Abdullah</b> (Chairman/Independent Non-Executive Director)	14	14	100
<b>Haji Mohd Izani Ghani</b> (Non-Independent Non-Executive Director)	14	13	93
<b>Haji Abdul Jabbar Abdul Majid</b> (Independent Non-Executive Director)	14	14	100
<b>Tengku Dato' Seri Hasmuddin Tengku Othman</b> (Independent Non-Executive Director)	14	12	86
<b>Dato' Haji Kamil Khalid Ariff</b> (Independent Non-Executive Director)	14	13	93

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 100 to 107 of this Annual Report.

### 5. Board Muamalat Banking Solutions Committee

In addition to the above committees, the Board has also established a Board Muamalat Banking Solutions Committee (Board MBS Committee). The Board MBS 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:-

Directors	Number of meetings		
	Held	Attended	%
<b>Dato' Haji Kamil Khalid Ariff</b> (Chairman/Independent Non-Executive Director) *appointed as Chairman on 29 August 2012	13	12	92
<b>Dato' Lukman Ibrahim</b> (Chairman/Non-Independent Non-Executive Director) *resigned as a member on 29 August 2012	4	2	50
<b>Dato' Mohamed Hazlan Mohamed Hussain</b> (Chairman/Non-Independent Non-Executive Director) *appointed as a member on 21 September 2012	8	8	100
<b>Haji Ismail Ibrahim</b> (Non-Independent Non-Executive Director)	13	12	92
<b>Dato' Azmi Abdullah</b> (Independent Non-Executive Director)	13	13	100

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

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

## 5. Shariah Committee

The Shariah Committee was established in accordance with the requirements of the Islamic Financial Services Act 2013 (IFSA) as well as the Bank's Articles of Association, which prescribe setting up a Shariah body to ensure that the Bank's conduct its affairs in accordance with the Shariah principles. Members of the Shariah Committee are scholars renowned for their knowledge and experience in Fiqh Muamalat.

Further details of this Shariah Committee are set out on pages 28 to 29 of this Annual Report.

## 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 98 of this Annual Report.

## 8. Related Party Transactions

The details of related party transactions of the Bank are disclosed on page 212 under the Audited Financial Statement for the financial year ended 31 March 2013 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 'ceramah'.

Further details of the Corporate Responsibility Initiatives are set out on pages 80 to 81 of this Annual Report.

## Statement on Internal Control

The Board Audit Committee acknowledges its responsibility to ensure that the Bank's 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 Board Audit Committee 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 Board Audit Committee 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 the Board Audit Committee by providing reasonable assurance and value-added recommendations on the adequacy, integrity and effectiveness of the system of internal controls and financial reporting, 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 the Board Audit Committee. 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 the Board Audit Committee's review and deliberation in their periodic meeting.

The Board Audit Committee 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 Board Audit Committee 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.



# Statement on Risk Management

The Bank's approach towards risk management is structured to provide an effective and comprehensive management of risks on an enterprise-wide basis, aimed at balancing the level of risks taken with business objectives and ensuring that consistent and sustainable performance is achieved over the longer term.

The risk management framework is built on formal governance processes and defined oversight functions, supported by established policies and procedures, that enables the Bank to identify, assess, measure, mitigate, and monitor its risk exposures and interdependencies.

Integral to this approach is the systematic process of identifying and measuring risks, establishing risk appetite and aligning business plans and objectives, and subsequently, developing the appropriate strategies to manage risks. Hence, the management and control over the principal areas of credit, market, liquidity and funding, operational, shariah compliance, capital management, regulatory, reputational and strategic risks are well integrated to achieve a balance between risk and return and secure a strategic competitive advantage.

## Risk Governance

The Bank's risk governance structure ensures full independence of the risk management function from the business lines and operations. Based on a distributed function approach, risk governance and management is taken under three distinct lines of defence. The first line consists of the business lines, which are primarily accountable for managing all risks assumed in the day-to-day activities and operation. They are responsible for implementing processes for identifying, mitigating and managing risks within their respective environment in line with the established risk appetite.

The second line of defence, which comprises the risk, compliance and control functions and committees, ensures the independent oversight and management of material risks taken by the Bank and that the established risk appetite is observed. They provide the specialised resources for developing risk frameworks,

policies, methodologies and tools for risk identification, measurement and control, monitoring the risks by using key indicators and exception reporting against the defined risk appetite and tolerance limits.

Finally, the third line of defence, which involves internal audit, provides the independent review and assurance on the adequacy of the risk management process and effectiveness of the first two lines of defence in fulfilling their mandates.

The Board is responsible for the overall framework of risk governance and management, which include determining the risk strategy, setting risk appetite and ensuring that risks are monitored and controlled effectively. It is also responsible for establishing a clearly defined risk management structure with distinct roles and responsibilities, ensuring that they perform accordingly.

In addition to individual responsibilities for risk management, there is a formal structure of both board and management committees with defined responsibilities and delegated authorities for risk management.

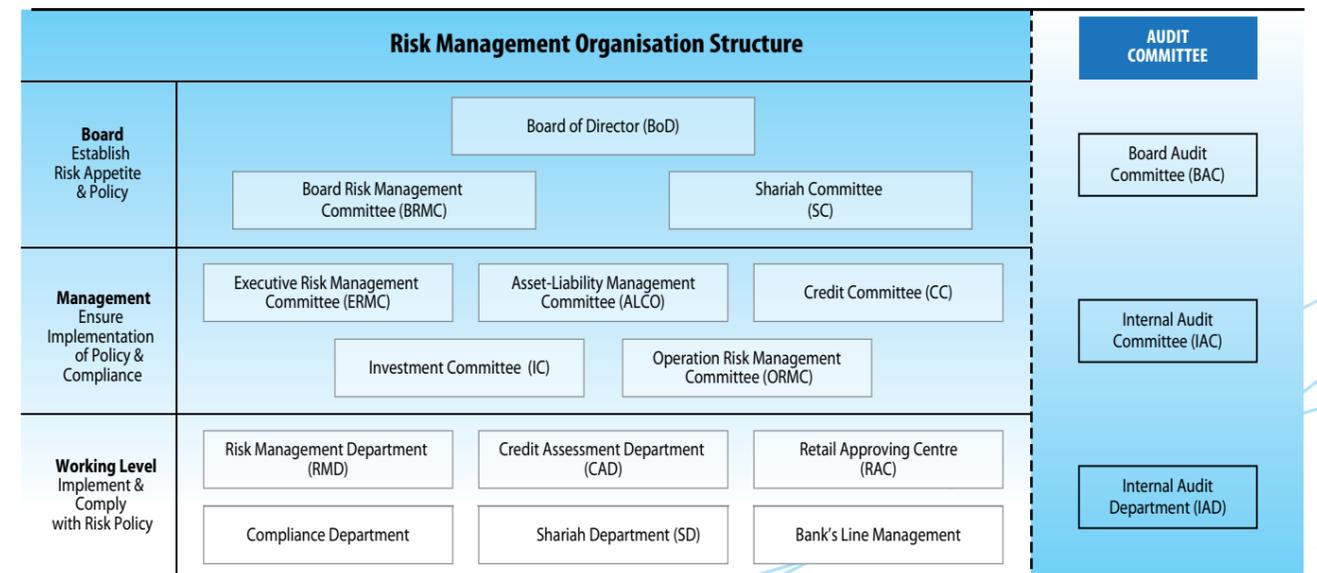
At the management level, several risk committees have

been set up to oversee specific risk areas and control functions, such as in asset-liability management, credit evaluation and management, investment, and operational risk management. A dedicated Risk Management Department, independent of the business lines and targets, supports the above committees in carrying out the day-to-day risk management functions.

## Risk Appetite

The Bank's risk appetite framework comprises of a governance structure and a set of risk appetite statements (RAS) which was outlined based on the stakeholders' expectation. It serves as a foundation for the Bank's risk culture and sets out the principles and policies to guide risk-taking activities and decision making process in achieving an optimal balance between risk and return.

The risk appetite framework defines the processes, policies, measurement metrics, governance structure and the ongoing review of the risk appetite as part of the overall business strategy and risk management objectives. The RAS is applied in business and strategic planning as well as in the day-to-day business operation and risk management. It was jointly developed with the



business lines, thus ensuring accountability and ongoing adherence, and is approved by the Board and will be reviewed on a periodic basis.

The RAS, which defines the risk appetite, risk tolerance and risk limits, was formulated based on the Bank's financial position, risk capacity and strength of its core earnings. It represents the level and types of risks that the Bank is willing to take in pursuit of its strategic and business objectives and provides the basis for the Bank's risk-taking boundaries. Risk tolerance limits and measures are formulated based on the risk appetite, which serves as a reference point to monitor all risk-taking activities and to trigger appropriate action when the boundaries are approached or breached.

The risk appetite also incorporates the Bank's key performance indicators such as earnings volatility, liquidity and capital ratios, and states its tolerance towards reputational and Shariah non-compliance. At the strategic level, the risk appetite defines the Bank's risk capacity in terms of the capital levels required to support its business activities as well as to ensure adequacy of capital buffers to meet regulatory and strategic requirements. The Bank's tolerance for earnings volatility and threshold on key liquidity ratios are also clearly stipulated to facilitate appropriate governance and oversight. The risk appetite on business growth provides the strategic direction for targeted financing and market segments as well as preferred asset class and customer risk and portfolio profile.

### Capital Management

The Bank's development of its capital management framework was guided by Bank Negara Malaysia's (BNM) guidelines on "Capital Adequacy Framework for Islamic Banks (CAFIB)", which is structured around three pillars:

- **Pillar 1**  
Relates to minimum regulatory capital requirements
- **Pillar 2**  
Refers to the internal capital adequacy assessment process (ICAAP), which is subject to the Supervisory Review and Evaluation Process to be carried out by BNM
- **Pillar 3**  
Relates to market discipline by publishing capital and risk management practices

In line with the above, the Bank has implemented a risk-based capital management framework and principles that are driven primarily by its risk appetite and business strategy, taking into consideration the operating and regulatory environment. The main objective of capital management is to ensure the efficient use of financial capital resources in light of the Bank's overall capital, business and strategic targets. Hence, the capital management policies and practices are developed and aimed at ensuring sufficient capital levels are maintained to support the Bank's business objectives and to cover the risks associated with these activities.

In assessing its capital requirement, the Bank applies the regulatory Standardised Approach for credit and market risks and the Basic Indicator Approach for operational risk to measure and quantify its risk-weighted assets (collectively referred to as the 'Pillar 1'). The Bank then assesses other risks that are not covered under the Pillar 1 measurement approaches to determine any further capital requirement, as prescribed under the ICAAP and accordingly sets its internal capital target. In addition, the Bank incorporates stress testing as a capital planning tool to evaluate the impact of specific macro-economic and risk factors on the capital adequacy levels and to formulate appropriate capital management strategy.

### Basel III Implementation

In November 2012, BNM issued revisions to the CAFIB guidelines which detailed out new regulatory standards for capital adequacy and the management of liquidity risk. The guidelines are broadly in line with the Basel III rules<sup>1</sup> published by the Basel Committee for Banking Supervision (BCBS) in 2010 and 2011 with the exception of a more stringent application of regulatory adjustments to core capital.

The revised guidelines, which came into effect on 1 January 2013, carry significant changes to the definitions of regulatory capital and are aimed at enhancing the quality and ability of capital to absorb potential losses on a going concern basis. Common equity is emphasized as the predominant component of the regulatory Tier 1 capital and to enforce this, a new minimum common equity to risk-weighted assets ratio (CET1 ratio) has been introduced. Capital instruments issued prior to 1 January 2013 that does not meet the new requirements will be gradually phased out as regulatory capital over a period of ten years. In addition, new capital buffers in the form of capital conservation and countercyclical capital buffers will be gradually implemented in the coming years, starting from 2016.

### Credit Risk Management

Credit risk is a primary source of risk for the Bank. It is defined as the potential financial loss arising from the failure of credit counterparty to meet its obligations to the Bank as they fall 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.

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. 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.

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. As part of the credit risk management process, a credit risk rating mechanism has been implemented for both business and consumer financing. The internal rating models are known as Business Credit Rating (BCR) and Consumer Credit Rating (CCR). The rating system is used as one of the supporting tools in the credit decision making process and in the credit portfolio assessment, monitoring and reporting.

The Bank closely monitors 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 analytical reports also provide the basis for risk management strategy and policy formulation and are tabled to the risk management committees on a monthly basis.

<sup>1</sup> Refers to the Basel III documents "Basel III: A global regulatory framework for resilient banks and banking systems" and "Basel III: International framework for liquidity risk measurement, standards and monitoring".

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 outline 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 resulting from movements in market prices, namely changes to the interest rates, foreign exchange rates, equity and commodity prices, which has impact on the Bank's on- and off-balance sheet positions. Asset-Liability Management (ALM) refers to the coordinated management of the Bank's balance sheet, which includes assets, liabilities and capital. The main focus of ALM is on 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 Bank.

The key objective of market risk management and ALM is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the 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 established 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; later escalating any recommendations and decisions to the ERM, BRMC and Board respectively.

The Bank's market risk and ALM management process which includes the risk identification, measurement, mitigation, monitoring and reporting is governed by the Market Risk & ALM Policies and Guidelines ('MRAPG') and Trading Book Policy Statement ('TBPS').

#### Rate of Return Risk

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:

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	Arised from imperfect correlation in the adjustment of rates earned and paid on different instruments with otherwise similar repricing characteristics
Optionality	The risk arises from the options embedded in the 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 than the rate that has been earned on its assets financed by investment account holders

Changes in the rate of return have adverse effects on both the Bank's earnings and its economic value. In assessing and managing its rate of return risk exposure, the Bank looks at two perspectives, namely from the earnings at risk (EaR) and the economic value of equity (EVE) perspectives. In addition, the Bank also uses the value at risk (VaR) approaches to calculate the maximum expected loss of an investment over a given time period. Risk tolerance limits are then built along these sensitivity measurements to manage and mitigate the related risk exposures.

#### Liquidity Risk

Liquidity risk is best described as the failure to provide adequate financial resources to fulfill obligations as they come due leading to an inability to support normal business activity and meet liquidity regulatory requirements. It is imperative for the Bank to ensure that there is sufficient availability of cash and liquid assets to meet these short-term and long-term obligations and this is conducted through an active and effective management of its balance sheet.

The primary focus of the Bank's liquidity management is to assess all of its cash inflows against its outflows to identify the potential for any net shortfall going forward. This includes funding requirements for off-balance sheet commitments.

The Bank pays particular attention to its ability to cover any shortfall in liquidity for up to 1-month time period followed by a medium-term assessment of liquidity of up to one year. The measurement and limits used to monitor and manage the liquidity risk are as prescribed under the BNM's liquidity framework, namely the New Liquidity Framework (NLF), Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). To mitigate the risk, the Bank employs a funding diversification strategy and establishes a liquidity contingency plan.

To ensure that it is prepared to encounter any liquidity crisis, the Bank has set up a pre-crisis management framework which allows it to quickly identify potential liquidity crisis before it occurs and has a built-in and structured crisis response mechanism. The process involves continuous monitoring of various indicators which acts as early-warning signals.

#### 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 (ORM) is to effectively manage risk to minimise possible financial losses due to these operational risks.

The Bank has established an Incident Management Data Collection (IMDC) reporting system where all material loss incidents, potential loss or near miss incidents are reported immediately. The IMDC report is designed as a tool to report and capture information on all incidents that may give rise to operational losses, including Shariah and regulatory non-compliances.

The Bank has also instituted the Risk and Control Self Assessment (RCSA) process which is a forward looking approach in assessing operational risk to identify and close any control gaps prevalent in the business processes. In addition, Key Risk Indicators (KRIs) are built into the business processes to facilitate the monitoring and tracking of operational risk exposures over time.

The management of operational risks is targeted at preventing risk events and damages (by in-process and managerial controls), handling critical situations (via contingency plans and business continuity management (BCM)) and mitigating potential losses (collaterals). The applied risk management system and controls are in line with the Bank's level of operational risks and internal standard operating procedures. By establishing and operating a system of control procedures that commensurate with its risks, the Bank limits its exposure to an acceptable level in accordance with the Bank's risk appetite.

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), Internal Audit, Compliance 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 meets on a monthly basis to deliberate, review and recommend policies pertaining to ORM. Among the responsibilities of the ORMC are to:

- 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; and
- Review periodically the adequacy of ORM policies, controls and systems in place within the Bank.

#### Shariah Risk Management

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

In accordance to BNM's regulatory requirement as outlined under the Shariah Governance Framework (SGF) for Islamic Financial Institutions, the Bank has in May 2011 established the Shariah Risk Management Unit (SRMU) within its integrated risk management framework. Responsible for the management of Shariah risk, the SRMU has to ensure that the Shariah risk areas, which may interrelate with

operational risk, credit risk and market risk, are proactively identified, assessed and controlled, and subsequently reported to the Management and the Board on a timely basis.

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

Risk mitigation for Shariah inherent risks covers efforts taken to reduce the probability/ likelihood or consequences of a threat. Shariah risk may be avoided when the Bank refuses to accept the risk event by not engaging in the Shariah non-compliance activities that would lead to financial loss due to Shariah non-compliant income.

Broadly, the management and mitigation of Shariah risk is undertaken and governed by the Shariah Management and Compliance Policy, Guidelines on Introduction of New Product and related shariah risk management policies, procedures and general decisions.



#### Reputational Risk Management

Reputational risk is defined as the risk of loss arising from negative perception of the Bank's image by the public and its stakeholders.

The Bank acknowledges that reputational risk, which could adversely impact its shareholder value, arises from the failure to effectively manage all other types of risks. The Bank therefore places high importance on its overall risk governance and in particular on ensuring

compliance to the Shariah tenets. As a full-fledged Islamic financial institution, negative perception on the part of its customers and other stakeholders could lead to sustained brand damage and other adverse consequences.

Managing reputational risk is therefore the responsibility of all individuals within the organisation, particularly those who are directly involved in making commercial decisions in their respective functions or business lines.

# Statement on Compliance

The Bank, a licensed Islamic financial institution under the Islamic Financial Services Act 2013 (IFSA) recognises legal and regulatory requirements imposed by various regulators such as Bank Negara Malaysia (BNM), Perbadanan Insurans Deposit Malaysia (PIDM), Securities Commission (SC) and Companies Commission of Malaysia (CCM). These requirements must be complied, managed proactively and effectively, as the compliance culture is 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. 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 resilient 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, Shariah rulings and standards applicable to the banking activities of the Bank.

To better manage the risk, Compliance Framework and Compliance Charter deals with the Bank's strategy, approach and processes to ensure adherence to applicable regulatory, operational and shariah requirements have been developed and adopted by the Board, CEO and Senior Management.

The objectives of the Framework are among others to:

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

The Framework was built based 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:
  - 1<sup>st</sup> line of defense – the management, business units and support units are the primary party responsible for managing compliance risk and obligations, and the delivery of compliant outcomes;
  - 2<sup>nd</sup> line of defense – the Compliance Department will provide oversight, coordination, consultation and validation of the Bank's state of regulatory compliance; and
  - 3<sup>rd</sup> line of defense – Internal Audit Department will provide an independent assurance to the BOD 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; and
- Embedding the Compliance Framework within the operations of the Bank, thus making 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 ensure 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 are monitored, measured and reported; and
  - The compliance programme are 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) COMPLIANCE

Money Laundering has become an increasing matter of concern in a number of jurisdictions particularly in many emerging financial services sector. 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 continue to 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 Anti-Terrorism 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 staff 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.





“Whoever believes in Allah and the Last Day, let him honour his guest.”  
[Agreed upon]



service  
oriented  
drives meeting challenges



# Financial Statements

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# 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 2013.

### 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
Profit for the year	167,936	167,186

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 other than the first time adoption of Malaysian Financial Reporting Standards ("MFRS") Framework and changes in accounting policies as disclosed in Note 2.2 to the financial statements.

The MFRS Framework as issued by the Malaysian Accounting Standard Board ("MASB") is fully compliant with International Financial Reporting Standards ("IFRS") that comprises standards as issued by the International Accounting Standard Board ("IASB") that are effective on 1 January 2012.

### DIVIDEND

No dividend has been paid or declared by the Bank since the end of the previous financial year.

At the forthcoming Annual General Meeting, a final gross dividend in respect of the financial year ended 31 March 2013 of 26.0 sen per share, less taxation of 25% on 1,000,000,000 ordinary shares, amounting to a dividend payable of RM195,000,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2014.

Subject to obtaining the required approval at the shareholders level, the proposed final dividends will be reinvested into the Bank via the subscription of newly issued and paid up ordinary shares of RM195,000,000 at RM1 per share in accordance with their respective shareholdings.

### 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	
Tuan Haji Ismail Ibrahim	
Tuan Haji Abdul Jabbar Abdul Majid	
Tengku Dato' Seri Hasmuddin Tengku Othman	
Dato' Haji Mohd Redza Shah Abdul Wahid	
Tuan Haji Mohd Izani Ghani	
Dato' Azmi Abdullah	
Dato' Haji Kamil Khalid Ariff	
Dato' Sri Che Khalib Mohamad Noh	(appointed 27 August 2012)
Dato' Mohamed Hazlan Mohamed Hussain	(appointed 27 August 2012)
Dato' Sri Haji Mohd Khamil Jamil	(resigned 4 July 2012)
Dato' Lukman Ibrahim	(resigned 29 August 2012)

### 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 1.4.2012 / at date of appointment	Acquired	Disposal	As at 31.3.2013
Interest in DRB-Hicom Berhad, holding company:				
Dato' Sri Che Khalib Mohamad Noh	3,500	-	-	3,500

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, any 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 body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 32 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 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 the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) 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, or the amount of the allowance for doubtful debts 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 other than those arising in the normal course of business of the Group and of the Bank.
- (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.

**SIGNIFICANT AND SUBSEQUENT EVENTS**

There are no significant events during the year and subsequent events after the statements of financial position date up to the date when the financial statements are authorised for issuance.

**BUSINESS REVIEW 2012/2013**

The Group registered a profit before zakat and taxation of RM236.0 million, more than double as compared to the amount posted in the previous corresponding year. Commendable growth in profit primarily attributed to higher total distributable income by 23.1%, as a result of increase in total gross financing assets by 11.9% coupled with substantially lower allowances for impairment on financial assets.

Being a relevant player in the Islamic Banking industry, the Group maintained a substantial growth with expanded net financing base from RM9.1 billion as at March 2012 to RM10.3 billion as at March 2013. Total assets of the Group grew in the twelve months period to RM21.1 billion as compared to RM20.5 billion last year. The increase was mainly due to the increase in amount of investment securities held and financing of customers.

**PROSPECTS 2013/2014**

The Group's commendable performance in the financial year 2013 confirms the effectiveness of its distinctive business model, client focused approach and product positioning in the market, despite being in a competitive operating environment. Strong capitalisation, enhanced risk governance and good liquidity management are believed to be the main elements of growth sustainability in the more challenging economy in the financial year 2014.

Premised on the above condition, the Group continues to foresee a bright prospect to enrich its performance in consumer and business segment. In view of the continuous compressed margin environment, the Group will intensify its focus on fee income generation particularly in the areas of trade finance, treasury activities, investment banking and also place greater initiatives on developing its consumer asset and wealth management businesses. The drive for consumer deposits will continue to be strengthened to further expand and diversify the deposit base.

The Group continues to embrace its long term aspiration to be the preferred Islamic financial institution which requires continuous efforts to improve its service delivery as well as infrastructure to be at the forefront position.

**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 required to be in full compliance with the Shariah requirement, as governed by the Shariah Committee consisting of a minimum of 6 members appointed by the Board for a 2-year term. The duties and responsibilities of the Shariah Committee are prescribed 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) 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) 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) To provide the necessary assistance to the related parties of the Bank such as its legal counsel, auditor or consultant who may seek advice on Shariah matters from the Shariah Committee.
- (f) To 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) To provide written Shariah opinions in circumstances where the Bank makes reference to the SAC of BNM for further deliberation, or where the Bank submits applications to the Shariah Committee for new product approval.
- (h) To provide the Bank with guidelines and advice on Shariah matters to ensure that the Bank's overall activities are in line with Shariah.
- (i) To make decisions on matters arising from existing and future activities of the Bank which have religious repercussions.
- (j) To report to the shareholders and the depositors that all the Bank's activities are in accordance with Shariah.
- (k) To 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) To scrutinize and endorse the annual financial report of the Bank.
- (m) To provide training to the staff of the Bank as well as provide note or relevant materials for their reference.
- (n) To represent the Bank or to attend any meetings with the SAC of BNM or other relevant bodies concerning any Shariah issues relating to the Bank.
- (o) To 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) To ensure the quality and consistency of the Shariah decision.

**ZAKAT OBLIGATIONS**

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

For the year ended 31 March 2013, the Bank has allocated an amount of RM6.1 million as provision for zakat.

**AUDITORS**

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 3 June 2013.

**Tan Sri Dato' Dr. Mohd Munir Abdul Majid**

Kuala Lumpur, Malaysia

**Dato' Haji Mohd Redza Shah Abdul Wahid**

## 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 12 to 205 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2013 and of the results 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 3 June 2013.

**Tan Sri Dato' Dr. Mohd Munir Abdul Majid**

Kuala Lumpur, Malaysia

**Dato' Haji Mohd Redza Shah Abdul Wahid**

## Statutory declaration

### Pursuant to Section 169(16) of the Companies Act, 1965

I, Tuan Haji PeerMohamed Ibrahim, 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 12 to 205 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 Tuan Haji PeerMohamed Ibrahim  
at Kuala Lumpur in Federal Territory on 3 June 2013.

Before me,

**Tuan Haji PeerMohamed Ibrahim**

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 2013. 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, and to report to you.

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 2013 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 2013 have been conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee,

**Azizi Che Seman**

Kuala Lumpur, Malaysia  
3 June 2013

**Engku Ahmad Fadzil Engku Ali**

# 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 2013 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 126 to 299.

### *Directors' responsibility for the financial statements*

The directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are responsible 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 give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 provision 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

Kuala Lumpur, Malaysia

3 June 2013

### **Wan Daneena Liza binti Wan Abdul Rahman**

No. 2978/03/14(J)

Chartered Accountant

## Consolidated statement of financial position

as at 31 March 2013 (19 Jamadil Awal 1434H)

Group	Note	31 March 2013	31 March 2012	1 April 2011
		RM'000	RM'000	RM'000
<b>Assets</b>				
Cash and short-term funds	4 (a)	3,236,505	4,391,223	6,199,953
Cash and placements with financial institutions	4 (b)	105,189	110,333	251,012
Financial investments designated at fair value through profit or loss	5 (a)	84,373	50,772	10,800
Financial investments available-for-sale	5 (b)	6,466,991	6,139,218	4,360,187
Financial investments held-to-maturity	5 (c)	575	28,522	28,585
Islamic derivative financial assets	6	4,488	4,150	5,177
Financing of customers	7	10,352,626	9,064,271	7,495,007
Other assets	9	90,024	44,371	70,700
Statutory deposits with Bank Negara Malaysia	10	612,721	527,721	94,121
Investment in associate	12	580	-	-
Intangible assets	13	34,546	19,133	48,488
Property, plant and equipment	14	65,698	61,939	53,033
Prepaid land lease payment	15	247	251	255
Deferred tax assets	16	17,027	62,133	42,622
<b>Total assets</b>		<b>21,071,590</b>	<b>20,504,037</b>	<b>18,659,940</b>
<b>Liabilities</b>				
Deposits from customers	17	18,744,179	18,151,087	16,216,173
Deposits and placements of banks and other financial institutions	18	10,774	11,896	14,993
Bills and acceptances payable	19	132,750	310,324	291,375
Islamic derivative financial liabilities	6	8,905	5,630	3,986
Other liabilities	20	94,267	132,586	164,398
Provision for zakat and taxation	21	14,505	20,521	5,228
Recourse obligation on financing sold to Cagamas	22	61,679	64,910	364,373
Subordinated sukuk	23	406,055	406,079	251,128
<b>Total liabilities</b>		<b>19,473,114</b>	<b>19,103,033</b>	<b>17,311,654</b>

Group	Note	31 March 2013	31 March 2012	1 April 2011
		RM'000	RM'000	RM'000
<b>Shareholders' equity</b>				
Share capital	24	1,000,000	1,000,000	1,000,000
Reserves	25	598,476	401,003	348,286
<b>Total shareholders' equity</b>		<b>1,598,476</b>	<b>1,401,003</b>	<b>1,348,286</b>
<b>Total liabilities and shareholders' equity</b>				
		<b>21,071,590</b>	<b>20,504,036</b>	<b>18,659,940</b>
<b>Commitments and contingencies</b>				
	42	<b>4,300,031</b>	<b>4,222,359</b>	<b>5,456,516</b>
<b>Capital adequacy *</b>				
	46			
Core capital ratio		14.7%	14.4%	15.2%
Risk-weighted capital ratio		19.2%	19.7%	19.2%
<b>After proposed dividend (of RM195 million net)</b>				
Core capital ratio		12.9%		
Risk-weighted capital ratio		17.4%		
<b>After proposed dividend and reinvestment into ordinary shares</b>				
Core capital ratio		14.7%		
Risk-weighted capital ratio		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.

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

STATEMENT OF FINANCIAL POSITION - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

Bank	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
<b>Assets</b>				
Cash and short-term funds	4 (a)	3,236,505	4,391,223	6,199,953
Cash and placements with financial institutions	4 (b)	105,189	110,333	251,012
Financial investments designated at fair value through profit or loss	5 (a)	79,573	45,972	-
Financial investments available-for-sale	5 (b)	6,466,991	6,139,218	4,360,187
Financial investments held-to-maturity	5 (c)	575	28,522	28,585
Islamic derivative financial assets	6	4,488	4,150	5,177
Financing of customers	7	10,365,020	9,076,593	7,512,881
Other assets	9	80,493	37,394	63,645
Statutory deposits with Bank Negara Malaysia	10	612,721	527,721	94,121
Investment in subsidiaries	11	6,384	6,384	6,484
Investment in associate	12	1,000	-	-
Intangible assets	13	34,546	19,133	48,488
Property, plant and equipment	14	65,642	61,939	53,028
Prepaid land lease payment	15	247	251	255
Deferred tax assets	16	17,027	62,133	42,622
<b>Total assets</b>		<b>21,076,401</b>	20,510,966	18,666,438
<b>Liabilities</b>				
Deposits from customers	17	18,750,255	18,158,747	16,222,790
Deposits and placements of banks and other financial institutions	18	10,774	11,896	14,993
Bills and acceptances payable	19	132,750	310,324	291,375
Islamic derivative financial liabilities	6	8,905	5,630	3,986
Other liabilities	20	95,112	133,218	164,422
Provision for zakat and taxation	21	14,498	20,511	5,228
Recourse obligation on financing sold to Cagamas	22	61,679	64,910	364,373
Subordinated sukuk	23	406,055	406,079	251,128
<b>Total liabilities</b>		<b>19,480,028</b>	19,111,315	17,318,295

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

Bank	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
<b>Shareholders' equity</b>				
Share capital	24	1,000,000	1,000,000	1,000,000
Reserves	25	596,372	399,651	348,143
<b>Total shareholders' equity</b>		<b>1,596,372</b>	1,399,651	1,348,143
<b>Total liabilities and shareholders' equity</b>				
		<b>21,076,401</b>	20,510,966	18,666,439
<b>Commitments and contingencies</b>				
	42	<b>4,300,031</b>	4,222,359	5,456,516
<b>Capital adequacy *</b>				
	46			
Core capital ratio		<b>14.7%</b>	14.4%	15.2%
Risk-weighted capital ratio		<b>19.1%</b>	19.7%	19.2%
<b>After proposed dividend (of RM195 million net)</b>				
Core capital ratio		<b>12.8%</b>		
Risk-weighted capital ratio		<b>17.3%</b>		
<b>After proposed dividend and reinvestment into ordinary shares</b>				
Core capital ratio		<b>14.6%</b>		
Risk-weighted capital ratio		<b>19.1%</b>		

\* 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 2013 (19 Jamadil Awal 1434H)

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income derived from investment of depositors' funds and others	26	916,569	838,499	916,569	838,499
Income derived from investment of shareholders' funds	27	82,770	55,092	81,692	54,401
Writeback of/(allowance for) impairment on financing	28	12,554	(63,047)	12,554	(69,047)
Writeback of provision for commitments and contingencies	20(a)	14,845	-	14,845	-
Impairment (loss)/writeback on investments	29	(7,243)	10,317	(7,243)	16,217
Share of loss of an associate	12	(420)	-	-	-
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(9,369)	(20,752)	(9,369)	(20,752)
<b>Total distributable income</b>		<b>1,009,706</b>	820,109	<b>1,009,048</b>	819,318
Income attributable to depositors	30	(416,544)	(364,565)	(416,713)	(364,736)
<b>Total net income</b>		<b>593,162</b>	455,544	<b>592,335</b>	454,582
Personnel expenses	31	(196,945)	(170,947)	(195,436)	(170,256)
Other overheads and expenditures	34	(138,955)	(158,571)	(141,344)	(159,204)
Finance cost	35	(21,299)	(23,020)	(20,577)	(23,231)
<b>Profit before zakat and taxation</b>		<b>235,963</b>	103,006	<b>234,978</b>	101,891
Zakat	36	(6,149)	(3,087)	(6,149)	(3,087)
Taxation	37	(61,878)	(30,675)	(61,643)	(30,632)
<b>Profit for the year</b>		<b>167,936</b>	69,244	<b>167,186</b>	68,172
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	38	16.8	6.9		

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

## Statements of comprehensive income

For the year ended 31 March 2013 (19 Jamadil Awal 1434H)

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Profit for the year		167,936	69,244	167,186	68,172
Other comprehensive income/ (loss):					
Net unrealised gain/(loss) on revaluation of financial investments available-for-sale		39,476	(24,215)	39,476	(24,353)
Income tax relating to components of other comprehensive income	16	(9,247)	8,159	(9,247)	8,159
Exchange fluctuation reserve		(693)	(470)	(693)	(470)
Other comprehensive income/(loss) for the year, net of tax		29,536	(16,526)	29,536	(16,664)
<b>Total comprehensive income for the year</b>		<b>197,472</b>	<b>52,718</b>	<b>196,722</b>	<b>51,508</b>

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

## Consolidated statement of changes in equity

For the year ended 31 March 2013 (19 Jamadil Awal 1434H)

Group	<-----Non-distributable----->				Distributable	
	Ordinary shares	Statutory reserve*	Exchange fluctuation reserve	Available-for-sale reserve	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 April 2012</b>	1,000,000	315,385	83	(56,169)	141,704	1,401,003
Profit for the year	-	-	-	-	167,936	167,936
Other comprehensive income/(loss) for the year	-	-	(693)	30,229	-	29,536
Total comprehensive income/(loss) for the year	-	-	(693)	30,229	167,936	197,472
Transfer to statutory reserve	-	83,593	-	-	(83,593)	-
<b>At 31 March 2013</b>	1,000,000	398,978	(610)	(25,940)	226,049	1,598,476
<b>At 1 April 2011</b>	1,000,000	272,893	553	(40,113)	114,953	1,348,286
Profit for the year	-	-	-	-	69,243	69,243
Other comprehensive income/(loss) for the year	-	-	(470)	(16,056)	-	(16,526)
Total comprehensive income/(loss) for the year	-	-	(470)	(16,056)	69,243	52,717
Transfer to statutory reserve	-	42,492	-	-	(42,492)	-
<b>At 31 March 2012</b>	1,000,000	315,385	83	(56,169)	141,704	1,401,003

\* 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 2013 (19 Jamadil Awal 1434H)

Bank	<-----Non-distributable----->				Distributable	
	Ordinary shares	Statutory reserve*	Exchange fluctuation reserve	Available-for-sale reserve	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 April 2012</b>	1,000,000	313,788	83	(56,169)	141,949	1,399,651
Profit for the period	-	-	-	-	167,186	167,186
Other comprehensive income/(loss) for the year	-	-	(693)	30,229	-	29,536
Total comprehensive income/(loss) for the year	-	-	(693)	30,229	167,186	196,722
Transfer to statutory reserve	-	83,593	-	-	(83,593)	-
<b>At 31 March 2013</b>	1,000,000	397,381	(610)	(25,940)	225,542	1,596,373
<b>At 1 April 2011</b>	1,000,000	271,603	553	(39,975)	115,962	1,348,143
Profit for the year	-	-	-	-	68,172	68,172
Other comprehensive income/(loss) for the year	-	-	(470)	(16,194)	-	(16,664)
Total comprehensive income/(loss) for the year	-	-	(470)	(16,194)	68,172	51,508
Transfer to statutory reserve	-	42,185	-	-	(42,185)	-
<b>At 31 March 2012</b>	1,000,000	313,788	83	(56,169)	141,949	1,399,651

\* 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 2013 (19 Jamadil Awal 1434H)

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cash flows from operating activities</b>					
Profit before zakat and taxation		235,963	103,006	234,978	101,891
Adjustment for					
Amortisation of prepaid land lease payment	34	4	4	4	4
Amortisation of intangible assets	34	4,545	3,965	4,545	3,965
Depreciation of property, plant and equipment	34	16,851	12,240	16,847	12,235
Gain on disposal of property, plant and equipment	27	(339)	(66)	(339)	(66)
Property, plant and equipment written-off	34	72	-	72	-
Intangible assets written-off	34	40	31,595	40	31,595
(Accretion of discount)/amortisation of premium, net	26 & 27	(2,763)	3,976	(2,763)	3,976
Net gain from sale of financial investment held-to-maturity	26	(13,494)	-	(13,494)	-
Net gain from sale of financial investment available-for-sale	26 & 27	(9,768)	(22,948)	(9,768)	(22,948)
Net gain from sale of financial investment held-for-trading	26	(632)	(2,561)	(632)	(2,561)
Net gain on revaluation of foreign exchange transaction	27	(21,049)	(11,819)	(21,049)	(11,819)
Net gain from foreign exchange derivatives	27	(899)	(1,060)	(899)	(1,060)
Unrealised loss on revaluation of islamic profit rate swap	27	3,837	3,730	3,837	3,730
Unrealised gain on revaluation of hedged items	27	(7,363)	(1,257)	(7,363)	(1,257)
Impairment loss/(writeback) on investments	29	7,243	(10,317)	7,243	(16,317)
Impairment loss of investment in subsidiaries	29	-	-	-	100
(Writeback of)/allowance for impairment on financing	28	(6,397)	90,410	(6,397)	96,410
Financing written-off	28	12,767	1,100	12,767	1,100
Writeback of provision for commitments and contingencies	20(a)	(14,845)	-	(14,845)	-
Share of loss of an associate		420	-	-	-
Finance cost	35	21,299	23,478	20,577	23,231
Gross dividend income	27	(1,935)	(8,864)	(1,935)	(8,864)
<b>Operating profit before working capital changes</b>		<b>223,557</b>	<b>214,154</b>	<b>221,426</b>	<b>213,345</b>
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		561	2,087	561	2,087
Financial investment portfolio		(25,689)	(38,249)	(25,689)	(38,249)
Financing of customers		(1,287,362)	(1,662,031)	(1,287,435)	(1,662,479)
Statutory deposits with Bank Negara Malaysia		(85,000)	(433,600)	(85,000)	(433,600)
Other assets		(16,047)	7,572	(13,496)	7,358
Increase/(decrease) in operating liabilities:					
Deposits from customers		593,092	1,934,914	591,508	1,935,957
Deposits and placements of banks and other financial institutions		(1,122)	(3,097)	(1,122)	(3,097)
Islamic derivative financial liabilities		(562)	427	(562)	427
Bills and acceptances payable		(177,574)	18,949	(177,574)	18,949
Other liabilities		(24,501)	(41,315)	(23,372)	(41,372)
Repayment made to Cagamas	22	(3,231)	(16,227)	(3,231)	(16,227)
Recourse obligation on financing sold to Cagamas	22	-	(283,236)	-	(283,236)
Cash used in operations		(803,878)	(299,652)	(803,986)	(300,137)
Zakat paid		(3,087)	(5,228)	(3,087)	(5,228)
Tax paid		(34,907)	(9,805)	(34,859)	(9,567)
<b>Net cash used in operating activities</b>		<b>(841,872)</b>	<b>(314,685)</b>	<b>(841,932)</b>	<b>(314,932)</b>

	Note	Group		Bank	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Cash flows from investing activities</b>					
Proceed of financial investment in securities		6,667,330	5,561,248	6,667,330	5,561,248
Purchase of financial investment in securities		(6,925,426)	(7,310,152)	(6,925,426)	(7,310,152)
Proceed from disposal of property, plant and equipment		833	127	833	127
Purchase of property, plant and equipment	14	(21,176)	(21,207)	(21,116)	(21,207)
Purchase of intangible asset	13	(19,998)	(6,205)	(19,998)	(6,205)
Acquisition of associate		(1,000)	-	(1,000)	-
Dividend income		1,934	8,864	1,934	8,864
<b>Net cash used in investing activities</b>		<b>(297,503)</b>	<b>(1,767,325)</b>	<b>(297,443)</b>	<b>(1,767,325)</b>
<b>Cash flows from financing activities</b>					
Dividend paid on subordinated sukuk		(20,487)	(17,399)	(20,487)	17,152
Redemption of subordinated sukuk		-	(250,000)	-	(250,000)
Additional issuance of subordinated sukuk		-	400,000	-	400,000
<b>Net cash (used in)/generated from financing activities</b>		<b>(20,487)</b>	<b>132,601</b>	<b>(20,487)</b>	<b>132,848</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,159,862)</b>	<b>(1,949,410)</b>	<b>(1,159,862)</b>	<b>(1,949,409)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>4,501,555</b>	<b>6,450,965</b>	<b>4,501,556</b>	<b>6,450,965</b>
<b>Cash and cash equivalents at end of year</b>		<b>3,341,693</b>	<b>4,501,555</b>	<b>3,341,694</b>	<b>4,501,556</b>
<b>Cash and cash equivalents consist of:</b>					
Cash and short term funds	4 (a)	3,236,505	4,391,223	3,236,505	4,391,223
Cash and placements with financial institutions	4 (b)	105,189	110,333	105,189	110,333
		<b>3,341,694</b>	<b>4,501,556</b>	<b>3,341,694</b>	<b>4,501,556</b>

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

# Notes to the financial statements

31 March 2013 (19 Jamadil Awal 1434H)

## 1. Corporate information

Bank Muamalat Malaysia Berhad (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, is a public limited liability company listed on the Main Market 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 3 June 2013.

## 2. Significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Bank and its subsidiaries (the "Group") have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965 in Malaysia.

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

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

The Group and the Bank present the statements of financial position in order of liquidity.

### 2.2 First time adoption of MFRS and change in accounting policies

The adoption of the MFRS Framework as issued by the Malaysian Accounting Standards Board ("MASB") as at 1 April 2012 by the Group and the Bank requires the Group's and the Bank's financial statements to also be fully compliant with IFRS Framework.

For all the periods up to and including the year ended 31 March 2012, the Group and the Bank prepared their financial statements in accordance with the Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines. The financial statements for the year ended 31 March 2013 are the first set of financial statements that the Group and the Bank have prepared in accordance with MFRS and IFRS including the application of MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*.

The Group and the Bank have consistently applied the same accounting policies in their opening MFRS statements of financial position at 1 April 2011 (being the date of transition to MFRS) and throughout all financial years presented, as if these policies had always been in effect. Accordingly, the Group and the Bank have prepared financial statements which comply with MFRS applicable for year ending on or after 31 March 2013, together with comparative period information as at and for the year ended 31 March 2012, as described in the summary of significant accounting policies. The impact of the transition to MFRS on the Group's and the Bank's reported financial position and financial performance are disclosed in Note 2.3. The transition from FRS in Malaysia as modified by BNM guidelines to MFRS did not have a material impact on the statements of cash flows.

## 2. Significant accounting policies (cont'd.)

### 2.2 First time adoption of MFRS and change in accounting policies (cont'd.)

#### (a) Optional exemptions from retrospective application

MFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under MFRS. The Group and the Bank have not applied any of the optional exemptions permitted under MFRS 1.

#### (b) Mandatory exception to retrospective application

##### (i) Estimates

The estimates at 1 April 2011 and at 31 March 2012 are consistent with those made for the same dates in accordance with FRS in Malaysia as modified by BNM Guidelines. The estimates used by the Group and the Bank to present these amounts in accordance with MFRS reflect conditions at 1 April 2011, the date of transition to MFRS and as of 31 March 2012.

##### (ii) Derecognition of financial assets and financial liabilities

A first-time adopter shall apply the derecognition requirements in MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139") prospectively for transactions occurring on or after 1 April 2011, the date of transition to MFRS. However, an entity may apply the derecognition requirements in MFRS 139 retrospectively from a date of the entity's choosing, only if the specific requirements under MFRS 1 are met.

The Group and the Bank have applied the derecognition requirements in MFRS 139 prospectively for transactions occurring on or after 1 April 2011.

##### (iii) Hedge accounting

A first-time adopter shall not designate hedging relationships retrospectively to transactions occurred before 1 April 2011, the date of transition to MFRS. An entity shall apply hedge accounting prospectively from 1 April 2011 to a hedging relationship that qualifies for hedge accounting under MFRS 139 at that date.

The Group and the Bank have complied with the requirements of the above exemption.

#### (c) Effects of adopting MFRS in relation to other areas

##### (i) Collective assessment allowance for financing of customers

The Group's and the Bank's collective assessment allowance were previously maintained at a minimum of 1.5% of total outstanding financing of customers, net of individual assessment allowance, being the transitional arrangement as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans / Financing (the "BNM Impairment Guidelines").

The BNM Impairment Guidelines were revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of MFRS 139. Based on the revised Guidelines, the transitional arrangement is removed with effect from 1 January 2012.

Following the adoption of MFRS during the financial year, exposures not individually considered to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not yet identified. The required financing loss allowance is estimated on the basis of historical loss experience of the Bank for assets with credit risk characteristics similar to those in the collective pool.

The financial effects of this change in accounting policy on the Group's and the Bank's financial statements are disclosed in Note 2.3.

##### (ii) Financing sold to Cagamas

In prior years, the Bank excluded balances relating to financing sold to Cagamas from total financing to customers in the statements of financial position. This treatment is in accordance with BNM Guidelines, whereby these balances were disclosed and included as part of commitments and contingencies.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.2 First time adoption of MFRS and change in accounting policies (cont'd.)

(c) Effects of adopting MFRS in relation to other areas (cont'd.)

(ii) Financing sold to Cagamas (cont'd.)

Following the adoption of MFRS during the financial year, the balances relating to financing sold to Cagamas have been included in total financing to customers in the statements of financial position in accordance with MFRS 139. The Group and the Bank have an obligation to replace those financing sold which are regarded as defective based on pre-determined and agreed-upon prudential criteria, and thus retains credit risk of the financing. Accordingly, the balances relating to the financing sold are not derecognised, and the proceeds received from Cagamas are recorded as a financial liability in the statements of financial position as recourse obligation on financing sold to Cagamas. This change in accounting policy has been applied retrospectively as part of the effects of the MFRS adoption.

The financial effects of this change in accounting policy on the Group's and the Bank's financial statements are disclosed in Note 2.3.

(d) Changes in accounting policies and reclassification of comparatives to conform with current year presentation

(i) Designation of previously recognised financial investments

Certain financial investments initially designated as held-to-maturity and available-for-sale have been redesignated as financial investment at fair value through profit or loss.

The financial effects of this redesignation on the Group's and the Bank's financial statements are disclosed in Note 2.3.

(ii) Others

Certain balances were reclassified to conform with current year presentation. The significant reclassification relates to reclassifying computer software of the Group and the Bank from property, plant and equipment to Intangible assets. All non integral software has been presented as Intangible assets in Note 13.

Computer software of the Group and the Bank were previously presented in property, plant and equipment. However, for the current year presentation, the Group's and the Bank's computer software have been reclassified to intangible assets in Note 13 to have all related software costs under a single note to the financial statements.

The effects of this change in classification and presentation on the Group's and the Bank's financial statements are disclosed in Note 2.3.

2. Significant accounting policies (cont'd.)

2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies

(a) Reconciliation of consolidated statement of financial position as at 1 April 2011

Group	FRS as at 1 April 2011	Note 2.2(c)(i)	Note 2.2(c)(ii)	Effect after adoption of MFRS	Note 2.2(d)(i)	Note 2.2(d)(ii)	MFRS as at 1 April 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
Cash and short-term funds	6,199,953	-	-	6,199,953	-	-	6,199,953
Cash and placements with financial institutions	251,012	-	-	251,012	-	-	251,012
Financial investments designated at fair value through profit or loss	-	-	-	-	10,800	-	10,800
Financial investments available-for-sale	4,370,987	-	-	4,370,987	(10,800)	-	4,360,187
Financial investments held-to-maturity	28,585	-	-	28,585	-	-	28,585
Islamic derivative financial assets	5,177	-	-	5,177	-	-	5,177
Financing of customers	7,148,160	(17,526)	364,373	7,495,007	-	-	7,495,007
Other assets	70,700	-	-	70,700	-	-	70,700
Statutory deposits with Bank Negara Malaysia	94,121	-	-	94,121	-	-	94,121
Intangible assets	-	-	-	-	-	48,488	48,488
Property, plant and equipment	101,521	-	-	101,521	-	(48,488)	53,033
Prepaid land lease payment	255	-	-	255	-	-	255
Deferred tax assets (net)	38,240	4,382	-	42,622	-	-	42,622
<b>TOTAL ASSETS</b>	<b>18,308,711</b>	<b>(13,144)</b>	<b>364,373</b>	<b>18,659,940</b>	<b>-</b>	<b>-</b>	<b>18,659,940</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)

(a) Reconciliation of consolidated statement of financial position as at 1 April 2011 (cont'd.)

Group	FRS as at 1 April 2011 RM'000	Note 2.2(c)(i) RM'000	Note 2.2(c)(ii) RM'000	Effect after adoption of MFRS RM'000	Note 2.2(d)(i) RM'000	Note 2.2(d)(ii) RM'000	MFRS as at 1 April 2011 RM'000
<b>LIABILITIES</b>							
Deposits from customers	16,216,173	-	-	16,216,173	-	-	16,216,173
Deposits and placements of banks and other financial institutions	14,993	-	-	14,993	-	-	14,993
Bills and acceptances payable	291,375	-	-	291,375	-	-	291,375
Islamic derivative financial liabilities	3,986	-	-	3,986	-	-	3,986
Other liabilities	164,398	-	-	164,398	-	-	164,398
Provision for zakat and taxation	5,228	-	-	5,228	-	-	5,228
Recourse obligation on financing sold to Cagamas	-	-	364,373	364,373	-	-	364,373
Subordinated sukuk	251,128	-	-	251,128	-	-	251,128
<b>TOTAL LIABILITIES</b>	<b>16,947,281</b>	<b>-</b>	<b>364,373</b>	<b>17,311,654</b>	<b>-</b>	<b>-</b>	<b>17,311,654</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital	1,000,000	-	-	1,000,000	-	-	1,000,000
Reserves	361,430	(13,144)	-	348,286	-	-	348,286
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,361,430</b>	<b>(13,144)</b>	<b>-</b>	<b>1,348,286</b>	<b>-</b>	<b>-</b>	<b>1,348,286</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>18,308,711</b>	<b>(13,144)</b>	<b>364,373</b>	<b>18,659,940</b>	<b>-</b>	<b>-</b>	<b>18,659,940</b>

2. Significant accounting policies (cont'd.)

2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)

(b) Reconciliation of consolidated statement of financial position as at 31 March 2012

Group	FRS as at 31 Mar 2012 RM'000	Note 2.2(c)(i) RM'000	Note 2.2(c)(ii) RM'000	Effect after adoption of MFRS RM'000	Note 2.2(d)(i) RM'000	Note 2.2(d)(ii) RM'000	MFRS as at 31 Mar 2012 RM'000
<b>ASSETS</b>							
Cash and short-term funds	4,391,223	-	-	4,391,223	-	-	4,391,223
Cash and placements with financial institutions	110,333	-	-	110,333	-	-	110,333
Financial investments designated at fair value through profit or loss	-	-	-	-	50,772	-	50,772
Financial investments available-for-sale	6,144,018	-	-	6,144,018	(4,800)	-	6,139,218
Financial investments held-to-maturity	74,494	-	-	74,494	(45,972)	-	28,522
Islamic derivative financial assets	4,150	-	-	4,150	-	-	4,150
Financing of customers	9,038,483	(39,122)	64,910	9,064,271	-	-	9,064,271
Other assets	44,371	-	-	44,371	-	-	44,371
Statutory deposits with Bank Negara Malaysia	527,721	-	-	527,721	-	-	527,721
Intangible assets	-	-	-	-	-	19,133	19,133
Property, plant and equipment	81,072	-	-	81,072	-	(19,133)	61,939
Prepaid land lease payment	251	-	-	251	-	-	251
Deferred tax assets (net)	52,353	9,780	-	62,133	-	-	62,133
<b>TOTAL ASSETS</b>	<b>20,468,469</b>	<b>(29,342)</b>	<b>64,910</b>	<b>20,504,037</b>	<b>-</b>	<b>-</b>	<b>20,504,037</b>

**NOTES TO THE FINANCIAL STATEMENTS** - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

**2. Significant accounting policies (cont'd.)**

**2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)**

**(b) Reconciliation of consolidated statement of financial position as at 31 March 2012 (con't'd.)**

Group	FRS as at 31 Mar 2012	Note 2.2(c)(i)	Note 2.2(c)(ii)	Effect after adoption of MFRS	Note 2.2(d)(i)	Note 2.2(d)(ii)	MFRS as at 31 Mar 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>LIABILITIES</b>							
Deposits from customers	18,151,087	-	-	18,151,087	-	-	18,151,087
Deposits and placements of banks and other financial institutions	11,896	-	-	11,896	-	-	11,896
Bills and acceptances payable	310,324	-	-	310,324	-	-	310,324
Islamic derivative financial liabilities	5,630	-	-	5,630	-	-	5,630
Other liabilities	133,044	-	-	133,044	-	(458)	132,586
Provision for zakat and taxation	20,521	-	-	20,521	-	-	20,521
Recourse obligation on financing sold to Cagamas	-	-	64,910	64,910	-	-	64,910
Subordinated sukuk	406,079	-	-	406,079	-	-	406,079
<b>TOTAL LIABILITIES</b>	<b>19,038,581</b>	<b>-</b>	<b>64,910</b>	<b>19,103,491</b>	<b>-</b>	<b>(458)</b>	<b>19,103,033</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital	1,000,000	-	-	1,000,000	-	-	1,000,000
Reserves	429,888	(29,342)	-	400,546	-	458	401,004
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,429,888</b>	<b>(29,342)</b>	<b>-</b>	<b>1,400,546</b>	<b>-</b>	<b>458</b>	<b>1,401,004</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>20,468,469</b>	<b>(29,342)</b>	<b>64,910</b>	<b>20,504,037</b>	<b>-</b>	<b>-</b>	<b>20,504,037</b>

**2. Significant accounting policies (cont'd.)**

**2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)**

**(c) Reconciliation of statement of financial position as at 1 April 2011**

Bank	FRS as at 1 April 2011	Note 2.2(c)(i)	Note 2.2(c)(ii)	Effect after adoption of MFRS	Note 2.2(d)(i)	Note 2.2(d)(ii)	MFRS as at 1 April 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
Cash and short-term funds	6,199,953	-	-	6,199,953	-	-	6,199,953
Cash and placements with financial institutions	251,012	-	-	251,012	-	-	251,012
Financial investments available-for-sale	4,360,187	-	-	4,360,187	-	-	4,360,187
Financial investments held-to-maturity	28,585	-	-	28,585	-	-	28,585
Islamic derivative financial assets	5,177	-	-	5,177	-	-	5,177
Financing of customers	7,166,034	(17,526)	364,373	7,512,881	-	-	7,512,881
Other assets	63,645	-	-	63,645	-	-	63,645
Statutory deposits with Bank Negara Malaysia	94,121	-	-	94,121	-	-	94,121
Investment in subsidiaries	6,484	-	-	6,484	-	-	6,484
Intangible assets	-	-	-	-	-	48,488	48,488
Property, plant and equipment	101,516	-	-	101,516	-	(48,488)	53,028
Prepaid land lease payment	255	-	-	255	-	-	255
Deferred tax assets (net)	38,240	4,382	-	42,622	-	-	42,622
<b>TOTAL ASSETS</b>	<b>18,315,209</b>	<b>(13,144)</b>	<b>364,373</b>	<b>18,666,438</b>	<b>-</b>	<b>-</b>	<b>18,666,438</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)

(c) Reconciliation of statement of financial position as at 1 April 2011 (cont'd.)

Bank	FRS as at 1 April 2011	Note 2.2(c)(i)	Note 2.2(c)(ii)	Effect after adoption of MFRS	Note 2.2(d)(i)	Note 2.2(d)(ii)	MFRS as at 1 April 2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>LIABILITIES</b>							
Deposits from customers	16,222,790	-	-	16,222,790	-	-	16,222,790
Deposits and placements of banks and other financial institutions	14,993	-	-	14,993	-	-	14,993
Bills and acceptances payable	291,375	-	-	291,375	-	-	291,375
Islamic derivative financial liabilities	3,986	-	-	3,986	-	-	3,986
Other liabilities	164,422	-	-	164,422	-	-	164,422
Provision for zakat and taxation	5,228	-	-	5,228	-	-	5,228
Recourse obligation on financing sold to Cagamas	-	-	364,373	364,373	-	-	364,373
Subordinated sukuk	251,128	-	-	251,128	-	-	251,128
<b>TOTAL LIABILITIES</b>	<b>16,953,922</b>	<b>-</b>	<b>364,373</b>	<b>17,318,295</b>	<b>-</b>	<b>-</b>	<b>17,318,295</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital	1,000,000	-	-	1,000,000	-	-	1,000,000
Reserves	361,287	(13,144)	-	348,143	-	-	348,143
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,361,287</b>	<b>(13,144)</b>	<b>-</b>	<b>1,348,143</b>	<b>-</b>	<b>-</b>	<b>1,348,143</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>18,315,209</b>	<b>(13,144)</b>	<b>364,373</b>	<b>18,666,438</b>	<b>-</b>	<b>-</b>	<b>18,666,438</b>

2. Significant accounting policies (cont'd.)

2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)

(d) Reconciliation of statement of financial position as at 31 March 2012

Bank	FRS as at 31 Mar 2012	Note 2.2(c)(i)	Note 2.2(c)(ii)	Effect after adoption of MFRS	Note 2.2(d)(i)	Note 2.2(d)(ii)	MFRS as at 31 Mar 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
Cash and short-term funds	4,391,223	-	-	4,391,223	-	-	4,391,223
Cash and placements with financial institutions	110,333	-	-	110,333	-	-	110,333
Financial investments designated at fair value through profit or loss	-	-	-	-	45,972	-	45,972
Financial investments available-for-sale	6,139,218	-	-	6,139,218	-	-	6,139,218
Financial investments held-to-maturity	74,494	-	-	74,494	(45,972)	-	28,522
Islamic derivative financial assets	4,150	-	-	4,150	-	-	4,150
Financing of customers	9,050,805	(39,122)	64,910	9,076,593	-	-	9,076,593
Other assets	37,394	-	-	37,394	-	-	37,394
Statutory deposits with Bank Negara Malaysia	527,721	-	-	527,721	-	-	527,721
Investment in subsidiaries	6,384	-	-	6,384	-	-	6,384
Intangible assets	-	-	-	-	-	19,133	19,133
Property, plant and equipment	81,072	-	-	81,072	-	(19,133)	61,939
Prepaid land lease payment	251	-	-	251	-	-	251
Deferred tax assets (net)	52,353	9,780	-	62,133	-	-	62,133
<b>TOTAL ASSETS</b>	<b>20,475,398</b>	<b>(29,342)</b>	<b>64,910</b>	<b>20,510,966</b>	<b>-</b>	<b>-</b>	<b>20,510,966</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)

(d) Reconciliation of statement of financial position as at 31 March 2012 (cont'd.)

Bank	FRS as at 31 Mar 2012	Note 2.2(c)(i)	Note 2.2(c)(ii)	Effect after adoption of MFRS	Note 2.2(d)(i)	Note 2.2(d)(ii)	MFRS as at 31 Mar 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>LIABILITIES</b>							
Deposits from customers	18,158,747	-	-	18,158,747	-	-	18,158,747
Deposits and placements of banks and other financial institutions	11,896	-	-	11,896	-	-	11,896
Bills and acceptances payable	310,324	-	-	310,324	-	-	310,324
Islamic derivative financial liabilities	5,630	-	-	5,630	-	-	5,630
Other liabilities	133,218	-	-	133,218	-	-	133,218
Provision for zakat and taxation	20,511	-	-	20,511	-	-	20,511
Recourse obligation on financing sold to Cagamas	-	-	64,910	64,910	-	-	64,910
Subordinated sukuk	406,079	-	-	406,079	-	-	406,079
<b>TOTAL LIABILITIES</b>	<b>19,046,405</b>	<b>-</b>	<b>64,910</b>	<b>19,111,315</b>	<b>-</b>	<b>-</b>	<b>19,111,315</b>
<b>SHAREHOLDERS' EQUITY</b>							
Share capital	1,000,000	-	-	1,000,000	-	-	1,000,000
Reserves	428,993	(29,342)	-	399,651	-	-	399,651
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,428,993</b>	<b>(29,342)</b>	<b>-</b>	<b>1,399,651</b>	<b>-</b>	<b>-</b>	<b>1,399,651</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>20,475,398</b>	<b>(29,342)</b>	<b>64,910</b>	<b>20,510,966</b>	<b>-</b>	<b>-</b>	<b>20,510,966</b>

2. Significant accounting policies (cont'd.)

2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)

(e) Reconciliation of income statement and statement of comprehensive income of the Group for the year ended 31 March 2012

Group	FRS as at 31 Mar 2012	Adjustment	MFRS as at 31 Mar 2012
	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	838,499	-	838,499
Income derived from investment of shareholders' funds	55,092	-	55,092
Allowance for impairment on financing	(41,451)	(21,596)	(63,047)
Impairment writeback on investments	10,317	-	10,317
Other expenses directly attributable to the investment of the depositors and shareholders' funds	(20,752)	-	(20,752)
<b>Total distributable income</b>	<b>841,705</b>	<b>(21,596)</b>	<b>820,109</b>
Income attributable to depositors	(364,565)	-	(364,565)
<b>Total net income</b>	<b>477,140</b>	<b>(21,596)</b>	<b>455,544</b>
Personnel expenses	(170,947)	-	(170,947)
Other overheads and expenditures	(158,571)	-	(158,571)
Finance cost	(23,478)	458	(23,020)
<b>Profit before zakat and taxation</b>	<b>124,144</b>	<b>(21,138)</b>	<b>103,006</b>
Zakat	(3,087)	-	(3,087)
Taxation	(36,073)	5,398	(30,675)
<b>Profit for the year</b>	<b>84,984</b>	<b>(15,740)</b>	<b>69,244</b>
<b>Other comprehensive income/(loss):</b>			
Net unrealised loss on revaluation of financial investments available-for-sale	(24,215)	-	(24,215)
Income tax relating to components of other comprehensive income	8,159	-	8,159
Exchange fluctuation reserve	(470)	-	(470)
<b>Other comprehensive loss for the year, net of tax</b>	<b>(16,526)</b>	<b>-</b>	<b>(16,526)</b>
<b>Total comprehensive income for the year</b>	<b>68,458</b>	<b>(15,740)</b>	<b>52,718</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.3 Financial effects arising from adoption of MFRS Framework and changes in accounting policies (cont'd.)

(f) Reconciliation of income statement and statement of comprehensive income of the Bank for the year ended 31 March 2012

Bank	FRS as at	Adjustment	MFRS as at
	31 Mar 2012		31 Mar 2012
	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	838,499	-	838,499
Income derived from investment of shareholders' funds	54,401	-	54,401
Allowance for impairment on financing	(47,451)	(21,596)	(69,047)
Impairment writeback on investments	16,217	-	16,217
Other expenses directly attributable to the investment of the depositors and shareholders' funds	(20,752)	-	(20,752)
<b>Total distributable income</b>	840,914	(21,596)	819,318
Income attributable to depositors	(364,736)	-	(364,736)
<b>Total net income</b>	476,178	(21,596)	454,582
Personnel expenses	(170,256)	-	(170,256)
Other overheads and expenditures	(159,204)	-	(159,204)
Finance cost	(23,231)	-	(23,231)
<b>Profit before zakat and taxation</b>	123,487	(21,596)	101,891
Zakat	(3,087)	-	(3,087)
Taxation	(36,030)	5,398	(30,632)
<b>Profit for the year</b>	84,370	(16,198)	68,172
<b>Other comprehensive income/(loss):</b>			
Net unrealised loss on revaluation of financial investments available-for-sale	(24,353)	-	(24,353)
Income tax relating to components of other comprehensive income	8,159	-	8,159
Exchange fluctuation reserve	(470)	-	(470)
<b>Other comprehensive loss for the year, net of tax</b>	(16,664)	-	(16,664)
<b>Total comprehensive income for the year</b>	67,706	(16,198)	51,508

2. Significant accounting policies (cont'd.)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 March 2013.

The financial statements of the Bank's subsidiaries are prepared for the same reporting date as the Bank, using consistent accounting policies for like transactions and events in similar circumstances. Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank obtains control and continue to be consolidated until the date that such control effectively ceases. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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. Acquisition-related costs are expenses when incurred and included in administrative expenses.

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 2.5(c). 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 statement 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 an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

All of the above will be accounted for from the date when control is lost.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.5 Summary of significant accounting policies

(a) Investment in 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 recognised in profit or loss.

(b) Investment in associates

Associates are entities in which the Group and the Bank have significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

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

Investment in associates are accounted for in the consolidated financial statements of the Group using the equity method. The associate is equity accounted for from the date the Group gains significant influence until the date the Group ceases to have significant influence over the associate.

In applying the equity method, the interest in associate is carried at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of operations of the associates. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes and disclose this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The Group's share of profit or loss of an associate is shown on the face of the consolidated income statement and represents profit or loss after taxation and non-controlling interests in the subsidiaries of the associate.

(c) 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.

2. Significant accounting policies (cont'd.)

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

(d) Financial assets

(i) Initial recognition and subsequent measurement

Financial assets are classified as financial assets at fair value through profit or loss ("FVTPL"), financing and receivables, held-to-maturity ("HTM") investments and available-for-sale investments ("AFS").

The classification of financial assets at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. All financial assets are recognised initially at fair value plus directly attributable transaction costs, except in the case of financial assets recorded at FVTPL.

The Group and Bank determine the classification of financial assets at initial recognition, in which the details are disclosed below.

1) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held-for-trading ("HFT") and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held-for-trading are derivatives (including separated embedded derivatives) or if they are acquired for the purpose of selling in the near term.

For financial assets designated at FVTPL, upon initial recognition the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different bases, or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the Group is provided internally on that basis to the entity's key management personnel.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss. Net gain 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.

2) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing assets classified in this category includes both cash and balances with banks, financing, advances and certain other receivables. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective profit method.

3) HTM investments

HTM investments are non-derivatives financial assets with fixed or determinable payments and fixed maturity, which the Bank has the intention and ability to hold to maturity.

Subsequent to initial recognition, HTM investments are measured at amortised cost using effective profit method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective profit rate. The amortisation, losses arising from impairment and gain or loss arising from derecognition of such investments are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (d) Financial assets (cont'd.)

## (i) Initial recognition and subsequent measurement (cont'd.)

## 4) AFS investments

AFS investments are financial assets that are designated as available for sale or are not classified in any of the three (3) preceding categories.

AFS investments include equity and debt securities, which are intended to be held for an indefinite period of time and which may be sold in response to liquidity needs or changes in market condition.

After initial recognition, AFS investments are subsequently measured at fair value. Any gain or loss arising from a change in fair value after applying amortised cost method are recognised directly in other comprehensive income, except impairment losses, foreign exchange gains and losses on monetary instruments and profit calculated using the effective yield method which are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the AFS investment is derecognised in profit or loss.

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

Dividends on an equity AFS instruments are recognised in the income statement when the Group's and Bank's right to receive payment are established.

## (ii) Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from asset have expired
- The Group and the Bank have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cashflows in full without material delay to a third party under a "pass through" arrangement; and either:
  - The Group and the Bank have transferred substantially all the risks and rewards of the asset, or
  - The Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the financial asset

When the Group and the Bank have transferred its rights to receive cash flows from a financial asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the financial asset, the financial asset is recognised to the extent of the Bank's continuing involvement in the financial asset. In that case, the Group and the Bank also recognise an associated liability. The transferred asset and associated liability are measured on a basis that reflects the rights and obligations that the Group and the Bank have retained.

## (iii) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset is impaired. 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 financial asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (d) Financial assets (cont'd.)

## (iii) Impairment of financial assets (cont'd.)

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 measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults

## 1) Financing and receivables

**Classification of financing and receivable as impaired**

Financing and receivable are classified as impaired when:

- principal or profit or both are past due for three (3) months or more;
- where financing in arrears for less than three (3) months exhibit indications of credit weaknesses, whether or not impairment loss has been provided for; or
- where an impaired financing has been rescheduled or restructured, the financing will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

**Impairment Process – Individual Assessment**

The Group and the Bank assess if objective evidence of impairment exist for financing and receiving which are deemed to be 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 the estimated future cash flows discounted at the financings' original effective profit rate. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

**Impairment Process – Collective Assessment**

Financings which are not individually significant and financings that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These financings are grouped within similar credit risk characteristics for collective assessment, whereby data from the financing portfolio (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups) are taken into consideration.

Future cash flows in a group of financing that are collectively evaluated for impairment are estimated based on the historical loss experience of the Group and of the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group and the Bank to reduce any differences between loss estimates and actual loss experience.

**Impairment Process – Written off accounts**

Where a financing is uncollectible, it is written off against the related allowances for financing impairment. Such financing are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in the income statement.

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (d) Financial assets (cont'd.)

## (iii) Impairment of financial assets (cont'd.)

## 2) AFS investments

For AFS investments, the Group and the Bank assess at each reporting date whether there is objective evidence that an AFS investment is impaired.

In the case of debt instruments classified as AFS, the Group and the Bank assess individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

In the case of equity investments classified as AFS investment, the objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Bank treats "significant" generally as 25% and "prolonged" generally as 12 months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss is removed from equity and recognised in profit or loss.

Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

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

## 3) HTM investments

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

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the financial assets carrying amount does not exceed its amortised cost at the reversal date. The reversal is recognised in the profit or loss.

## (iv) Determination of fair value

For financial instruments measured at fair value, the fair value is determined by reference to quoted market prices or by using valuation models. For financial instruments with observable market prices which are traded in active markets, the fair values are based on their quoted market price or dealer price quotations.

For all other financial instruments, fair value is determined using appropriate valuation techniques. In such cases, the fair values are estimated using discounted cashflow models and option pricing models, and based on observable data in respect of similar financial instruments and using inputs (such as yield curves) existing as at reporting date. The Bank generally use widely recognised valuation models with market observable inputs for the determination of fair values, due to the low complexity of financial instruments held.

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

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (e) Financial liabilities

## (i) 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.

## (ii) 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, 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.

## 1) Financial liabilities at fair value through profit or loss

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

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

## 2) 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.

## (a) 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.

## (b) 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 sukuk.

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 borrowings on an effective profit method.

## (c) Payables

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

## (d) Bills and acceptances payable

Bills and acceptances are recognised at amortised cost using effective profit method. Payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (e) Financial liabilities (cont'd.)

## (ii) Initial recognition and subsequent measurement (cont'd.)

## (e) 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.

## (iii) 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 lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in the income statement.

## (f) Derivative instruments and hedge accounting

## (i) 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 these form part of a hedging relationship.

## (ii) 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.

## 1) 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 profit and loss. 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 profit and loss.

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 profit and loss.

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (f) Derivative instruments and hedge accounting (cont'd.)

## (ii) Hedge accounting (cont'd.)

## 2) 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 other comprehensive income into 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 previously recognised in other comprehensive income are reclassified from equity and is recorded in the corresponding income or expense line of the profit and loss.

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 profit and loss.

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 profit and loss.

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

## (g) 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) Intangible assets

Intangible assets include computer software and software-in-development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses, except for software-in-development which are not subject to amortisation.

The useful lives of intangible assets are assessed as either finite or infinite. Intangible assets with finite lives are amortised over the useful economic life. Intangibles with finite lives or not yet available for use are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statements in the expense category consistent with the function of the intangible asset.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(i) Intangible assets (cont'd.)

Intangible assets are amortised over their estimated finite useful lives as follows:

Computer software	3-10 years
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(j) 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.

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

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.

(k) Prepaid land lease payment

(i) Classification

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

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and
- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

2. Significant accounting policies (cont'd.)

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

(k) Prepaid land lease payment (cont'd.)

(ii) Finance lease

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Bank's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.5(j).

(iii) Operating lease

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

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease.

The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (l) 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.

## (m) 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.

## (n) Impairment of non-financial assets

The Group and the Bank assess 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 and the Bank 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")).

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using 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. 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. Impairment loss on goodwill is not reversed in a subsequent period.

## (o) 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.

## (p) 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 and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

## (q) 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").

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (r) 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 AFS and financial instruments designated at FVTPL, 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 apportionment 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.

## (s) 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.

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.

## 2. Significant accounting policies (cont'd.)

## 2.5 Summary of significant accounting policies (cont'd.)

## (t) 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

## 2.6 Standards and interpretations issued but not yet effective

The Group and Bank have not applied the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and Bank.

- MFRS 3 Business Combinations (*IFRS Business Combinations issued by IASB March 2004*)
- MFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (*Amendments to MFRS 7*)
- MFRS 9 Financial Instruments
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interests in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 101 Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (*Amendments to MFRS 101*)
- MFRS 119 - Employee Benefits (*revised*)
- MFRS 127 Consolidated and Separate Financial Statements (*IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003*)
- MFRS 127 Separate Financial Statements (*IAS 27 as amended by IASB in May 2011*)
- MFRS 128 Investments in Associates and Joint Ventures (*IAS 28 as amended by IASB in May 2011*)
- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (*Annual Improvements 2009-2011 Cycle*)
- Amendments to MFRS 10 Consolidated Financial Statement: Transition Guidance
- Amendments to MFRS 11 Joint Arrangements: Transition Guidance
- Amendments to MFRS 12 Disclosure of Interests in Other Entities: Transition Guidance
- Amendments to MFRS 101 Presentation of Financial Statements (*Annual Improvements 2009-2011 Cycle*)
- Amendments to MFRS 116 Property, Plant and Equipment (*Annual Improvements 2009-2011 Cycle*)
- Amendments to MFRS 132 - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 132 Financial Instruments: Presentation (*Annual Improvements 2009-2011 Cycle*)
- Amendments to MFRS 134 Interim Financial Reporting (*Annual Improvements 2009-2011 Cycle*)
- IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instrument

**MFRS 3 Business Combinations (*IFRS 3 Business Combinations issued by IASB March 2004*) and MFRS 127 Consolidated and Separate Financial Statements (*IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003*)**

These are the earlier versions of MFRS 3 and MFRS 127 for which an entity can apply if it concludes that, upon applying MFRS 10 Consolidated Financial Statements, it shall consolidate an investee that was not previously consolidated and that control was obtained before the effective date of MFRS 3 and MFRS 127 issued by MASB in November 2011. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of MFRS 10 when the application of the earlier version of MFRS 3 and MFRS 127 is required.

**Amendments to MFRS 7 - Offsetting Financial Assets and Financial Liabilities**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosure required for all recognised financial instruments that are set-off in accordance with MFRS 132 Financial Instruments: Presentation ("MFRS 132"). The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with MFRS 132. These amendments will not impact the Group's and the Bank's financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

## NOTES TO THE FINANCIAL STATEMENTS – 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 2. Significant accounting policies (cont'd.)

## 2.6 Standards and interpretations issued but not yet effective (cont'd.)

**MFRS 9 Financial Instruments**

MFRS 9, as issued, reflects the first phase of the IASB's work though the adoption date is subject to the recently issued Exposure Draft on the replacement of MFRS 139 and applies to classification and measurement of financial assets and liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9 Financial Instruments (Financial Instruments-Mandatory Effective Date of MFRS 9 and Transition Disclosures), issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address impairment and hedge accounting. The Group and the Bank will assess the effect of the adoption of the first phase of MFRS 9 in conjunction with the other phases, when issued, to determine the financial implications upon adoption of this standard.

**MFRS 10 Consolidated Financial Statements ("MFRS 10")**

MFRS 10 replaces the requirements of MFRS 127 Consolidated and Separate Financial Statements ("MFRS 127") that address the accounting for consolidated financial statements and IC Interpretation 112 Consolidation — Special Purpose Entities. What remains in MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

The Group and the Bank are currently assessing the impact of adopting MFRS 10, of which the Group's and the Bank's financial position and performance may be affected upon adoption of this new standard.

**MFRS 12 Disclosure of Interests in Other Entities ("MFRS 12")**

MFRS 12 includes all disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by MFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. Many of these changes for additional disclosures were introduced by the IASB in response to the financial crisis.

Hence, the Group and the Bank will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. The standard will affect the disclosures only and will not have any impact on the financial position or performance of the Group and the Bank.

**MFRS 13 Fair Value Measurement**

MFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by MFRS. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of this standard, except for the additional disclosure requirements

**Amendments to MFRS 101 - Presentation of Items of Other Comprehensive**

The amendments to MFRS 101 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on financial investments available-for-sale) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendment affects presentation only and has no impact on the Group's and the Bank's financial position or performance.

The amendment becomes effective for annual periods beginning on or after 1 July 2012.

## 2. Significant accounting policies (cont'd.)

## 2.6 Standards and interpretations issued but not yet effective (cont'd.)

**MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)**

As a consequence of the new MFRS 10 and MFRS 12, what remains in MFRS 127 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate financial statements. The Bank prepares separate financial statements but does not anticipate significant impact to the financial statements upon adoption of this amendment.

**MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)**

As a consequence of the new MFRS 11 and MFRS 12, MFRS 128 is renamed as MFRS 128 Investments in Associates and Joint Ventures. This new standard describes the application of the equity method to investments in joint ventures in addition to associates. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of these amendments.

## 3. Significant accounting estimates and judgments

The preparation of financial statements requires management to make judgments, 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:

## 3.1 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, judgment is required where market observable data are not available. Such judgment 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.

## 3.2 Impairment of financial investments held-to-maturity and available-for-sale (Note 5(b), 5(c) and 29)

The Group and the Bank review financial investments classified as HTM and AFS at each reporting date to assess whether these are impaired. This requires similar judgment as applied to the individual assessment of financing.

The Group and the Bank also record impairment charges on AFS 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 judgment. In making this judgment, the Group and the Bank evaluate, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

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

3.3 Impairment losses on financing (Note 7 and 28)

The Group and the Bank review its individually significant financing at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgments about the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

Financing that have been assessed individually but for which no impairment is required and all individually insignificant financing are then assessed collectively, in groups of assets with similar credit risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the financing portfolio (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios etc.) and judgments on the effect of concentrations of risks (such as the performance of different individual groups).

The impairment loss on financing is disclosed in more detail in Note 28.

3.4 Income tax (Note 37)

Significant management judgment 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.

3.5 Deferred tax (Note 16)

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 judgment 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 and Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	240,226	162,535	169,013
Money at call and interbank placements with remaining maturity not exceeding one month	2,996,279	4,228,688	6,030,940
	<b>3,236,505</b>	<b>4,391,223</b>	<b>6,199,953</b>

(b) Cash and placements with financial institutions

	Group and Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Licensed Islamic banks	105,189	110,333	251,012

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

5. Financial investments

(a) Financial investment designated at fair value through profit or loss

	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Unquoted securities in Malaysia:			
<b>Group</b>			
Private equity funds	84,373	50,772	10,800
<b>Bank</b>			
Private equity funds	79,573	45,972	-

(b) Available-for-sale

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

	Group and Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
<b>At fair value</b>			
<b>Government securities and treasury bills:</b>			
Malaysian government investment certificates	3,383,061	3,737,482	1,972,826
<b>Money market instruments:</b>			
Negotiable islamic debt certificates	-	55,570	-
<b>Quoted securities in Malaysia:</b>			
Quoted shares	44,182	48,023	24,994
Unit trust	-	-	9,910
	44,182	48,023	34,904
<b>Unquoted securities:</b>			
Islamic private debt securities in Malaysia	2,942,983	2,150,770	2,241,814
Cagamas bonds	120,938	116,266	136,245
Foreign islamic private debt securities and sukuk	62,460	91,924	68,501
	3,126,381	2,358,960	2,446,560
Accumulated impairment loss	(91,264)	(65,448)	(98,208)
	6,462,360	6,134,587	4,356,082
<b>At cost</b>			
<b>Unquoted securities:</b>			
Shares in Malaysia	4,631	4,631	4,105
<b>Total available-for-sale securities</b>	<b>6,466,991</b>	<b>6,139,218</b>	<b>4,360,187</b>

5. Financial investments (cont'd.)

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

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

	Group and Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Maturity within one year	-	55,570	-

(c) Held-to-maturity

	Group and Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
<b>At amortised cost</b>			
Unquoted Islamic private debt securities in Malaysia	575	30,583	30,646
Accumulated impairment loss	-	(2,061)	(2,061)
<b>Total held-to-maturity securities</b>	<b>575</b>	<b>28,522</b>	<b>28,585</b>

(i) The reconciliation of movement of the unquoted held-to-maturity securities are as follows:

	Group and Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
At beginning of the year	28,522	28,585	28,585
Addition during the year	-	45,909	-
Effect of reclassification of investment held-to-maturity to investment designated at fair value through profit or loss	-	(45,972)	-
Redeemed during the year	(27,947)	-	-
<b>At end of the year</b>	<b>575</b>	<b>28,522</b>	<b>28,585</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

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.

Group and Bank	31 March 2013			31 March 2012			1 April 2011		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value		Contract/ Notional Amount	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>									
Foreign exchange contracts									
- Currency forwards									
Less than one year	54,230	2,862	(24)	110,486	1,983	(272)	52,994	770	(302)
- Currency swaps									
Less than one year	213,422	1,500	(1,021)	569,975	2,082	(1,383)	256,702	1,384	(558)
- Currency spot									
Less than one year	127,472	126	(134)	189,753	85	(86)	1,487,300	3,023	(2,968)
	<b>395,124</b>	<b>4,488</b>	<b>(1,179)</b>	<b>870,214</b>	<b>4,150</b>	<b>(1,741)</b>	<b>1,796,996</b>	<b>5,177</b>	<b>(3,828)</b>
<b>Hedging derivatives:</b>									
Islamic profit rate swap									
(IPRS) More than one year	875,000	-	(7,726)	75,000	-	(3,889)	75,000	-	(158)
<b>Total</b>	<b>1,270,124</b>	<b>4,488</b>	<b>(8,905)</b>	<b>945,214</b>	<b>4,150</b>	<b>(5,630)</b>	<b>1,871,996</b>	<b>5,177</b>	<b>(3,986)</b>

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:

Group and Bank	31 March 2013			31 March 2012			1 April 2011		
	Contract/ notional amount	Fair value		Contract/ notional amount	Fair value		Contract/ Notional Amount	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Islamic profit rate swap (IPRS)	575,000	-	(3,837)	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 2013, the Group and the Bank recognised a net loss of RM3,837,303 (2012: RM3,730,445) on the hedging instrument. The total net gain on the hedged item attributable to the hedged risk amounted to RM7,363,236 (2012: RM1,256,623).

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 7. Financing of customers

(i) By type

Group	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Cash line	208,538	181,842	367,763
Term financing			
- Home financing	8,398,544	6,469,716	4,828,099
- Syndicated financing	141,177	86,143	143,617
- Hire purchase receivables	1,153,637	1,165,170	1,397,081
- Leasing receivables	146,559	176,859	191,584
- Other term financing	7,459,009	6,688,931	4,294,746
Trust receipts	107,256	116,428	147,916
Claims on customers under acceptance credits	742,214	722,131	779,186
Staff financing	120,362	111,101	94,761
Revolving credit	616,204	491,233	356,088
Sukuk	50,488	-	-
	<b>19,143,988</b>	16,209,554	12,600,841
Less : Unearned income	(8,520,066)	(6,715,082)	(4,753,075)
Gross financing	<b>10,623,922</b>	9,494,472	7,847,766
Less : Allowance for impaired financing:			
- Collective assessment	(242,843)	(268,297)	(244,228)
- Individual assessment	(28,453)	(161,904)	(108,531)
<b>Total net financing</b>	<b>10,352,626</b>	9,064,271	7,495,007

## 7. Financing of customers (cont'd.)

(i) By type (cont'd.)

Bank	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Cash line	208,538	181,842	367,763
Term financing			
- Home financing	8,398,544	6,469,716	4,828,099
- Syndicated financing	141,177	86,143	143,617
- Hire purchase receivables	1,153,637	1,165,170	1,397,081
- Leasing receivables	146,559	176,859	191,584
- Other term financing	7,477,403	6,707,253	4,312,620
Trust receipts	107,256	116,428	147,916
Claims on customers under acceptance credits	742,214	722,131	779,186
Staff financing	120,362	111,101	94,761
Revolving credit	616,204	491,233	356,088
Sukuk	50,488	-	-
	<b>19,162,382</b>	16,227,876	12,618,715
Less : Unearned income	(8,520,066)	(6,715,082)	(4,753,075)
Gross financing	<b>10,642,316</b>	9,512,794	7,865,640
Less : Allowance for impaired financing:			
- Collective assessment	(242,843)	(268,297)	(244,228)
- Individual assessment	(34,453)	(167,904)	(108,531)
<b>Total net financing</b>	<b>10,365,020</b>	9,076,593	7,512,881

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

7. Financing of customers (cont'd.)

(ii) By contract

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Bai' Bithaman Ajil (deferred payment sale)	4,237,413	4,012,321	2,830,101
Ijarah (lease)	147,550	287,697	260,690
Ijarah Thumma Al-Bai (lease ended with purchase)	1,001,324	1,024,090	1,207,059
Inah (sale and buyback)	238,175	263,365	449,754
Tawarruq (commodity murabahah)	2,961,096	1,979,340	1,301,019
Bai Al Dayn (purchase of debt)	753,857	732,250	805,213
Murabahah (cost-plus)	922,188	714,268	652,739
Istisna' (sale order)	295,890	453,524	301,566
Qard (benevolent loan)	66,193	27,309	16,344
Shirkah Mutanaqisah (diminishing partnership)/ Musharakah (profit sharing)	236	308	23,281
	<b>10,623,922</b>	<b>9,494,472</b>	<b>7,847,766</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Bai' Bithaman Ajil (deferred payment sale)	4,237,413	4,012,321	2,830,101
Ijarah (lease)	147,550	287,697	260,690
Ijarah Thumma Al-Bai (lease ended with purchase)	1,001,324	1,024,090	1,207,059
Inah (sale and buyback)	38,175	263,365	449,754
Tawarruq (commodity murabahah)	2,961,096	1,979,340	1,301,019
Bai Al Dayn (purchase of debt)	753,857	732,250	805,213
Murabahah (cost-plus)	922,188	714,268	652,739
Istisna' (sale order)	295,890	453,524	301,566
Qard (benevolent loan)	66,193	27,309	16,344
Shirkah Mutanaqisah (diminishing partnership)/ Musharakah (profit sharing)	18,630	18,630	41,155
	<b>10,642,316</b>	<b>9,512,794</b>	<b>7,865,640</b>

7. Financing of customers (cont'd.)

(iii) By type of customer

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Domestic non-banking institutions	438,890	445,254	37,042
Domestic business enterprises			
- Small business enterprises	269,238	420,518	728,478
- Others	2,449,268	2,713,808	2,700,579
Government and statutory bodies	608,510	602,147	135,190
Individuals	6,841,465	5,292,442	4,224,569
Other domestic entities	2,885	5,340	5,520
Foreign entities	13,666	14,963	16,388
	<b>10,623,922</b>	<b>9,494,472</b>	<b>7,847,766</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Domestic non-banking institutions	438,890	445,254	37,042
Domestic business enterprises			
- Small business enterprises	269,238	420,518	728,478
- Others	2,453,832	2,718,682	2,711,531
Government and statutory bodies	622,340	615,595	142,112
Individuals	6,841,465	5,292,442	4,224,569
Other domestic entities	2,885	5,340	5,520
Foreign entities	13,666	14,963	16,388
	<b>10,642,316</b>	<b>9,512,794</b>	<b>7,865,640</b>

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 7. Financing of customers (cont'd.)

(iv) By profit rate sensitivity

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Fixed rate:			
Home financing	999,855	782,599	849,438
Hire purchase receivables	1,003,454	1,017,029	1,201,348
Others	4,580,985	4,279,145	2,764,311
Variable rate:			
Home financing	1,810,632	1,536,955	1,114,763
Others	2,228,996	1,878,744	1,917,906
	<b>10,623,922</b>	<b>9,494,472</b>	<b>7,847,766</b>
	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Fixed rate:			
Home financing	999,855	782,599	849,438
Hire purchase receivables	1,003,454	1,017,029	1,201,348
Others	4,585,549	4,284,019	2,769,263
Variable rate:			
Home financing	1,810,632	1,536,955	1,114,763
Others	2,242,826	1,892,192	1,930,828
	<b>10,642,316</b>	<b>9,512,794</b>	<b>7,865,640</b>

## 7. Financing of customers (cont'd.)

(v) By sector

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Agriculture	51,001	50,424	75,846
Mining and quarrying	2,381	2,032	4,049
Manufacturing	707,878	571,540	670,143
Electricity, gas and water	134,743	129,063	144,710
Construction	488,928	701,667	775,252
Purchase of landed property:			
- Residential	2,890,830	2,389,811	2,014,190
- Non-residential	269,340	232,143	255,494
Real estate	129,267	126,348	16,937
Wholesale, retail and restaurant	475,284	649,352	601,139
Transport, storage and communication	336,166	309,664	155,913
Finance, takaful and business services	491,216	529,448	154,028
Purchase of securities	92	119	86
Purchase of transport vehicles	1,010,295	1,024,737	1,207,546
Consumption credit	2,909,624	1,932,640	1,316,730
Community, social and personal service	104,537	229,889	384,158
Government and statutory bodies	622,340	615,595	71,545
	<b>10,623,922</b>	<b>9,494,472</b>	<b>7,847,766</b>
	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Agriculture	51,001	50,424	75,846
Mining and quarrying	2,381	2,032	4,049
Manufacturing	712,442	576,414	675,095
Electricity, gas and water	134,743	129,063	144,710
Construction	494,928	701,667	781,252
Purchase of landed property:			
- Residential	2,890,830	2,389,811	2,014,190
- Non-residential	269,340	232,143	255,494
Real estate	129,267	126,348	16,937
Wholesale, retail and restaurant	475,284	649,352	601,139
Transport, storage and communication	336,166	309,664	155,913
Finance, takaful and business services	491,216	529,448	154,028
Purchase of securities	92	119	86
Purchase of transport vehicles	1,010,295	1,024,737	1,207,546
Consumption credit	2,909,624	1,932,640	1,316,730
Community, social and personal service	112,367	243,337	391,080
Government and statutory bodies	622,340	615,595	71,545
	<b>10,642,316</b>	<b>9,512,794</b>	<b>7,865,640</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

7. Financing of customers (cont'd.)

(vi) By residual contractual maturity

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Maturity within one year	2,360,594	2,081,549	2,470,365
more than one to five years	3,852,107	3,464,400	3,231,243
more than five years	4,411,221	3,948,523	2,146,158
	<b>10,623,922</b>	<b>9,494,472</b>	<b>7,847,766</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Maturity within one year	2,360,594	2,081,549	2,470,365
more than one to five years	3,852,107	3,464,400	3,231,243
more than five years	4,429,615	3,966,845	2,164,032
	<b>10,642,316</b>	<b>9,512,794</b>	<b>7,865,640</b>

(vii) By geographical area

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Domestic	10,602,355	9,450,720	7,753,291
Labuan Offshore	21,567	43,752	94,475
	<b>10,623,922</b>	<b>9,494,472</b>	<b>7,847,766</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Domestic	10,620,749	9,469,042	7,771,165
Labuan Offshore	21,567	43,752	94,475
	<b>10,642,316</b>	<b>9,512,794</b>	<b>7,865,640</b>

7. Financing of customers (cont'd.)

(viii) By economic purpose

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Purchase of securities	92	119	86
Purchase of transport vehicles	1,010,295	1,024,737	1,207,546
Purchase of landed properties of which:			
– residential	2,892,026	2,391,204	2,015,791
– non-residential	269,341	232,570	255,963
Purchase of fixed assets (excluding landed properties)	1,061,774	1,278,061	448,398
Personal use	2,909,624	1,932,640	1,316,730
Construction	526,512	735,147	810,779
Working capital	500,543	375,431	239,508
Other purposes	1,453,715	1,524,563	1,552,965
	<b>10,623,922</b>	<b>9,494,472</b>	<b>7,847,766</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Purchase of securities	92	119	86
Purchase of transport vehicles	1,010,295	1,024,737	1,207,546
Purchase of landed properties of which:			
– residential	2,892,026	2,326,294	2,015,791
– non-residential	269,341	232,570	255,963
Purchase of fixed assets (excluding landed properties)	1,061,774	1,278,061	448,398
Personal use	2,909,624	1,932,640	1,316,730
Construction	526,512	735,147	816,779
Working capital	500,543	375,431	239,508
Other purposes	1,472,109	1,607,795	1,564,839
	<b>10,642,316</b>	<b>9,512,794</b>	<b>7,865,640</b>

Included in financing of customers is a financing given to a corporate customer and another given to the government which are 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 RM573.3 million (2012: RM73.3 million). The cumulative change in fair value of the financings attributable to changes in profit rate risks amounts to a profit of RM8,619,859 (2012: RM1,256,623) and the change for the current year is a profit of RM7,363,236 (2012: RM1,256,623). 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 securities issued by entities with similar credit characteristics.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

8. Impaired Financing

(i) Movements in the impaired financing

	Group RM'000	Bank RM'000
<b>As at 31 March 2012</b>		
As at 1 April 2011	378,343	378,343
Classified as impaired during the year	371,687	377,687
Reclassified as performing during the year	(174,373)	(174,373)
Recovered during the year	(115,245)	(115,245)
Written off during the year	(14,068)	(14,068)
<b>As at 31 March 2012</b>	<b>446,344</b>	<b>452,344</b>
Ratio of gross impaired financing to total financing	4.7%	4.8%
<b>As at 31 March 2013</b>		
As at 1 April 2012	446,344	452,344
Classified as impaired during the year	271,605	271,605
Reclassified as performing during the year	(143,533)	(143,533)
Recovered during the year	(155,741)	(155,741)
Written off during the year	(153,307)	(153,307)
<b>As at 31 March 2013</b>	<b>265,368</b>	<b>271,368</b>
Ratio of gross impaired financing to total financing	2.5%	2.5%

8. Impaired Financing (cont'd.)

(ii) Movements in the allowance for impaired financing

	Group RM'000	Bank RM'000
<b>Collective assessment allowance</b>		
<b>As at 31 March 2012</b>		
As at 1 April 2011	244,228	244,228
Allowance made during the year (Note 28)	264,200	264,200
Amount written-back (Note 28)	(227,163)	(227,163)
Amount written-off	(12,968)	(12,968)
<b>As at 31 March 2012</b>	<b>268,297</b>	<b>268,297</b>
As % of gross financing, less individual assessment allowance	2.9%	2.9%
<b>As at 31 March 2013</b>		
As at 1 April 2012	268,297	268,297
Allowance made during the year (Note 28)	368,321	368,321
Amount written-back (Note 28)	(366,720)	(366,720)
Amount written-off	(27,055)	(27,055)
<b>As at 31 March 2013</b>	<b>242,843</b>	<b>242,843</b>
As % of gross financing, less individual assessment allowance	2.3%	2.3%
<b>Individual assessment allowance</b>		
<b>As at 31 March 2012</b>		
As at 1 April 2011	108,531	108,531
Allowance made during the year (Note 28)	64,029	70,029
Amount written-back (Note 28)	(10,656)	(10,656)
Amount written-off	-	-
<b>As at 31 March 2012</b>	<b>161,904</b>	<b>167,904</b>
<b>As at 31 March 2013</b>		
As at 1 April 2012	161,904	167,904
Allowance made during the year (Note 28)	21,876	21,876
Amount written-back (Note 28)	(29,874)	(29,874)
Amount written-off	(125,453)	(125,453)
<b>As at 31 March 2013</b>	<b>28,453</b>	<b>34,453</b>

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 8. Impaired Financing (cont'd.)

(iii) Impaired financing by geographical area

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Domestic	243,801	439,870	372,045
Labuan Offshore	21,567	6,474	6,298
	<b>265,368</b>	<b>446,344</b>	<b>378,343</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Domestic	249,801	445,870	372,045
Labuan Offshore	21,567	6,474	6,298
	<b>271,368</b>	<b>452,344</b>	<b>378,343</b>

## 8. Impaired Financing (cont'd.)

(iv) Impaired financing by sector

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Manufacturing	10,220	40,874	24,660
Construction	57,083	175,116	71,810
Purchase of landed property:			
- Residential	84,590	100,192	159,345
- Non-residential	10,313	8,128	12,206
Real estate	-	9,342	-
Wholesale and retail and restaurant	15,620	32,082	33,360
Transport, storage and communication	137	80	45
Finance, takaful and business services	31,020	10,292	9,713
Purchase of securities	18	50	84
Purchase of transport vehicles	29,306	36,543	34,933
Consumption credit	26,086	30,555	23,928
Community, social and personal service	975	3,090	8,259
	<b>265,368</b>	<b>446,344</b>	<b>378,343</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Manufacturing	10,220	40,874	24,660
Construction	63,083	175,116	71,810
Purchase of landed property:			
- Residential	84,590	100,192	159,345
- Non-residential	10,313	8,128	12,206
Real estate	-	9,342	-
Wholesale and retail and restaurant	15,620	32,082	33,360
Transport, storage and communication	137	80	45
Finance, takaful and business services	31,020	16,292	9,713
Purchase of securities	18	50	84
Purchase of transport vehicles	29,306	36,543	34,933
Consumption credit	26,086	30,555	23,928
Community, social and personal service	975	3,090	8,259
	<b>271,368</b>	<b>452,344</b>	<b>378,343</b>

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 8. Impaired Financing (cont'd.)

(v) Impaired financing by economic purpose

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Purchase of securities	18	50	84
Purchase of transport vehicles	29,306	36,543	34,933
Purchase of landed properties of which:			
– Residential	84,590	100,192	159,345
– Non-residential	10,313	8,128	12,206
Purchase of fixed assets (excluding landed properties)	3,171	4,101	1,553
Personal use	26,086	30,555	23,928
Construction	57,083	175,116	71,810
Working capital	7,000	265	867
Other purposes	47,801	91,394	73,617
	<b>265,368</b>	<b>446,344</b>	<b>378,343</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Purchase of securities	18	50	84
Purchase of transport vehicles	29,306	36,543	34,933
Purchase of landed properties of which:			
– Residential	84,590	100,192	159,345
– Non-residential	10,313	8,128	12,206
Purchase of fixed assets (excluding landed properties)	3,171	4,101	1,553
Personal use	26,086	30,555	23,928
Construction	63,083	175,116	71,810
Working capital	7,000	265	867
Other purposes	47,801	97,394	73,617
	<b>271,368</b>	<b>452,344</b>	<b>378,343</b>

## 9. Other assets

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Deposits	6,193	5,658	4,876
Prepayments	2,662	2,823	2,428
Tax prepayment	61	265	15,726
Foreclosed properties	14,000	14,000	14,000
Other debtors	67,108	21,625	33,670
	<b>90,024</b>	<b>44,371</b>	<b>70,700</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Deposits	6,041	5,508	4,721
Prepayments	2,660	2,822	2,409
Tax prepayment	-	-	15,611
Amount due from subsidiaries	91	797	5,534
Foreclosed properties	14,000	14,000	14,000
Other debtors	57,701	14,267	21,370
	<b>80,493</b>	<b>37,394</b>	<b>63,645</b>

## 10. 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.

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 11. Investment in subsidiaries

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Unquoted shares at cost			
- in Malaysia	10,823	10,823	10,823
Less: Accumulated impairment loss	(4,439)	(4,439)	(4,339)
	6,384	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			Paid up capital
		31 March 2013	31 March 2012	1 April 2011	31 March 2013
		%	%	%	RM
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	100	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	100	2
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100	100,002
Muamalat Invest Sdn. Bhd.	Provision of Fund Management Services	100	100	100	10,000,000

## 12. Investment in associate

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Unquoted shares at cost	1,000	-	-
Share of loss of the associate	(420)	-	-
	580	-	-

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Unquoted shares at cost	1,000	-	-

Details of the associate which is incorporated in Malaysia are as follows:

Name	Principal activities	Percentage of equity held			Paid up capital
		31 March 2013	31 March 2012	1 April 2011	31 March 2013
		%	%	%	RM
Pos Ar-Rahnu Sdn. Bhd.	Islamic pawn broking	20	-	-	5,000,000

For the purpose of applying the equity method of accounting, the Group has used the latest available management reports issued by these associates.

The summarised financial information of the associate is as follow:

	31 March 2013	31 March 2012
	RM'000	RM'000
<b>Statement of financial position</b>		
Total assets	26,466	-
Total liabilities	23,563	-
<b>Income Statement</b>		
Revenue	782	-
Loss after taxation	(2,098)	-

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

13. Intangible assets

Group and Bank	Computer Software RM'000	Software under Development RM'000	Total RM'000
<b>As at 31 March 2013</b>			
<b>Cost</b>			
At 1 April 2012	42,220	5,950	48,170
Additions	780	19,218	19,998
Write off	-	(40)	(40)
Reclassification	1,161	(1,161)	-
As at 31 March 2013	44,161	23,967	68,128
<b>Accumulated amortisation</b>			
At 1 April 2012	29,037	-	29,037
Charge for the year	4,545	-	4,545
As at 31 March 2013	33,582	-	33,582
<b>Carrying amount at 31 March 2013</b>	<b>10,579</b>	<b>23,967</b>	<b>34,546</b>
<b>At as 31 March 2012</b>			
<b>Cost</b>			
At 1 April 2011	38,084	35,476	73,560
Additions	196	6,009	6,205
Write off	-	(31,595)	(31,595)
Reclassification	3,940	(3,940)	-
As at 31 March 2012	42,220	5,950	48,170
<b>Accumulated amortisation</b>			
At 1 April 2011	25,072	-	25,072
Charge for the year	3,965	-	3,965
As at 31 March 2012	29,037	-	29,037
<b>Carrying amount as at 31 March 2012</b>	<b>13,183</b>	<b>5,950</b>	<b>19,133</b>

14. Property, plant and equipment

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Capital work in progress RM'000	Total RM'000
<b>As at 31 March 2013</b>					
<b>Cost</b>					
As at 1 April 2012	2,958	16,049	159,200	11,131	189,338
Additions	-	-	14,372	6,804	21,176
Disposals	(659)	-	(687)	-	(1,346)
Write off	-	-	-	(72)	(72)
Reclassification	-	-	10,276	(10,276)	-
As at 31 March 2013	2,299	16,049	183,161	7,587	209,096
<b>Accumulated depreciation</b>					
As at 1 April 2012	988	4,545	121,866	-	127,399
Charge for the year	71	401	16,379	-	16,851
Disposals	(220)	-	(632)	-	(852)
As at 31 March 2013	839	4,946	137,613	-	143,398
<b>Carrying amount at 31 March 2013</b>	<b>1,460</b>	<b>11,103</b>	<b>45,548</b>	<b>7,587</b>	<b>65,698</b>
<b>As at 31 March 2012</b>					
<b>Cost</b>					
At as 1 April 2011	2,958	16,049	144,728	4,963	168,698
Additions	-	-	10,015	11,192	21,207
Disposals	-	-	(567)	-	(567)
Reclassification	-	-	5,024	(5,024)	-
As at 31 March 2012	2,958	16,049	159,200	11,131	189,338
<b>Accumulated depreciation</b>					
At as 1 April 2011	914	4,143	110,608	-	115,665
Charge for the year	74	402	11,764	-	12,240
Disposals	-	-	(506)	-	(506)
As at 31 March 2012	988	4,545	121,866	-	127,399
<b>Carrying amount as at 31 March 2012</b>	<b>1,970</b>	<b>11,504</b>	<b>37,334</b>	<b>11,131</b>	<b>61,939</b>

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 14. Property, plant and equipment (cont'd.)

Bank	Freehold land and building	Office building	Furniture, fixtures, fittings, motor vehicle, equipment & renovation	Capital work in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 31 March 2013</b>					
<b>Cost</b>					
As at 1 April 2012	2,958	16,049	159,079	11,131	189,217
Additions	-	-	14,312	6,804	21,116
Disposals	(659)	-	(687)	-	(1,346)
Write off	-	-	-	(72)	(72)
Reclassification	-	-	10,276	(10,276)	-
As at 31 March 2013	2,299	16,049	182,980	7,587	208,915
<b>Accumulated depreciation</b>					
As at 1 April 2012	988	4,545	121,745	-	127,278
Charge for the year	71	401	16,375	-	16,847
Disposals	(220)	-	(632)	-	(852)
As at 31 March 2013	839	4,946	137,488	-	143,273
<b>Carrying amount at 31 March 2013</b>	<b>1,460</b>	<b>11,103</b>	<b>45,492</b>	<b>7,587</b>	<b>65,642</b>
<b>At as 31 March 2012</b>					
<b>Cost</b>					
At as 1 April 2011	2,958	16,049	144,607	4,963	168,577
Additions	-	-	10,015	11,192	21,207
Disposals	-	-	(567)	-	(567)
Write off	-	-	-	-	-
Reclassification	-	-	5,024	(5,024)	-
As at 31 March 2012	2,958	16,049	159,079	11,131	189,217
<b>Accumulated depreciation</b>					
At as 1 April 2011	914	4,143	110,492	-	115,549
Charge for the year	74	402	11,759	-	12,235
Disposals	-	-	(506)	-	(506)
As at 31 March 2012	988	4,545	121,745	-	127,278
<b>Carrying amount as at 31 March 2012</b>	<b>1,970</b>	<b>11,504</b>	<b>37,334</b>	<b>11,131</b>	<b>61,939</b>

## 15. Prepaid land lease payments

	Group and Bank	
	31 March 2013	31 March 2012
	RM'000	RM'000
At 1 April	251	255
Amortisation	(4)	(4)
As at 31 March	247	251
Analysed as:		
Long term leasehold land	247	251

## 16. Deferred tax assets

	Group and Bank	
	31 March 2013	31 March 2012
	RM'000	RM'000
At beginning of the year	62,133	42,622
Recognised in the income statement (Note 37)	(35,859)	11,352
Recognised in the equity	(9,247)	8,159
<b>At end of the year</b>	<b>17,027</b>	<b>62,133</b>

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 as follows:

	Group and Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
<b>Deferred tax assets</b>	<b>17,027</b>	<b>62,133</b>	<b>42,622</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

16. Deferred tax assets (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	Provision for liabilities	Other temporary differences	Total
	RM'000	RM'000	RM'000	RM'000
At 1 April 2011	33,090	8,215	9,932	51,237
Recognised in income statements	6,346	4,099	455	10,900
Recognised in the equity	-	-	8,159	8,159
<b>At 31 March 2012</b>	<b>39,436</b>	<b>12,314</b>	<b>18,546</b>	<b>70,296</b>
At 1 April 2012	<b>39,436</b>	<b>12,314</b>	<b>18,546</b>	<b>70,296</b>
Recognised in income statements	<b>(39,436)</b>	<b>2,027</b>	<b>(32)</b>	<b>(37,441)</b>
Recognised in the equity	-	-	<b>(9,247)</b>	<b>(9,247)</b>
<b>At 31 March 2013</b>	<b>-</b>	<b>14,341</b>	<b>9,267</b>	<b>23,608</b>

Deferred tax liabilities of the Group and the Bank:

	Property, plant and equipment	Total
	RM'000	RM'000
At 1 April 2011	(8,615)	(8,615)
Recognised in the income statement	452	452
At 31 March 2012	(8,163)	(8,163)
At 1 April 2012	<b>(8,163)</b>	<b>(8,163)</b>
Recognised in the income statement	<b>1,582</b>	<b>1,582</b>
<b>At 31 March 2013</b>	<b>(6,581)</b>	<b>(6,581)</b>

17. Deposits from customers

(i) By type of deposits

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
<b>Non-Mudharabah Fund</b>			
Demand deposits	<b>2,576,108</b>	2,565,993	2,733,552
Savings deposits	<b>499,571</b>	469,668	474,723
Negotiable Islamic debt certificate	<b>856,478</b>	2,830,628	1,505,815
Others	<b>481,664</b>	536,112	17,582
	<b>4,413,821</b>	6,402,401	4,731,672
<b>Mudharabah Fund</b>			
Demand deposits	<b>325,814</b>	472,685	217,094
Savings deposits	<b>467,662</b>	355,220	222,945
General investment deposits	<b>12,299,161</b>	9,846,015	9,581,971
Special general investment deposits	<b>1,237,721</b>	1,074,766	1,462,491
	<b>14,330,358</b>	11,748,686	11,484,501
	<b>18,744,179</b>	18,151,087	16,216,173

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
<b>Non-Mudharabah Fund</b>			
Demand deposits	<b>2,576,587</b>	2,573,653	2,740,169
Savings deposits	<b>499,571</b>	469,668	474,723
Negotiable Islamic debt certificate	<b>856,478</b>	2,830,628	1,505,815
Others	<b>481,664</b>	536,112	17,582
	<b>4,414,300</b>	6,410,061	4,738,289
<b>Mudharabah Fund</b>			
Demand deposits	<b>325,814</b>	472,685	217,094
Savings deposits	<b>467,662</b>	355,220	222,945
General investment deposits	<b>12,304,758</b>	9,846,015	9,581,971
Special general investment deposits	<b>1,237,721</b>	1,074,766	1,462,491
	<b>14,335,955</b>	11,748,686	11,484,501
	<b>18,750,255</b>	18,158,747	16,222,790

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

17. Deposits from customers (cont'd.)

(ii) By type of customer

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Government and statutory bodies	3,102,500	3,810,127	3,779,352
Business enterprises	9,380,933	7,195,021	6,648,290
Individuals	1,318,928	1,153,015	1,025,204
Others	4,941,818	5,992,924	4,763,327
	<b>18,744,179</b>	<b>18,151,087</b>	<b>16,216,173</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Government and statutory bodies	3,102,500	3,810,127	3,779,352
Business enterprises	9,380,933	7,195,021	6,648,290
Individuals	1,318,928	1,153,015	1,025,204
Others	4,947,894	6,000,584	4,769,944
	<b>18,750,255</b>	<b>18,158,747</b>	<b>16,222,790</b>

The maturity structure of negotiable instruments of deposit and mudharabah general and special investment deposit are as follows:

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Due within six months	11,706,967	11,928,971	11,242,208
More than six months to one year	2,671,003	1,813,119	1,405,514
More than one year to three years	15,390	9,319	20,555
	<b>14,393,360</b>	<b>13,751,409</b>	<b>12,668,277</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Due within six months	11,712,564	11,928,971	11,242,208
More than six months to one year	2,671,003	1,813,119	1,405,514
More than one year to three years	15,390	9,319	20,555
	<b>14,398,957</b>	<b>13,751,409</b>	<b>12,668,277</b>

18. Deposits and placements of banks and other financial institutions

	Group and Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
<b>Non-Mudharabah</b>			
Bank Negara Malaysia	10,774	11,896	14,993

19. 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.

20. Other liabilities

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Sundry creditors	672	1,410	7,788
Provision for commitments and contingencies (Note (a))	25,428	40,273	40,273
Accrual for bonus	32,102	16,397	30,605
Accrued expenses	15,560	12,573	11,450
Accrual for directors' fees	658	577	479
Accrual for audit fees	323	202	119
Other liabilities	19,524	61,154	73,684
	<b>94,267</b>	<b>132,586</b>	<b>164,398</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Sundry creditors	1,750	1,599	7,764
Provision for commitments and contingencies (Note (a))	25,428	40,273	40,273
Accrual for bonus	31,937	16,397	30,527
Accrued expenses	15,505	12,571	11,450
Accrual for directors' fees	658	577	479
Accrual for audit fees	310	189	119
Other liabilities	19,524	61,612	73,810
	<b>95,112</b>	<b>133,218</b>	<b>164,422</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

20. Other liabilities (cont'd.)

(a) Movement in provision for commitments and contingencies:

	Group and Bank	
	31 March 2013	31 March 2012
	RM'000	RM'000
At beginning of the year	40,273	40,273
Settlement during the year	(14,845)	-
At end of the year	25,428	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.

21. Provision for zakat and taxation

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Zakat	6,149	3,087	5,228
Taxation	8,356	17,434	-
	14,505	20,521	5,228

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Zakat	6,149	3,087	5,228
Taxation	8,349	17,424	-
	14,498	20,511	5,228

22. Recourse obligation on financing sold to Cagamas

	Group and Bank	
	31 March 2013	31 March 2012
	RM'000	RM'000
At beginning of the year	64,910	364,373
Amount sold during the year	-	(283,236)
Repayment during the year	(3,231)	(16,227)
At end of the year	61,679	64,910

Recourse obligation on financing sold to Cagamas represents those financing acquired from the originators and sold to Cagamas Berhad with recourse. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

23. Subordinated sukuk

Subordinated sukuk as at 1 April 2011 relates to RM250 million Subordinated sukuk issued on 5 September 2006 under the Shariah principle of Bai' Bithaman Ajil. The sukuk 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 redeemed the sukuk in September 2011.

On 15 June 2011, the Bank successfully issued its Tier-2 Capital Islamic Subordinated Sukuk of RM400 million. The 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 sukuk, the sukuk 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 sukuk. The RM400 million sukuk qualifies as Tier-2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

24. Share capital

	Number of shares of RM1 each		
	31 March 2013	31 March 2012	31 March 2011
	RM'000	RM'000	RM'000
<b>Authorised:</b>			
Ordinary shares	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
<b>Total</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>
<b>Issued and fully paid:</b>			
Ordinary shares			
<b>At 1 April/31 March</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>

	Amount		
	31 March 2013	31 March 2012	31 March 2011
	RM'000	RM'000	RM'000
<b>Authorised:</b>			
Ordinary shares	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
<b>Total</b>	<b>4,000,000</b>	<b>4,000,000</b>	<b>4,000,000</b>
<b>Issued and fully paid:</b>			
Ordinary shares At 1 April/31 March	1,000,000	1,000,000	1,000,000

25. Reserves

	Note	Group		
		31 March 2013	31 March 2012	1 April 2011
		RM'000	RM'000	RM'000
Statutory reserve	(a)	398,978	315,385	272,893
Retained profit	(b)	226,049	141,704	114,953
Exchange fluctuation reserve	(c)	(610)	83	553
Net unrealised losses on financial investment available-for-sale	(d)	(25,940)	(56,169)	(40,113)
		<b>598,476</b>	<b>401,003</b>	<b>348,286</b>

25. Reserves (cont'd.)

	Note	Bank		
		31 March 2013	31 March 2012	1 April 2011
		RM'000	RM'000	RM'000
Statutory reserve	(a)	397,381	313,788	271,603
Retained profit	(b)	225,542	141,949	115,962
Exchange fluctuation reserve	(c)	(610)	83	553
Net unrealised losses on financial investment available-for-sale	(d)	(25,940)	(56,168)	(39,975)
		<b>596,372</b>	<b>399,651</b>	<b>348,143</b>

(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

A single tier tax system was implemented from 2008, replacing the full imputation system. Under the single tier system, dividends paid by Malaysian companies would be exempted in the hands of shareholders and as such single-tier dividends will not carry a tax credit. However, a transitional period up to 31 December 2013 is available for resident companies to utilise their existing section 108 tax credit balances to frank dividends, provided certain conditions are satisfied. Companies may elect to disregard the section 108 balance and opt to pay dividends under the single tier system.

The Bank did not elect for the irrevocable option to disregard the section 108 balance. Accordingly, during the transitional period, the Bank may utilise the credit in the section 108 balance as at 31 March 2013 to distribute cash dividend payments to shareholders as defined under the Finance Act 2007.

As at 31 March 2013, the Bank has sufficient credit in the section 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

26. Income derived from investment of depositors' funds and others

	Group and Bank	
	2013	2012
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	661,453	503,821
(ii) Other deposits	255,116	334,678
	<b>916,569</b>	838,499
(i) Income derived from investment of general investment deposits		
	Group and Bank	
	2013	2012
	RM'000	RM'000
<b>Finance income and hibah:</b>		
Income from financing	444,879	313,415
Financial investment held-for-trading	13	5
Financial investment held-for-maturity	860	157
Financial investment available-for-sale	144,458	106,109
Money at call and deposit with financial institutions	37,683	60,891
	<b>627,893</b>	480,577
(Accretion of discounts)/amortisation of premium, net	811	(2,946)
Total finance income and hibah	<b>628,704</b>	477,631
<b>Other operating income:</b>		
Net gain/ (loss) from sale of:		
- financial investment held-for-trading	456	1,539
- financial investment available-for-sale	2,526	10,664
- financial investment held-to-maturity	9,738	-
- financing to customer	(2,220)	-
	<b>10,500</b>	12,203
<b>Fees and commission</b>		
Guarantee fees	2,740	2,659
Processing fees	3,892	512
Service charges and fees	6,535	5,045
Commission	9,082	5,771
	<b>22,249</b>	13,987
<b>Total</b>	<b>661,453</b>	503,821
Of which:		
Financing income earned on impaired financing	1,725	1,555

26. Income derived from investment of depositors' funds and others (cont'd.)

(ii) Income derived from investment of other deposits

	Group and Bank	
	2013	2012
	RM'000	RM'000
<b>Finance income and hibah</b>		
Income from financing	171,585	208,196
Financial investment held-for-trading	5	4
Financial investment held-for-maturity	332	104
Financial investment available-for-sale	55,716	70,486
Money at call and deposit with financial institutions	14,534	40,448
	<b>242,172</b>	319,238
(Accretion of discounts)/amortisation of premium, net	313	(1,957)
Total finance income and hibah	<b>242,485</b>	317,281
<b>Other operating income</b>		
Net gain/ (loss) from sale of:		
- financial investment held-for-trading	176	1,022
- financial investment available-for-sale	974	7,084
- financial investment held-to-maturity	3,756	-
- financing to customer	(856)	-
	<b>4,050</b>	8,106
<b>Fees and commission</b>		
Guarantee fees	1,057	1,766
Processing fees	1,501	340
Service charges and fees	2,521	3,351
Commission	3,502	3,834
	<b>8,581</b>	9,291
<b>Total</b>	<b>255,116</b>	334,678
Of which:		
Financing income earned on impaired financing	665	1,033

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

27. Income derived from investment of shareholders' funds

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financial investment available-for-sale	31,782	23,437	31,782	23,437
(Accretion of discounts)/amortisation of premium, net	1,639	927	1,639	927
<b>Total finance income and hibah</b>	<b>33,421</b>	<b>24,364</b>	<b>33,421</b>	<b>24,364</b>
<b>Other operating income</b>				
Net gain on revaluation of foreign exchange transaction	21,049	11,819	21,049	11,819
Net gain from foreign exchange derivatives	899	1,060	899	1,060
Net gain from sale of financial investment available-for-sale	6,268	5,200	6,268	5,200
Gross dividend income	1,935	8,863	1,935	8,863
Net dividend paid for Islamic profit rate swap	(1,302)	(1,057)	(1,302)	(1,057)
Unrealised loss on revaluation of Islamic profit rate swap	(3,837)	(3,730)	(3,837)	(3,730)
Unrealised gain on revaluation from hedged items	7,363	1,257	7,363	1,257
	<b>32,375</b>	<b>23,412</b>	<b>32,375</b>	<b>23,412</b>
<b>Fees and commission</b>				
Processing fees	1,825	1,285	1,825	1,285
Corporate advisory fees	3,016	2,078	3,035	2,073
Service charges and fees	1,601	1,274	504	588
Commission	9,495	1,414	9,495	1,414
Others	87	808	87	808
	<b>16,024</b>	<b>6,859</b>	<b>14,946</b>	<b>6,168</b>
<b>Other income</b>				
Rental income	611	391	611	391
Gain on disposal of property plant and equipment	339	66	339	66
	<b>950</b>	<b>457</b>	<b>950</b>	<b>457</b>
<b>Total</b>	<b>82,770</b>	<b>55,092</b>	<b>81,692</b>	<b>54,401</b>

28. (Write back of)/allowance for impairment on financing

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(Writeback of)/allowance for impairment on financing				
(a) Individual assessment allowance (Note 8(ii)):				
Made during the year	21,876	64,029	21,876	70,029
Written back during the year	(29,874)	(10,656)	(29,874)	(10,656)
	<b>(7,998)</b>	<b>53,373</b>	<b>(7,998)</b>	<b>59,373</b>
(b) Collective assessment allowance (Note 8(ii)):				
Made during the year	368,321	264,200	368,321	264,200
Written back during the year	(366,720)	(227,163)	(366,720)	(227,163)
	<b>1,601</b>	<b>37,037</b>	<b>1,601</b>	<b>37,037</b>
Bad debts on financing:				
Written off	12,767	1,100	12,767	1,100
Recovered	(18,924)	(28,463)	(18,924)	(28,463)
	<b>(6,157)</b>	<b>(27,363)</b>	<b>(6,157)</b>	<b>(27,363)</b>
<b>Total</b>	<b>(12,554)</b>	<b>63,047</b>	<b>(12,554)</b>	<b>69,047</b>

29. Impairment loss/(write back) on investments

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Impairment loss/(write back) on available-for-sale	9,304	(12,378)	9,304	(18,378)
Impairment loss/(write back) on held-to-maturity	(2,061)	2,061	(2,061)	2,061
Impairment loss on investment in subsidiary	-	-	-	100
	<b>7,243</b>	<b>(10,317)</b>	<b>7,243</b>	<b>(16,217)</b>

30. Income attributable to depositors

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah funds	336,202	289,991	336,370	290,161
- Non-Mudharabah funds	74,426	66,782	74,427	66,783
Deposits and placements of banks and other financial institutions				
- Mudharabah funds	99	173	99	173
- Non-Mudharabah funds	5,817	7,619	5,817	7,619
	<b>416,544</b>	<b>364,565</b>	<b>416,713</b>	<b>364,736</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

31. Personnel expenses

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	115,662	109,689	114,692	109,119
Contributions to defined contribution plan	22,799	19,350	22,652	19,273
Social security contributions	1,098	1,005	1,098	1,002
Allowances and bonuses	34,872	22,889	34,563	22,859
Mutual Separation Scheme	264	565	264	565
Others	22,250	17,449	22,167	17,438
	<b>196,945</b>	<b>170,947</b>	<b>195,436</b>	<b>170,256</b>

32. Directors and shariah committee members' remuneration

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>(a) Executive Director/ Chief Executive Officer</b>				
Salaries and wages	1,369	1,080	1,134	1,080
Other emoluments	385	498	318	498
Bonuses	630	1,689	630	1,689
Benefits-in-kind	95	40	90	40
	<b>2,479</b>	<b>3,307</b>	<b>2,172</b>	<b>3,307</b>
<b>(b) Non-Executive Directors</b>				
Fees	910	809	902	803
Benefits-in-kind	28	-	28	-
Other emoluments	533	487	531	486
	<b>1,471</b>	<b>1,296</b>	<b>1,461</b>	<b>1,289</b>
<b>(c) Shariah Committee Members</b>				
Allowance	340	279	340	279
Other remunerations	64	78	64	78
	<b>404</b>	<b>357</b>	<b>404</b>	<b>357</b>
<b>Total</b>	<b>4,354</b>	<b>4,960</b>	<b>4,037</b>	<b>4,953</b>
<b>Total (excluding benefits-in-kind)</b>	<b>4,231</b>	<b>4,920</b>	<b>3,919</b>	<b>4,913</b>

32. Directors and shariah committee members' remuneration (cont'd.)

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

Group 2013	Remuneration received from the Group					
	Salary	Fees	Bonus	Other emoluments	Benefit-in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Note 32(a):						
<b>Executive Director:</b>						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,134	-	630	318	90	2,172
<b>Executive Director of the subsidiaries:</b>						
Sharifatul Hanizah Binti Said Ali	235	-	-	67	5	307
	<b>1,369</b>	<b>-</b>	<b>630</b>	<b>385</b>	<b>95</b>	<b>2,479</b>
Note 32(b):						
<b>Non-Executive Directors:</b>						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	244	-	35	28	307
Tuan Haji Ismail Ibrahim *	-	84	-	74	-	158
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	72	-	156
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	80	-	164
Tuan Haji Mohd Izani Ghani *	-	84	-	41	-	125
Dato' Azmi Abdullah	-	84	-	105	-	189
Dato' Hj Kamil Khalid Ariff	-	84	-	72	-	156
Dato' Sri Che Khalib Mohamad Noh	-	49	-	17	-	66
Dato' Mohamed Hazlan Mohamed Hussain	-	49	-	21	-	70
Dato' Sri Haji Mohd Khamil Jamil	-	21	-	6	-	27
Dato' Lukman Ibrahim	-	35	-	8	-	43
Other Directors subsidiaries	-	8	-	2	-	10
	<b>-</b>	<b>910</b>	<b>-</b>	<b>533</b>	<b>28</b>	<b>1,471</b>
<b>Total Directors' remuneration</b>	<b>1,369</b>	<b>910</b>	<b>630</b>	<b>918</b>	<b>123</b>	<b>3,950</b>

\* Director's fees payable to Khazanah Nasional Berhad

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 32. Directors and shariah committee members' remuneration (cont'd.)

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

Group 2012	Remuneration received from the Group					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefit- in-kind RM'000	Total RM'000
Note 32(a):						
<b>Executive Directors:</b>						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,080	-	1,689	498	40	3,307
	1,080	-	1,689	498	40	3,307
Note 32(b):						
<b>Non-Executive Directors:</b>						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	39	-	261
Tuan Haji Ismail Ibrahim *	-	84	-	66	-	150
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	73	-	157
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	89	-	173
Tuan Haji Mohd Izani Ghani *	-	84	-	38	-	122
Dato' Azmi Abdullah	-	84	-	99	-	183
Dato' Hj Kamil Khalid Ariff	-	42	-	30	-	72
Dato' Sri Haji Mohd Khamil Jamil	-	84	-	41	-	125
Dato' Lukman Ibrahim	-	35	-	11	-	46
Other Directors subsidiaries	-	6	-	1	-	7
	-	809	-	487	-	1,296
<b>Total Directors' remuneration</b>	<b>1,080</b>	<b>809</b>	<b>1,689</b>	<b>985</b>	<b>40</b>	<b>4,603</b>

\* Director's fees payable to Khazanah Nasional Berhad

## 32. Directors and shariah committee members' remuneration (cont'd.)

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

Bank 2013	Remuneration received from the Bank					
	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefit- in-kind RM'000	Total RM'000
Note 32(a):						
<b>Executive Directors:</b>						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,134	-	630	318	90	2,172
	1,134	-	630	318	90	2,172
Note 32(b):						
<b>Non-Executive Directors:</b>						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	244	-	35	28	307
Tuan Haji Ismail Ibrahim *	-	84	-	74	-	158
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	72	-	156
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	80	-	164
Tuan Haji Mohd Izani Ghani *	-	84	-	41	-	125
Dato' Azmi Abdullah	-	84	-	105	-	189
Dato' Hj Kamil Khalid Ariff	-	84	-	72	-	156
Dato' Sri Che Khalib Mohamad Noh	-	49	-	17	-	66
Dato' Mohamed Hazlan Mohamed Hussain	-	49	-	21	-	70
Dato' Sri Haji Mohd Khamil Jamil	-	21	-	6	-	27
Dato' Lukman Ibrahim	-	35	-	8	-	43
	-	902	-	531	28	1,461
<b>Total Directors' remuneration</b>	<b>1,134</b>	<b>902</b>	<b>630</b>	<b>849</b>	<b>118</b>	<b>3,633</b>

\* Director's fees payable to Khazanah Nasional Berhad

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 32. Directors and shariah committee members' 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 -----→					Total
	Salary	Fees	Bonus	Other emoluments	Benefit-in-kind	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Note 32(a):						
<b>Executive Directors:</b>						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,080	-	1,689	498	40	3,307
	1,080	-	1,689	498	40	3,307
Note 32(b):						
<b>Non-Executive Directors:</b>						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	39	-	261
Tuan Haji Ismail Ibrahim *	-	84	-	66	-	150
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	73	-	157
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	89	-	173
Tuan Haji Mohd Izani Ghani *	-	84	-	38	-	122
Dato' Azmi Abdullah	-	84	-	99	-	183
Dato' Hj Kamil Khalid Ariff	-	42	-	30	-	72
Dato' Sri Haji Mohd Khamil Jamil	-	84	-	41	-	125
Dato' Lukman Ibrahim	-	35	-	11	-	46
	-	803	-	486	-	1,289
<b>Total Directors' remuneration</b>	1,080	803	1,689	984	40	4,596

\* Director's fees payable to Khazanah Nasional Berhad

## 33. Key management personnel remuneration

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2013	2012
	RM'000	RM'000
Short-term employees benefits	5,970	7,075
Included in the total key management personnel are:		
Executive directors' remuneration (Note 32(a))	2,479	3,307
	Bank	
	2013	2012
	RM'000	RM'000
Short-term employees benefits (salary, bonus, allowances)	5,664	7,075
Included in the total key management personnel are:		
Executive directors' remuneration (Note 32(a))	2,172	3,307

## 34. Other overheads and expenditures

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Promotion</b>				
Advertisement and publicity	19,100	11,070	19,094	11,070
<b>Establishment</b>				
Rental	8,244	7,939	8,244	7,939
Depreciation	16,851	12,240	16,847	12,235
Amortisation of intangible assets	4,545	3,965	4,545	3,965
Amortisation of prepaid land lease payment	4	4	4	4
EDP expenses	35,534	33,879	35,534	33,879
Hire of equipment	4,590	4,915	4,584	4,915
	69,768	62,942	69,758	62,937
<b>General expenses</b>				
Auditors' fees				
- statutory audit	325	280	310	265
- non-audit work	252	505	225	512
- tax advisory	89	43	80	36
Professional fees	1,468	6,884	1,367	6,749
Legal expenses	1,862	1,736	1,862	1,736
Repair and maintenance	3,225	3,576	3,223	3,570
Takaful	5,410	3,371	5,410	3,371
Utilities expenses	5,105	5,056	5,087	5,042
Security guard expenses	7,091	6,258	7,091	6,258
Telephone	2,169	2,016	2,161	2,005
Stationery and printing	2,490	2,613	2,485	2,610
Postage and courier	1,991	1,971	1,991	1,971
Travelling	3,785	4,348	3,784	4,345
Directors remuneration and Shariah Committee allowance (Note 32)	4,231	4,920	3,919	4,913
Property, plant and equipment written off	72	-	72	-
Intangible assets written off	40	31,595	40	31,595
Others	10,482	9,387	13,385	10,219
	50,087	84,559	52,492	85,197
	138,955	158,571	141,344	159,204

## 35. Finance cost

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Dividend paid on subordinated bonds	21,299	23,020	20,577	23,231

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 36. Zakat

	Group and Bank	
	2013	2012
	RM'000	RM'000
Provision for zakat for the year	6,149	3,087

## 37. Taxation

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Current income tax	54,597	64,407	54,348	64,368
In respect of changes in tax treatment for collective assessment allowance	(29,656)	(28,708)	(29,656)	(28,708)
Under provision in prior years	1,078	6,328	1,092	6,324
	26,019	42,027	25,784	41,984
Deferred tax:				
Relating to origination and reversal of temporary differences	(1,725)	(26,738)	(1,725)	(26,738)
In respect of changes in tax treatment for collective assessment allowance	39,436	28,708	39,436	28,708
Over provision in prior years	(1,852)	(13,322)	(1,852)	(13,322)
	35,859	(11,352)	35,859	(11,352)
	61,878	30,675	61,643	30,632

Domestic current income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	235,963	103,006	234,978	101,891
Taxation at Malaysian statutory tax rate 25% (2011: 25%)	58,991	25,751	58,744	25,473
Effect of different tax rates in other tax jurisdiction	-	(740)	-	(740)
Income not subject to tax	(9,942)	(3,441)	(9,942)	(3,185)
Expenses not deductible for tax purposes	3,823	15,979	3,821	16,082
Deferred tax asset not recognised	-	120	-	-
Over provision of income tax in prior years	(28,578)	(22,380)	(28,564)	(22,384)
Under provision of deferred tax in prior years	37,584	15,386	37,584	15,386
Income tax expense for the year	61,878	30,675	61,643	30,632

## 37. Taxation (cont'd)

The Group has not recognised the following unused tax losses and unabsorbed capital allowances of subsidiary for the Group:

	Group	
	2013	2012
	RM'000	RM'000
Unused tax losses	2,445	2,445
Unabsorbed capital allowances	-	96
	2,445	2,541

The unused tax losses of the Group amounting to RM2,445,000 (2012: RM2,445,000) 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.

## 38. Earnings per share

	Group	
	2013	2012
	RM'000	RM'000
<b>Basic and diluted</b>		
Profit attributable to ordinary equity holders of the Bank (RM'000)	167,936	69,2443
Weighted average number of ordinary shares in issue ('000)	1,000,000	1,000,000
Basic earnings per share (sen)	16.8	6.9

## 39. Dividends

At the forthcoming Annual General Meeting, a final gross dividend in respect of the financial year ended 31 March 2013 of 26.0 sen per share, less taxation of 25% on 1,000,000,000 ordinary shares, amounting to a dividend payable of RM195,000,000 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 March 2014. Other than the above there is no cumulative preference dividends not recognised in the current financial year.

Subject to obtaining the required approval at the shareholders' level, the proposed final dividends will be reinvested into the Bank via the subscription of newly issued and paid up ordinary shares of RM195,000,000 at RM1 per share in accordance with their respective shareholdings.

No dividend has been paid or declared by the Bank since the end of the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

40. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party relationships with its substantial shareholders, subsidiaries, associates and key management personnel. The Bank's significant transactions and balances with related parties are as follows:

	Group and Bank	
	2013	2012
	RM'000	RM'000
<b>Holding company</b>		
<b>Expenditure</b>		
- hibah on deposit	86	528
- sponsorship	5,501	-
<b>Amounts due to</b>		
- deposits	50,000	165,395
<b>Subsidiaries</b>		
<b>Income</b>		
- management income	1,048	855
- profit sharing incentive	1,040	-
<b>Expenditure</b>		
- hibah on deposit	169	101
<b>Amounts due to</b>		
- deposits	6,075	7,661
<b>Key management personnel</b>		
<b>Amounts due from</b>		
- financing	36	-
<b>Other related companies</b>		
<b>Income</b>		
- profit on financing	13,739	9,863
<b>Expenditure</b>		
- hibah on deposit	1,387	3,398
- seconded staff salary and related expenses	702	998
- mailing & courier service	301	-
- others	882	774
<b>Amounts due to</b>		
- deposits	208,116	250,134
- derivatives	2,770	-
<b>Amounts due from</b>		
- financing	308,090	251,323

41. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	2013	2012
	RM'000	RM'000
Outstanding credit exposures with connected parties	1,218,329	1,113,171
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.0%	6.7%
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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

42. Commitments and contingencies

- (i) In the normal course of business, the Group and the Bank make 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 Group and the Bank are as follows:

Group and Bank	31 March 2013			31 March 2012			1 April 2011		
	Principal amount	Credit equivalent amount	Total risk weighted amount	Principal amount	Credit equivalent amount	Total risk weighted amount	Principal amount	Credit equivalent amount	Total risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The commitments and contingencies constitute the following:									
<b>Contingent liabilities</b>									
Direct credit substitutes	16,362	16,362	8,362	1,208	1,208	1,208	11	11	11
Trade-related contingencies	73,372	14,674	4,904	65,352	13,070	5,739	45,914	9,183	9,025
Transaction related contingencies	501,061	250,531	191,325	616,105	308,053	248,935	871,491	435,745	371,611
Obligations under an on-going underwriting agreement	25,000	12,500	2,500	41,000	20,500	4,100	65,000	32,500	6,500
<b>Commitments</b>									
Credit extension commitment:									
- Maturity within one year	450,046	90,009	76,294	349,478	69,896	65,135	323,002	64,600	55,443
- Maturity exceeding one year	1,944,354	972,177	256,626	2,184,119	1,092,060	376,999	2,242,093	1,121,047	391,538
Bills of collection	19,712	-	-	19,883	-	-	37,009	-	-
<b>Islamic derivative financial instruments</b>									
Foreign exchange related contracts	395,124	6,670	4,341	870,214	5,001	3,783	1,796,996	2,131	1,608
Profit rate related contract	875,000	37,250	7,450	75,000	6,000	1,200	75,000	6,000	1,200
	<b>4,300,031</b>	<b>1,400,173</b>	<b>551,802</b>	<b>4,222,359</b>	<b>1,515,788</b>	<b>707,099</b>	<b>5,456,516</b>	<b>1,671,217</b>	<b>836,936</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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 optimization 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 organization, 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 organization 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.

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

Risk governance (cont'd.)

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 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 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.

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

**43. 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 ERM 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 Bank Negara Malaysia Garis Panduan (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 categorized 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.

**43. Financial risk management objectives and policies (cont'd.)****(a) Credit risk (cont'd.)****(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.

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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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

Group	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	3,236,505	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	105,189
Financial investments designated at fair value through profit or loss	-	79,573	4,800	-	-	-	84,373
Financial investment available-for-sale	4,398,120	368,717	482,340	257,340	-	960,474	6,466,991
Financial investment held-to-maturity	575	-	-	-	-	-	575
Islamic derivative financial assets	-	4,488	-	-	-	-	4,488
Financing of customers	621,076	481,993	1,205,013	588,866	971,027	6,484,651	10,352,626
Statutory deposits with Bank Negara Malaysia	612,721	-	-	-	-	-	612,721
Other financial assets	-	-	-	-	-	22,959	22,959
	<b>5,632,492</b>	<b>4,276,465</b>	<b>1,692,153</b>	<b>846,206</b>	<b>971,027</b>	<b>7,468,084</b>	<b>20,886,427</b>
<b>Commitments and contingencies</b>							
Contingent liabilities	139,872	25,000	73,259	260,811	-	116,853	615,795
Commitments	1,360,128	-	304,007	279,623	14,036	456,318	2,414,112
Derivative financial instruments	-	1,270,124	-	-	-	-	1,270,124
	<b>1,500,000</b>	<b>1,295,124</b>	<b>377,266</b>	<b>540,434</b>	<b>14,036</b>	<b>573,171</b>	<b>4,300,031</b>
<b>Total credit exposures</b>	<b>7,132,492</b>	<b>5,571,589</b>	<b>2,069,419</b>	<b>1,386,640</b>	<b>985,063</b>	<b>8,041,255</b>	<b>25,186,458</b>

43. 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	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	4,391,223	-	-	-	-	4,391,223
Cash and placements with financial institutions	-	110,333	-	-	-	-	110,333
Financial investments designated at fair value through profit or loss	-	45,972	4,800	-	-	-	50,772
Financial investment available-for-sale	3,922,079	325,467	600,348	243,533	-	1,047,791	6,139,218
Financial investment held-to-maturity	575	-	-	-	-	27,947	28,522
Islamic derivative financial assets	-	4,150	-	-	-	-	4,150
Financing of customers	613,331	515,403	1,179,231	714,314	977,762	5,064,230	9,064,271
Statutory deposits with Bank Negara Malaysia	527,721	-	-	-	-	-	527,721
Other financial assets	-	-	-	-	-	27,285	27,285
	<b>5,063,706</b>	<b>5,392,548</b>	<b>1,784,379</b>	<b>957,847</b>	<b>977,762</b>	<b>6,167,253</b>	<b>20,343,495</b>
<b>Commitments and contingencies</b>							
Contingent liabilities	147,653	40,999	63,333	323,210	-	148,470	723,665
Commitments	1,352,347	-	463,543	216,994	14,036	506,560	2,553,480
Derivative financial instruments	-	945,214	-	-	-	-	945,214
	<b>1,500,000</b>	<b>986,213</b>	<b>526,876</b>	<b>540,204</b>	<b>14,036</b>	<b>655,030</b>	<b>4,222,359</b>
<b>Total credit exposures</b>	<b>6,563,706</b>	<b>6,378,761</b>	<b>2,311,255</b>	<b>1,498,051</b>	<b>991,798</b>	<b>6,822,283</b>	<b>24,565,854</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	6,199,953	-	-	-	-	6,199,953
Cash and placements with financial institutions	-	251,012	-	-	-	-	251,012
Financial investments designated at fair value through profit or loss	-	-	4,800	6,000	-	-	10,800
Financial investment available-for-sale	2,286,044	218,197	459,867	256,959	-	1,139,120	4,360,187
Financial investment held-to-maturity	575	-	-	-	-	28,010	28,585
Islamic derivative financial assets	-	5,140	-	-	-	37	5,177
Financing of customers	71,545	143,949	1,299,273	750,729	1,206,465	4,023,046	7,495,007
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	5,228,757	18,483,386
<b>Commitments and contingencies</b>							
Contingent liabilities	121,166	65,000	90,285	351,919	-	354,046	982,416
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	1,936,996	509,889	802,759	15,604	691,268	5,456,516
<b>Total credit exposures</b>	<b>3,952,285</b>	<b>8,755,247</b>	<b>2,273,829</b>	<b>1,816,447</b>	<b>1,222,069</b>	<b>5,920,025</b>	<b>23,939,902</b>

43. 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	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	3,236,505	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	105,189
Financial investments designated at fair value through profit or loss	-	79,573	-	-	-	-	79,573
Financial investment available-for-sale	4,398,120	368,717	482,340	257,340	-	960,474	6,466,991
Financial investment held-to-maturity	575	-	-	-	-	-	575
Islamic derivative financial assets	-	4,488	-	-	-	-	4,488
Financing of customers	621,076	481,993	1,209,577	588,866	971,027	6,492,481	10,365,020
Statutory deposits with Bank Negara Malaysia	612,721	-	-	-	-	-	612,721
Other financial assets	-	-	-	-	-	13,488	13,488
	5,632,492	4,276,465	1,691,917	846,206	971,027	7,466,443	20,884,550
<b>Commitments and contingencies</b>							
Contingent liabilities	139,872	25,000	73,259	260,811	-	116,853	615,795
Commitments	1,360,128	-	304,007	279,623	14,036	456,318	2,414,112
Derivative financial instruments	-	1,270,124	-	-	-	-	1,270,124
	1,500,000	1,295,124	377,266	540,434	14,036	573,171	4,300,031
<b>Total credit exposures</b>	<b>7,132,492</b>	<b>5,571,589</b>	<b>2,069,183</b>	<b>1,386,640</b>	<b>985,063</b>	<b>8,039,614</b>	<b>25,184,581</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	4,391,223	-	-	-	-	4,391,223
Cash and placements with financial institutions	-	110,333	-	-	-	-	110,333
Financial investments designated at fair value through profit or loss	-	45,972	-	-	-	-	45,972
Financial investment available-for-sale	3,922,079	325,467	600,348	243,533	-	1,047,791	6,139,218
Financial investment held-to-maturity	575	-	-	-	-	27,947	28,522
Islamic derivative financial assets	-	4,150	-	-	-	-	4,150
Financing of customers	613,331	515,403	1,184,104	714,314	977,762	5,071,679	9,076,593
Statutory deposits with Bank Negara Malaysia	527,721	-	-	-	-	-	527,721
Other financial assets	-	-	-	-	-	20,572	20,572
	5,063,706	5,392,548	1,784,452	957,847	977,762	6,167,989	20,344,304
<b>Commitments and contingencies</b>							
Contingent liabilities	147,653	40,999	63,333	323,210	-	148,470	723,665
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	986,213	526,876	540,204	14,036	655,030	4,222,359
<b>Total credit exposures</b>	<b>6,563,706</b>	<b>6,378,761</b>	<b>2,311,328</b>	<b>1,498,051</b>	<b>991,798</b>	<b>6,823,019</b>	<b>24,566,663</b>

43. 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	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	6,199,953	-	-	-	-	6,199,953
Cash and placements with financial institutions	-	251,012	-	-	-	-	251,012
Financial investment available-for-sale	2,286,044	218,197	459,867	256,959	-	1,139,120	4,360,187
Financial investment held-to-maturity	575	-	-	-	-	28,010	28,585
Islamic derivative financial assets	-	5,140	-	-	-	37	5,177
Financing of customers	71,545	143,949	1,304,225	756,729	1,206,465	4,029,968	7,512,881
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	5,228,759	18,483,540
<b>Commitments and contingencies</b>							
Contingent liabilities	121,166	65,000	90,285	351,919	-	354,046	982,416
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	1,936,996	509,889	802,759	15,604	691,268	5,456,516
<b>Total credit exposures</b>	<b>3,952,285</b>	<b>8,755,247</b>	<b>2,273,981</b>	<b>1,816,447</b>	<b>1,222,069</b>	<b>5,920,027</b>	<b>23,940,056</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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 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	
	Domestic	Labuan	Domestic	Labuan
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>				
Cash and short-term funds	3,232,160	4,345	3,232,160	4,345
Cash and placements with financial institutions	105,189	-	105,189	-
Financial investment designated at fair value through profit or loss	4,800	79,573	-	79,573
Financial investment held-to-maturity	575	-	575	-
Financial investment available-for-sale	6,409,947	57,044	6,409,947	57,044
Islamic derivative financial assets	4,487	1	4,487	1
Financing of customers	10,337,627	14,999	10,350,021	14,999
Statutory deposits with Bank Negara Malaysia	612,721	-	612,721	-
Other financial assets	22,955	4	13,484	4
	<b>20,730,461</b>	<b>155,966</b>	<b>20,728,584</b>	<b>155,966</b>
<b>Commitments and contingencies</b>				
Contingent liabilities	615,795	-	615,795	-
Commitments	2,414,112	-	2,414,112	-
Derivative financial instruments	1,270,124	-	1,270,124	-
	<b>4,300,031</b>	<b>-</b>	<b>4,300,031</b>	<b>-</b>
<b>Total credit exposures</b>	<b>25,030,492</b>	<b>155,966</b>	<b>25,028,615</b>	<b>155,966</b>

By geographical analysis (cont'd.)

	Group		Bank	
	Domestic	Labuan	Domestic	Labuan
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>				
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 designated at fair value through profit or loss	4,800	45,972	-	45,972
Financial investment available-for-sale	6,054,886	84,332	6,054,886	84,332
Financial investment held-to-maturity	28,522	-	28,522	-
Islamic derivative financial assets	4,150	-	4,150	-
Financing of customers	9,026,594	37,677	9,038,916	37,677
Statutory deposits with Bank Negara Malaysia	527,721	-	527,721	-
Other financial assets	27,276	8	20,564	8
	<b>20,162,820</b>	<b>180,674</b>	<b>20,163,630</b>	<b>180,674</b>

Commitments and contingencies

Contingent liabilities	723,665	-	723,665	-
Commitments	2,553,480	-	2,553,480	-
Derivative financial instruments	945,214	-	945,214	-
	<b>4,222,359</b>	<b>-</b>	<b>4,222,359</b>	<b>-</b>
<b>Total credit exposures</b>	<b>24,385,179</b>	<b>180,674</b>	<b>24,385,989</b>	<b>180,674</b>

	Group		Bank	
	Domestic	Labuan	Domestic	Labuan
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On balance sheet exposures</b>				
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 available-for-sale	4,312,296	58,691	4,301,496	58,691
Financial investment held-to-maturity	28,585	-	28,585	-
Islamic derivative financial assets	5,177	-	5,177	-
Financing of customers	7,410,756	84,251	7,428,630	84,251
Statutory deposits with Bank Negara Malaysia	94,121	-	94,121	-
Other financial assets	37,871	673	30,951	673
	<b>18,194,601</b>	<b>288,785</b>	<b>18,194,755</b>	<b>288,785</b>

Commitments and contingencies

Contingent liabilities	982,416	-	982,416	-
Commitments	2,602,104	-	2,602,104	-
Derivative financial instruments	1,871,996	-	1,871,996	-
	<b>5,456,516</b>	<b>-</b>	<b>5,456,516</b>	<b>-</b>
<b>Total credit exposures</b>	<b>23,651,117</b>	<b>288,785</b>	<b>23,651,271</b>	<b>288,785</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	2,291,366	307,003	128,490	83,628	2,810,487
- Syndicated financing	33,220	-	-	21,567	54,787
- Hire purchase receivables	855,491	78,021	40,738	29,204	1,003,454
- Leasing receivables	75,381	-	-	21,681	97,062
- Other term financing	4,468,744	224,994	87,720	75,681	4,857,139
Other financing	1,097,361	667,430	2,595	33,607	1,800,993
	<b>8,821,563</b>	<b>1,277,448</b>	<b>259,543</b>	<b>265,368</b>	<b>10,623,922</b>
Less:					
- Collective assesment allowance	-	-	-	-	(242,843)
- Individual assesment allowance	-	-	-	(28,453)	(28,453)
<b>Total net financing</b>	<b>8,821,563</b>	<b>1,277,448</b>	<b>259,543</b>	<b>236,915</b>	<b>10,352,626</b>

Group	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	1,766,411	331,551	108,669	94,602	2,301,233
- 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	81,470	1,578,099
	<b>7,495,955</b>	<b>1,345,576</b>	<b>206,597</b>	<b>452,344</b>	<b>9,500,472</b>
Less:					
- Collective assesment allowance	-	-	-	-	(268,297)
- Individual assesment allowance	-	-	-	(161,904)	(161,904)
<b>Total net financing</b>	<b>7,495,955</b>	<b>1,345,576</b>	<b>206,597</b>	<b>290,440</b>	<b>9,070,271</b>

43. Financial risk management objectives and policies (cont'd.)  
(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers

Group	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	1,410,537	303,158	79,130	153,502	1,946,327
- 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
	<b>6,199,087</b>	<b>1,091,017</b>	<b>179,319</b>	<b>378,343</b>	<b>7,847,766</b>
Less:					
- Collective assesment allowance	-	-	-	-	(244,228)
- Individual assesment allowance	-	-	-	(108,531)	(108,531)
<b>Total net financing</b>	<b>6,199,087</b>	<b>1,091,017</b>	<b>179,319</b>	<b>269,812</b>	<b>7,495,007</b>

Bank	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	2,291,366	307,003	128,490	83,628	2,810,487
- Syndicated financing	33,220	-	-	21,567	54,787
- Hire purchase receivables	855,491	78,021	40,738	29,204	1,003,454
- Leasing receivables	75,381	-	-	21,681	97,062
- Other term financing	4,481,138	224,994	87,720	81,681	4,875,533
Other financing	1,097,361	667,430	2,595	33,607	1,800,993
	<b>8,833,957</b>	<b>1,277,448</b>	<b>259,543</b>	<b>271,368</b>	<b>10,642,316</b>
Less:					
- Collective assesment allowance	-	-	-	-	(242,843)
- Individual assesment allowance	-	-	-	(34,453)	(34,453)
<b>Total net financing</b>	<b>8,833,957</b>	<b>1,277,448</b>	<b>259,543</b>	<b>236,915</b>	<b>10,365,020</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	1,784,733	331,551	108,669	94,602	2,319,555
- 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
	7,514,277	1,339,576	206,597	452,344	9,512,794
Less:					
- Collective assesment allowance	-	-	-	-	(268,297)
- Individual assesment allowance	-	-	-	(167,904)	(167,904)
<b>Total net financing</b>	<b>7,514,277</b>	<b>1,339,576</b>	<b>206,597</b>	<b>284,440</b>	<b>9,076,593</b>

Bank	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	1,428,411	303,158	79,130	153,502	1,964,201
- 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
	6,216,961	1,091,017	179,319	378,343	7,865,640
Less:					
- Collective assesment allowance	-	-	-	-	(244,228)
- Individual assesment allowance	-	-	-	(108,531)	(108,531)
<b>Total net financing</b>	<b>6,216,961</b>	<b>1,091,017</b>	<b>179,319</b>	<b>269,812</b>	<b>7,512,881</b>

(ii) Credit quality financing of customers (cont'd.)  
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.

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	Less than 1 month	1 - 2 months	>2 - 3 months	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000
Term financing				
- Home financing	-	93,161	35,329	128,490
- Hire purchase receivables	-	34,658	6,080	40,738
- Other term financing	-	80,769	6,951	87,720
Other financing	614	531	1,450	2,595
<b>Total</b>	<b>614</b>	<b>209,119</b>	<b>49,810</b>	<b>259,543</b>

Group and Bank	Less than 1 month	1 - 2 months	>2 - 3 months	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000
Term financing				
- Home financing	-	74,396	34,273	108,669
- Hire purchase receivables	-	27,671	6,497	34,168
- Other term financing	-	41,585	20,833	62,418
Other financing	-	606	736	1,342
<b>Total</b>	<b>-</b>	<b>144,258</b>	<b>62,339</b>	<b>206,597</b>

Group and Bank	Less than 1 month	1 - 2 months	>2 - 3 months	Total
1 April 2011	RM'000	RM'000	RM'000	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
<b>Total</b>	<b>2,081</b>	<b>123,566</b>	<b>53,672</b>	<b>179,319</b>

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 43. 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	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Purchase of transport vehicles	40,838	34,190	47,133
Purchase of landed properties of which:			
– residential	130,116	110,157	77,700
– non-residential	14,518	5,682	9,661
Personal use	13,253	11,005	12,980
Construction	24,734	950	1,156
Working capital	-	-	2,018
Other purpose	36,084	44,613	28,671
	<b>259,543</b>	<b>206,597</b>	<b>179,319</b>

## 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 MFRS139).

## Individual assessment allowance

Financing are classified as individually impaired when they fulfill either of the following criteria:

- principal or profit or both are past due for more than three (3) months;
- where a financing is in arrears for less than three (3) months, and exhibits the indications of credit weaknesses; or
- 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.

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

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

## (a) Credit risk (cont'd.)

## (ii) Credit quality financing of customers (cont'd.)

## Collective assessment allowance for financing of customers

The Group's and the Bank's collective assessment allowance were previously maintained at a minimum of 1.5% of total outstanding financing of customers, net of individual assessment allowance, being the transitional arrangement as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans / Financing (the "BNM Impairment Guidelines").

The BNM Impairment Guidelines were revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of MFRS 139. Based on the revised Guidelines, the transitional arrangement is removed with effect from 1 January 2012.

Following the adoption of MFRS during the financial year, exposures not individually considered to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not yet identified. The required financing loss allowance is estimated on the basis of historical loss experience of the Bank for assets with credit risk characteristics similar to those in the collective pool.

The financial effects of the adoption of MFRS in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.3.

## Collateral and other credit enhancements

The amount and type of collateral required depends on an 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.

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 36% as at 31 March 2013, (31 March 2012 of 43% and 1 April 2011 of 40% for the Group and the Bank). The financial effect of collateral held for other financial assets is not significant.

At 31 March 2013 the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to RM482,338,000 as compared with 31 March 2012 of RM238,306,000 and 1 April 2011 of RM217,193,000. The collateral consists of cash, securities, letters of guarantee and properties.

## Reposessed collateral

Group and Bank	31 March 2013	31 March 2012	31 March 2011
	RM'000	RM'000	RM'000
Residential properties	14,000	14,000	14,000

It is the Group's and the Bank's policy to dispose of reposessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral reposessed are subject to dispose as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group does not occupy reposessed properties for its business use.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance/impairment lossess for financial assets

Group	Financing of customers	Financial investments available -for-sale	Financial investments held-to-maturity	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Individual impairment allowance/ impairment lossess:</b>				
At 1 April 2012	161,904	65,448	2,061	229,413
Allowance/impairment lossess made during the year	21,876	19,118	-	40,994
Amount recovered/written back	(29,874)	(9,711)	(2,061)	(41,646)
Amount written off	(125,453)	-	-	(125,453)
Reclassification	-	16,546	-	16,546
Foreign exchange difference	-	(103)	-	(103)
<b>As at 31 March 2013</b>	<b>28,453</b>	<b>91,298</b>	<b>-</b>	<b>119,751</b>

Group	Financing of customers	Financial investments available -for-sale	Financial investments held-to-maturity	Total
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Individual impairment allowance/ impairment lossess:</b>				
At 1 April 2011	108,531	98,208	2,061	208,800
Allowance/impairment lossess made during the year	64,029	2,829	-	66,858
Amount recovered/written back	(10,656)	(19,146)	-	(29,802)
Reclassification	-	(16,546)	-	(16,546)
Foreign exchange difference	-	103	-	103
<b>As at 31 March 2012</b>	<b>161,904</b>	<b>65,448</b>	<b>2,061</b>	<b>229,413</b>

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance/impairment lossess for financial assets

Bank	Financing of customers	Financial investments available -for-sale	Financial investments held-to-maturity	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Individual impairment allowance/ impairment lossess:</b>				
At 1 April 2012	167,904	65,448	2,061	235,413
Allowance/impairment lossess made during the year	21,876	19,118	-	40,994
Amount recovered/written back	(29,874)	(9,711)	(2,061)	(41,646)
Amount written-off	(125,453)	-	-	(125,453)
Reclassification	-	16,546	-	16,546
Foreign exchange difference	-	(103)	-	(103)
<b>As at 31 March 2013</b>	<b>34,453</b>	<b>91,298</b>	<b>-</b>	<b>125,751</b>

Bank	Financing of customers	Financial investments available -for-sale	Financial investments held-to-maturity	Total
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Individual impairment allowance/ impairment lossess:</b>				
At 1 April 2011	108,531	98,208	2,061	208,800
Allowance/impairment lossess made during the year	70,029	2,829	-	72,858
Amount recovered/written back	(10,656)	(19,146)	-	(29,802)
Reclassification	-	(16,546)	-	(16,546)
Foreign exchange difference	-	103	-	103
<b>As at 31 March 2012</b>	<b>167,904</b>	<b>65,448</b>	<b>2,061</b>	<b>235,413</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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:

31 March 2013	Financial investment held-to-maturity			Financial investment available-for-sale			Financial investment available-for-sale			Other financial assets
	Non Money Market Instruments - Debt Securities			Money Market Instruments			Non Money Market Instruments - Debt Securities			
	International Ratings	Domestic Ratings	Total	International Ratings	Domestic Ratings	Total	International Ratings	Domestic Ratings	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>										
AAA+ to AA-	-	-	-	-	-	-	-	1,610,783	1,610,783	-
A+ to A-	-	-	-	-	-	-	15,765	165,945	181,710	-
BBB+ to BB-	-	-	-	-	-	-	-	257,340	257,340	-
Unrated	-	575	575	-	-	-	-	48,812	48,812	22,959
Defaulted	-	-	-	-	-	-	5,423	-	5,423	-
Sovereign	-	-	-	-	-	-	35,856	4,327,066	4,362,923	-
<b>Total</b>	-	<b>575</b>	<b>575</b>	-	-	-	<b>57,044</b>	<b>6,409,946</b>	<b>6,466,991</b>	<b>22,959</b>
<b>Bank</b>										
AAA+ to AA-	-	-	-	-	-	-	-	1,610,783	1,610,783	-
A+ to A-	-	-	-	-	-	-	15,765	165,945	181,710	-
BBB+ to BB-	-	-	-	-	-	-	-	257,340	257,340	-
Unrated	-	575	575	-	-	-	-	48,812	48,812	13,488
Defaulted	-	-	-	-	-	-	5,423	-	5,423	-
Sovereign	-	-	-	-	-	-	35,856	4,327,066	4,362,923	-
<b>Total</b>	-	<b>575</b>	<b>575</b>	-	-	-	<b>57,044</b>	<b>6,409,946</b>	<b>6,466,991</b>	<b>13,488</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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:

31 March 2012	Financial investment held-to-maturity			Financial investment available-for-sale			Financial investment available-for-sale			Other financial assets
	Non Money Market Instruments - Debt Securities			Money Market Instruments			Non Money Market Instruments - Debt Securities			
	International Ratings	Domestic Ratings	Total	International Ratings	Domestic Ratings	Total	International Ratings	Domestic Ratings	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>										
AAA+ to AA-	-	-	-	-	55,570	55,570	-	1,373,781	1,373,781	-
A+ to A-	-	-	-	-	-	-	42,277	439,531	481,808	-
BBB+ to BB-	-	-	-	-	-	-	-	136,183	136,183	-
Unrated	-	28,522	28,522	-	-	-	-	108,224	108,224	27,285
Defaulted	-	-	-	-	-	-	6,922	4,668	11,590	-
Sovereign	-	-	-	-	-	-	-	3,972,062	3,972,062	-
<b>Total</b>	-	28,522	28,522	-	55,570	55,570	49,199	6,034,449	6,083,648	27,285
<b>Bank</b>										
AAA+ to AA-	-	-	-	-	55,570	55,570	-	1,373,781	1,373,781	-
A+ to A-	-	-	-	-	-	-	42,277	439,531	481,808	-
BBB+ to BB-	-	-	-	-	-	-	-	136,183	136,183	-
Unrated	-	28,522	28,522	-	-	-	-	108,224	108,224	20,572
Defaulted	-	-	-	-	-	-	6,922	4,668	11,590	-
Sovereign	-	-	-	-	-	-	-	3,972,062	3,972,062	-
<b>Total</b>	-	28,522	28,522	-	55,570	55,570	49,199	6,034,449	6,083,648	20,572

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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:

1 April 2011	Financial investment held-to-maturity			Financial investment available-for-sale			Financial investment available-for-sale			Other financial assets
	Non Money Market Instruments - Debt Securities			Money Market Instruments			Non Money Market Instruments - Debt Securities			
	International Ratings	Domestic Ratings	Total	International Ratings	Domestic Ratings	Total	International Ratings	Domestic Ratings	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>										
AAA+ to AA-	-	-	-	-	-	-	-	1,505,741	1,505,741	-
A+ to A-	-	-	-	-	-	-	4,347	386,144	390,491	-
BBB+ to BB-	-	-	-	-	-	-	46,921	140,028	186,949	-
Unrated	-	28,585	28,585	-	-	-	-	39,002	39,002	38,544
Defaulted	-	-	-	-	-	-	7,424	7,068	14,492	-
Sovereign	-	-	-	-	-	-	-	2,223,512	2,223,512	-
<b>Total</b>	-	28,585	28,585	-	-	-	58,692	4,301,495	4,360,187	38,544
<b>Bank</b>										
AAA+ to AA-	-	-	-	-	-	-	-	1,505,741	1,505,741	-
A+ to A-	-	-	-	-	-	-	4,347	386,144	390,491	-
BBB+ to BB-	-	-	-	-	-	-	46,921	140,028	186,949	-
Unrated	-	28,585	28,585	-	-	-	-	39,002	39,002	31,624
Defaulted	-	-	-	-	-	-	7,424	7,068	14,492	-
Sovereign	-	-	-	-	-	-	-	2,223,512	2,223,512	-
<b>Total</b>	-	28,585	28,585	-	-	-	58,692	4,301,495	4,360,187	31,624

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 RM5,423,000 (31 March 2012: RM11,590,000), which has been classified as impaired.

At 31 March 2013 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 RM11,699,000 (31 March 2012: RM19,779,000 and 31 March 2011: RM31,446,000). The collateral consists of cash, securities, letters of guarantee and properties.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

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

(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.

(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.

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

(b) Market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

**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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to 1 month	>1-3 months	>3-12 months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over 5 years	Non-profit sensitive	Trading books	Total	Effective profit rate %
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>												
Cash and short-term funds	2,996,279	-	-	-	-	-	-	-	240,226	-	3,236,505	3.1%
Cash and placements with financial institutions	-	105,189	-	-	-	-	-	-	-	-	105,189	3.1%
Financial investment designated at fair value through profit or loss	-	-	-	-	-	-	-	-	84,373	-	84,373	-
Financial investment available-for-sale	597,903	170,538	576,955	1,089,807	1,226,056	774,564	889,424	1,088,406	53,338	-	6,466,991	3.9%
Financial investment held-to-maturity	-	-	-	-	-	-	-	-	575	-	575	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,488	4,488	-
Financing of customers												
- non-impaired	410,207	203,713	208,516	551,063	572,897	614,915	376,064	7,415,179	-	-	10,352,554	6.2%
- impaired*	236,915	-	-	-	-	-	-	-	-	-	236,915	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(242,843)	-	(242,843)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	820,843	-	820,843	-
<b>TOTAL ASSETS</b>	<b>4,241,304</b>	<b>479,440</b>	<b>785,471</b>	<b>1,640,870</b>	<b>1,798,953</b>	<b>1,389,479</b>	<b>1,265,488</b>	<b>8,503,585</b>	<b>956,512</b>	<b>4,488</b>	<b>21,071,590</b>	<b>-</b>
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	10,542,127	5,204,983	2,509,808	4,577	376	599	296	-	481,413	-	18,744,179	2.6%
Deposits and placements of banks and other financial institutions	(46)	2,820	4,390	-	650	850	2,110	-	-	-	10,774	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	132,750	-	132,750	-
Islamic derivative financial liabilities	-	-	-	7,726	-	-	-	-	-	1,179	8,905	-
Recourse obligation on financing sold to Cagamas	-	-	6,1679	-	-	-	-	-	-	-	61,679	-
Subordinated sukuk	-	-	-	-	-	-	-	-	-	-	406,055	5.2%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	108,772	-	108,772	-
<b>TOTAL LIABILITIES</b>	<b>10,542,081</b>	<b>5,207,803</b>	<b>2,575,877</b>	<b>12,303</b>	<b>1,026</b>	<b>406,055</b>	<b>2,406</b>	<b>-</b>	<b>722,935</b>	<b>1,179</b>	<b>19,473,114</b>	<b>-</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,598,476	-	1,598,476	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10,542,081</b>	<b>5,207,803</b>	<b>2,575,877</b>	<b>4,577</b>	<b>1,026</b>	<b>407,504</b>	<b>2,406</b>	<b>-</b>	<b>2,321,411</b>	<b>1,179</b>	<b>21,071,590</b>	<b>-</b>
On-balance sheet profit sensitivity gap	(6,300,777)	(4,728,363)	(1,790,406)	1,634,567	1,797,927	981,975	1,263,082	8,503,585	(1,364,899)	(3,309)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	875,000	875,000	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>(6,300,777)</b>	<b>(4,728,363)</b>	<b>(1,790,406)</b>	<b>1,634,567</b>	<b>1,797,927</b>	<b>981,975</b>	<b>1,263,082</b>	<b>8,503,585</b>	<b>(1,364,899)</b>	<b>878,309</b>	<b>875,000</b>	<b>-</b>

\* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to	>1-3	>3-12	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over	Non-profit	Trading	Total	Effective
	1 month	months	months									
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
<b>ASSETS</b>												
Cash and short-term funds	4,228,688	-	-	-	-	-	-	-	162,535	-	4,391,223	2.8%
Cash and placements with financial institutions	-	110,333	-	-	-	-	-	-	-	-	110,333	2.8%
Financial investment designated at fair value through profit or loss	-	-	-	-	-	-	-	-	50,772	-	50,772	-
Financial investment available-for-sale	386,280	175,528	841,021	573,797	814,696	668,569	704,912	1,910,097	64,318	-	6,139,218	4.1%
Financial investment held-to-maturity	-	-	-	-	-	-	-	-	28,522	-	28,522	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,150	4,150	-
Financing of customers:												
- non-impaired	3,368,676	9,917	226,301	326,973	549,929	501,430	711,924	3,346,978	-	-	9,042,128	6.4%
- impaired*	290,440	-	-	-	-	-	-	-	-	-	290,440	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(268,297)	-	(268,297)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	715,548	-	715,548	-
<b>TOTAL ASSETS</b>	<b>8,274,084</b>	<b>295,778</b>	<b>1,067,322</b>	<b>900,770</b>	<b>1,364,625</b>	<b>1,169,999</b>	<b>1,416,836</b>	<b>5,257,075</b>	<b>753,398</b>	<b>4,150</b>	<b>20,504,037</b>	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	10,951,365	5,330,113	1,327,976	4,622	328	292	279	-	536,112	-	18,151,087	2.7%
Deposits and placements of banks and other financial institutions	-	-	3,148	7,250	-	649	849	-	-	-	11,896	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	310,324	-	310,324	-
Islamic derivative financial liabilities	-	-	-	3,889	-	-	-	-	-	1,741	5,630	-
Recourse obligation on financing sold to Cagamas	-	-	-	64,910	-	-	-	-	-	-	64,910	-
Subordinated sukuk	-	-	-	-	-	-	-	406,079	-	-	406,079	5.2%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	153,107	-	153,107	-
<b>TOTAL LIABILITIES</b>	<b>10,951,365</b>	<b>5,330,113</b>	<b>1,331,124</b>	<b>80,671</b>	<b>328</b>	<b>941</b>	<b>1,128</b>	<b>406,079</b>	<b>999,543</b>	<b>1,741</b>	<b>19,103,032</b>	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,401,004	-	1,401,004	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10,951,365</b>	<b>5,330,113</b>	<b>1,331,124</b>	<b>80,671</b>	<b>328</b>	<b>941</b>	<b>1,128</b>	<b>406,079</b>	<b>2,400,547</b>	<b>1,741</b>	<b>20,504,037</b>	
On-balance sheet profit sensitivity gap	(2,677,281)	(5,034,335)	(263,802)	820,099	1,364,297	1,169,058	1,415,708	4,850,996	(1,647,149)	2,409	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	75,000	75,000	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>(2,677,281)</b>	<b>(5,034,335)</b>	<b>(263,802)</b>	<b>820,099</b>	<b>1,364,297</b>	<b>1,169,058</b>	<b>1,415,708</b>	<b>4,850,996</b>	<b>(1,647,149)</b>	<b>77,409</b>	<b>75,000</b>	

\* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to 1 month	>1-3 months	>3-12 months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over 5 years	Non-profit sensitive	Trading books	Total	Effective profit rate %
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>												
Cash and short-term funds	6,030,940	-	-	-	-	-	-	-	169,013	-	6,199,953	2.3%
Cash and placements with financial institutions	-	251,012	-	-	-	-	-	-	-	-	251,012	-
Financial investment designated at fair value through profit or loss	-	-	-	-	-	-	-	-	10,800	-	10,800	-
Financial investment available-for-sale	192,948	287,499	689,365	1,094,217	513,889	763,973	192,931	571,990	53,375	-	4,360,187	4.5%
Financial investment held-to-maturity	361	-	-	-	-	-	-	-	28,224	-	28,585	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	5,177	5,177	-
Financing of customers:												
- non-impaired	2,939,248	98,603	201,621	232,423	785,157	181,873	463,920	2,566,578	-	-	7,469,423	6.4%
- impaired*	269,812	-	-	-	-	-	-	-	-	-	269,812	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(244,228)	-	(244,228)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	309,219	-	309,219	-
<b>TOTAL ASSETS</b>	<b>9,433,309</b>	<b>637,114</b>	<b>890,986</b>	<b>1,326,640</b>	<b>1,299,046</b>	<b>945,846</b>	<b>656,851</b>	<b>3,138,568</b>	<b>326,403</b>	<b>5,177</b>	<b>18,659,940</b>	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	8,752,323	5,654,500	1,782,268	3,434	1,132	1,051	3,883	-	17,582	-	16,216,173	2.7%
Deposits and placements of banks and other financial institutions	-	-	800	4,504	6,638	2,401	650	-	-	-	14,993	2.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	291,375	-	291,375	-
Islamic derivative financial liabilities	-	-	-	158	-	-	-	-	-	3,828	3,986	-
Recourse obligation on financing sold to Cagamas	-	-	-	-	364,373	-	-	-	-	-	364,373	-
Subordinated sukuk	-	-	251,128	-	-	-	-	-	-	-	251,128	6.3%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	169,626	-	169,626	-
<b>TOTAL LIABILITIES</b>	<b>8,752,323</b>	<b>5,654,500</b>	<b>2,034,196</b>	<b>8,096</b>	<b>372,143</b>	<b>3,452</b>	<b>4,533</b>	<b>-</b>	<b>478,583</b>	<b>3,828</b>	<b>17,311,654</b>	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,348,286	-	1,348,286	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,752,323</b>	<b>5,654,500</b>	<b>2,034,196</b>	<b>8,096</b>	<b>372,143</b>	<b>3,452</b>	<b>4,533</b>	<b>-</b>	<b>1,826,869</b>	<b>3,828</b>	<b>18,659,940</b>	
On-balance sheet profit sensitivity gap	680,986	(5,017,386)	(1,143,210)	1,318,386	926,903	942,394	652,318	3,138,568	(1,500,466)	1,349	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	75,000	75,000	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>680,986</b>	<b>(5,017,386)</b>	<b>(1,143,210)</b>	<b>1,318,386</b>	<b>926,903</b>	<b>942,394</b>	<b>652,318</b>	<b>3,138,568</b>	<b>(1,500,466)</b>	<b>76,349</b>	<b>75,000</b>	

\* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to 1 month	>1-3 months	>3-12 months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over 5 years	Non-profit sensitive	Trading books	Total	Effective profit rate %
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>												
Cash and short-term funds	2,996,279	-	-	-	-	-	-	-	240,226	-	3,236,505	3.1%
Cash and placements with financial institutions	-	105,189	-	-	-	-	-	-	-	-	105,189	3.1%
Financial investment designated at fair value through profit or loss	-	-	-	-	-	-	-	-	79,573	-	79,573	-
Financial investment available-for-sale	597,903	170,538	576,955	1,089,807	1,226,056	774,564	889,424	1,088,406	53,338	-	6,466,991	3.9%
Financial investment held-to-maturity	-	-	-	-	-	-	-	-	575	-	575	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,488	4,488	-
Financing of customers:												
- non-impaired	410,207	203,713	208,516	569,457	572,897	614,915	376,064	7,415,179	-	-	10,370,948	6.2%
- impaired*	236,915	-	-	-	-	-	-	-	-	-	236,915	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(242,843)	-	(242,843)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	818,060	-	818,060	-
<b>TOTAL ASSETS</b>	<b>4,241,304</b>	<b>479,440</b>	<b>785,471</b>	<b>1,659,264</b>	<b>1,798,953</b>	<b>1,389,479</b>	<b>1,265,488</b>	<b>8,503,585</b>	<b>948,929</b>	<b>4,488</b>	<b>21,076,400</b>	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	10,542,603	5,204,983	2,515,408	4,577	376	599	296	-	481,413	-	18,750,255	2.6%
Deposits and placements of banks and other financial institutions	(46)	2,820	4,390	-	650	850	2,110	-	-	-	10,774	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	132,750	-	132,750	-
Islamic derivative financial liabilities	-	-	-	7,726	-	-	-	-	-	1,179	8,905	-
Recourse obligation on financing sold to Cagamas	-	-	61,679	-	-	-	-	-	-	-	61,679	-
Subordinated sukuk	-	-	-	-	-	406,055	-	-	-	-	406,055	5.2%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	109,610	-	109,610	-
<b>TOTAL LIABILITIES</b>	<b>10,542,557</b>	<b>5,207,803</b>	<b>2,581,477</b>	<b>12,303</b>	<b>1,026</b>	<b>407,504</b>	<b>2,406</b>	<b>-</b>	<b>723,773</b>	<b>1,179</b>	<b>19,480,028</b>	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,596,372	-	1,596,372	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10,542,557</b>	<b>5,207,803</b>	<b>2,581,477</b>	<b>12,303</b>	<b>1,026</b>	<b>407,504</b>	<b>2,406</b>	<b>-</b>	<b>2,320,145</b>	<b>1,179</b>	<b>21,076,400</b>	
On-balance sheet profit sensitivity gap	(6,301,253)	(4,728,363)	(1,796,006)	1,646,961	1,797,927	981,975	1,263,082	8,503,585	(1,371,217)	(3,238)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	875,000	875,000	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>(6,301,253)</b>	<b>(4,728,363)</b>	<b>(1,796,006)</b>	<b>1,646,961</b>	<b>1,797,927</b>	<b>981,975</b>	<b>1,263,082</b>	<b>8,503,585</b>	<b>(1,371,217)</b>	<b>871,762</b>	<b>875,000</b>	

\* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to 1 month	>1-3 months	>3-12 months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over 5 years	Non-profit sensitive	Trading books	Total	Effective profit rate %
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>												
Cash and short-term funds	4,228,688	-	-	-	-	-	-	-	-	162,535	4,391,223	2.8%
Cash and placements with financial institutions	-	110,333	-	-	-	-	-	-	-	-	- 110,333	2.8%
Financial investment designated at fair value through profit or loss	-	-	-	-	-	-	-	-	45,972	-	45,972	-
Financial investment available-for-sale	386,280	175,528	841,021	573,797	814,696	668,569	704,912	1,910,097	64,318	-	6,139,218	4.1%
Financial investment held-to-maturity	-	-	-	-	-	-	-	-	28,522	-	28,522	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	4,150	4,150	-
Financing of customers:												
- non-impaired	3,368,677	9,917	226,301	345,294	549,929	501,430	711,924	3,346,978	-	-	9,060,450	6.4%
- impaired*	284,440	-	-	-	-	-	-	-	-	-	284,440	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(268,297)	-	(268,297)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	714,955	-	714,955	-
<b>TOTAL ASSETS</b>	<b>8,268,085</b>	<b>295,778</b>	<b>1,067,322</b>	<b>919,091</b>	<b>1,364,625</b>	<b>1,169,999</b>	<b>1,416,836</b>	<b>5,257,075</b>	<b>748,005</b>	<b>4,150</b>	<b>20,510,966</b>	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	10,959,025	5,330,113	1,327,976	4,622	328	292	279	-	536,112	-	18,158,747	2.7%
Deposits and placements of banks and other financial institutions	-	-	3,148	7,250	-	649	849	-	-	-	11,896	1.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	310,324	-	310,324	-
Islamic derivative financial liabilities	-	-	-	3,889	-	-	-	-	-	1,741	5,630	-
Recourse obligation on financing sold to Cagamas	-	-	-	64,910	-	-	-	-	-	-	64,910	-
Subordinated sukuk	-	-	-	-	-	-	-	406,079	-	-	406,079	5.2%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	153,729	-	153,729	-
<b>TOTAL LIABILITIES</b>	<b>10,959,025</b>	<b>5,330,113</b>	<b>1,331,124</b>	<b>80,671</b>	<b>328</b>	<b>941</b>	<b>1,128</b>	<b>406,079</b>	<b>1,000,165</b>	<b>1,741</b>	<b>19,111,315</b>	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,399,651	-	1,399,651	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10,959,025</b>	<b>5,330,113</b>	<b>1,331,124</b>	<b>80,671</b>	<b>328</b>	<b>941</b>	<b>1,128</b>	<b>406,079</b>	<b>2,399,816</b>	<b>1,741</b>	<b>20,510,966</b>	
On-balance sheet profit sensitivity gap	(2,690,940)	(5,034,335)	(263,802)	838,420	1,364,297	1,169,058	1,415,708	4,850,996	(1,651,811)	2,409	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	75,000	75,000	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>(2,690,940)</b>	<b>(5,034,335)</b>	<b>(263,802)</b>	<b>838,420</b>	<b>1,364,297</b>	<b>1,169,058</b>	<b>1,415,708</b>	<b>4,850,996</b>	<b>(1,651,811)</b>	<b>77,409</b>	<b>75,000</b>	

\* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to 1 month	>1-3 months	>3-12 months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	Over 5 years	Non-profit sensitive	Trading books	Total	Effective profit rate %
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>												
Cash and short-term funds	6,030,940	-	-	-	-	-	-	-	169,013	-	6,199,953	2.5%
Cash and placements with financial institutions	-	251,012	-	-	-	-	-	-	-	-	251,012	-
Financial investment available-for-sale	192,948	287,499	689,365	1,094,217	513,889	763,973	192,931	571,990	53,375	-	4,360,187	4.4%
Financial investment held-to-maturity	361	-	-	-	-	-	-	-	28,224	-	28,585	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	5,177	5,177	-
Financing of customers:												
- non-impaired	2,939,248	98,603	201,621	232,423	785,157	181,873	463,920	2,584,452	-	-	7,487,297	6.3%
- impaired*	269,812	-	-	-	-	-	-	-	-	-	269,812	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(244,228)	-	(244,228)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	308,643	-	308,643	-
<b>TOTAL ASSETS</b>	<b>9,433,309</b>	<b>637,114</b>	<b>890,986</b>	<b>1,326,640</b>	<b>1,299,046</b>	<b>945,846</b>	<b>656,851</b>	<b>3,156,442</b>	<b>315,027</b>	<b>5,177</b>	<b>18,666,438</b>	
<b>LIABILITIES AND EQUITY</b>												
Deposits from customers	8,758,940	5,654,500	1,782,268	3,434	1,132	1,051	3,883	-	17,582	-	16,222,790	2.7%
Deposits and placements of banks and other financial institutions	-	-	800	4,504	6,638	2,401	650	-	-	-	14,993	2.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	291,375	-	291,375	-
Islamic derivative financial liabilities	-	-	-	158	-	-	-	-	-	3,828	3,986	-
Recourse obligation on financing sold to Cagamas	-	-	-	-	364,373	-	-	-	-	-	364,373	-
Subordinated sukuk	-	-	251,128	-	-	-	-	-	-	-	251,128	6.3%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	169,650	-	169,650	-
<b>TOTAL LIABILITIES</b>	<b>8,758,940</b>	<b>5,654,500</b>	<b>2,034,196</b>	<b>8,096</b>	<b>372,143</b>	<b>3,452</b>	<b>4,533</b>	<b>-</b>	<b>478,607</b>	<b>3,828</b>	<b>17,318,295</b>	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,348,143	-	1,348,143	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>8,758,940</b>	<b>5,654,500</b>	<b>2,034,196</b>	<b>8,096</b>	<b>372,143</b>	<b>3,452</b>	<b>4,533</b>	<b>-</b>	<b>1,826,750</b>	<b>3,986</b>	<b>18,666,438</b>	
On-balance sheet profit sensitivity gap	674,369	(5,017,386)	(1,143,210)	1,318,544	926,903	942,394	652,318	3,156,442	(1,511,723)	1,349	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	75,000	75,000	-
<b>TOTAL PROFIT SENSITIVITY GAP</b>	<b>674,369</b>	<b>(5,017,386)</b>	<b>(1,143,210)</b>	<b>1,318,544</b>	<b>926,903</b>	<b>942,394</b>	<b>652,318</b>	<b>3,156,442</b>	<b>(1,511,723)</b>	<b>76,349</b>	<b>75,000</b>	

\*This is arrived at after deducting individual assessment allowance from the gross impaired financing.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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.

- 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

43. 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

Increase/(decrease) in basis points	Tax rate %	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
<b>31 March 2013</b>					
Effect on profit after tax	25%	29,815	(29,815)	29,837	(29,837)
Effect on other comprehensive income, net of tax	25%	68,650	(68,650)	68,650	(68,650)
Effect on equity		159,855	(159,855)	159,854	(159,854)
<b>31 March 2012</b>					
Effect on profit after tax	25%	27,092	(27,092)	27,092	(27,092)
Effect on other comprehensive income, net of tax	25%	78,394	(78,394)	78,394	(78,394)
Effect on equity		172,575	(172,575)	172,575	(172,575)
<b>1 April 2011</b>					
Effect on profit after tax	25%	16,882	(16,882)	16,882	(16,882)
Effect on other comprehensive income, net of tax	25%	49,047	(49,047)	49,047	(49,047)
Effect on equity		84,303	(84,303)	84,303	(84,303)

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. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Malaysian Ringgit	United States Dollar	Australian Dollar	Swiss Franc	Euro	Great Britain Pound	Japan Yen	Others	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>									
Cash and short-term funds	2,982,432	139,426	-	59	75,886	111	38,262	329	3,236,505
Cash and placements financial institutions	-	105,189	-	-	-	-	-	-	105,189
Financial investment designated at fair value through profit or loss	4,800	79,573	-	-	-	-	-	-	84,373
Financial investment available-for-sale	6,409,947	57,044	-	-	-	-	-	-	6,466,991
Financial investment held-to-maturity	575	-	-	-	-	-	-	-	575
Islamic derivative financial assets	-	1,676	-	-	6	12	2,794	-	4,488
Financing of customers	10,337,627	14,999	-	-	-	-	-	-	10,352,626
Other assets	89,958	66	-	-	-	-	-	-	90,024
Statutory deposits with Bank Negara Malaysia	612,721	-	-	-	-	-	-	-	612,721
Investment in associates	580	-	-	-	-	-	-	-	580
Intangible assets	34,546	-	-	-	-	-	-	-	34,546
Property, plant and equipment	65,698	-	-	-	-	-	-	-	65,698
Prepaid land lease payment	247	-	-	-	-	-	-	-	247
Deferred tax assets	17,027	-	-	-	-	-	-	-	17,027
<b>TOTAL ASSETS</b>	<b>20,556,158</b>	<b>397,973</b>	<b>-</b>	<b>59</b>	<b>75,892</b>	<b>123</b>	<b>41,056</b>	<b>329</b>	<b>21,071,590</b>
<b>LIABILITIES</b>									
Deposits from customers	18,193,755	448,661	-	-	101,763	-	-	-	18,744,179
Deposits and placements of banks and other financial institutions	10,774	-	-	-	-	-	-	-	10,774
Bills and acceptances payable	132,750	-	-	-	-	-	-	-	132,750
Islamic derivative financial liabilities	7,726	363	24	-	756	11	25	-	8,905
Other liabilities	94,267	-	-	-	-	-	-	-	94,267
Provision for taxation and zakat	14,505	-	-	-	-	-	-	-	14,505
Recourse obligation on financing sold to Cagamas	61,679	-	-	-	-	-	-	-	61,679
Subordinated sukuk	406,055	-	-	-	-	-	-	-	406,055
<b>TOTAL LIABILITIES</b>	<b>18,921,511</b>	<b>449,024</b>	<b>24</b>	<b>-</b>	<b>102,519</b>	<b>11</b>	<b>25</b>	<b>-</b>	<b>19,473,114</b>
<b>On-balance sheet open position</b>	<b>1,634,648</b>	<b>(51,051)</b>	<b>(24)</b>	<b>59</b>	<b>(26,627)</b>	<b>112</b>	<b>41,031</b>	<b>329</b>	<b>1,598,479</b>
Less: Islamic derivative financial assets	-	(1,676)	-	-	(6)	(12)	(2,794)	-	(4,488)
Add: Islamic derivative financial liabilities	7,726	363	24	-	756	11	25	-	8,905
<b>NET OPEN POSITION</b>	<b>1,642,375</b>	<b>(52,364)</b>	<b>-</b>	<b>59</b>	<b>(25,877)</b>	<b>111</b>	<b>38,262</b>	<b>329</b>	<b>1,602,896</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Malaysian Ringgit	United States Dollar	Australian Dollar	Swiss Franc	Euro	Great Britain Pound	Japan Yen	Others	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>									
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 designated at fair value through profit or loss	4,800	45,972	-	-	-	-	-	-	50,772
Financial investment held-to-maturity	28,522	-	-	-	-	-	-	-	28,522
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	9,029,293	34,978	-	-	-	-	-	-	9,064,271
Other assets	42,702	1,669	-	-	-	-	-	-	44,371
Statutory deposits with Bank Negara Malaysia	527,721	-	-	-	-	-	-	-	527,721
Deferred tax assets	62,133	-	-	-	-	-	-	-	62,133
Intangible assets	19,133	-	-	-	-	-	-	-	19,133
Property, plant and equipment	61,939	-	-	-	-	-	-	-	61,939
Prepaid land lease payment	251	-	-	-	-	-	-	-	251
<b>TOTAL ASSETS</b>	<b>20,106,077</b>	<b>332,029</b>	<b>39</b>	<b>215</b>	<b>35,494</b>	<b>3,195</b>	<b>24,098</b>	<b>2,890</b>	<b>20,504,037</b>
<b>LIABILITIES</b>									
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
Bills and acceptances payable	310,324	-	-	-	-	-	-	-	310,324
Islamic derivative financial liabilities	3,889	1,468	-	-	173	-	56	44	5,630
Other liabilities	132,586	-	-	-	-	-	-	-	132,586
Provision for taxation and zakat	20,501	20	-	-	-	-	-	-	20,521
Recourse obligation on financing sold to Cagamas	64,910	-	-	-	-	-	-	-	64,910
Subordinated sukuk	406,079	-	-	-	-	-	-	-	406,079
<b>TOTAL LIABILITIES</b>	<b>18,466,725</b>	<b>610,496</b>	<b>-</b>	<b>-</b>	<b>25,712</b>	<b>-</b>	<b>56</b>	<b>44</b>	<b>19,103,033</b>
<b>On-balance sheet open position</b>	<b>1,638,352</b>	<b>(278,467)</b>	<b>39</b>	<b>215</b>	<b>9,782</b>	<b>3,195</b>	<b>24,042</b>	<b>2,846</b>	<b>1,401,004</b>
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
<b>NET OPEN POSITION</b>	<b>1,643,241</b>	<b>(280,452)</b>	<b>39</b>	<b>215</b>	<b>9,911</b>	<b>3,194</b>	<b>23,491</b>	<b>2,845</b>	<b>1,402,484</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Malaysian Ringgit	United States Dollar	Australian Dollar	Swiss Franc	Euro	Great Britain Pound	Japan Yen	Others	Total
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>									
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 designated at fair value through profit or loss	10,800	-	-	-	-	-	-	-	10,800
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	7,411,403	83,604	-	-	-	-	-	-	7,495,007
Other assets	69,829	871	-	-	-	-	-	-	70,700
Statutory deposits with Bank Negara Malaysia	94,121	-	-	-	-	-	-	-	94,121
Deferred tax assets	42,622	-	-	-	-	-	-	-	42,622
Intangible assets	48,488	-	-	-	-	-	-	-	48,488
Property, plant and equipment	53,033	-	-	-	-	-	-	-	53,033
Prepaid land lease payment	255	-	-	-	-	-	-	-	255
<b>TOTAL ASSETS</b>	<b>18,322,817</b>	<b>308,080</b>	<b>380</b>	<b>192</b>	<b>4,207</b>	<b>607</b>	<b>21,367</b>	<b>2,290</b>	<b>18,659,940</b>
<b>LIABILITIES</b>									
Deposits from customers	15,911,077	305,096	-	-	-	-	-	-	16,216,173
Deposits and placements of banks and other financial institutions	14,993	-	-	-	-	-	-	-	14,993
Bills and acceptances payable	291,375	-	-	-	-	-	-	-	291,375
Islamic derivative financial liabilities	158	2,032	-	14	1,441	198	143	-	3,986
Other liabilities	164,398	-	-	-	-	-	-	-	164,398
Provision for taxation and zakat	5,228	-	-	-	-	-	-	-	5,228
Recourse obligation on financing sold to Cagamas	364,373	-	-	-	-	-	-	-	364,373
Subordinated sukuk	251,128	-	-	-	-	-	-	-	251,128
<b>TOTAL LIABILITIES</b>	<b>17,002,730</b>	<b>307,128</b>	<b>-</b>	<b>14</b>	<b>1,441</b>	<b>198</b>	<b>143</b>	<b>-</b>	<b>17,311,654</b>
<b>On-balance sheet open position</b>	<b>1,320,087</b>	<b>952</b>	<b>380</b>	<b>178</b>	<b>2,766</b>	<b>409</b>	<b>21,224</b>	<b>2,290</b>	<b>1,348,286</b>
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
<b>NET OPEN POSITION</b>	<b>1,320,245</b>	<b>297</b>	<b>380</b>	<b>178</b>	<b>2,766</b>	<b>391</b>	<b>20,548</b>	<b>2,290</b>	<b>1,347,095</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Malaysian Ringgit	United States Dollar	Australian Dollar	Swiss Franc	Euro	Great Britain Pound	Japan Yen	Others	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>									
Cash and short-term funds	2,982,432	139,426	-	59	75,886	111	38,262	329	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	-	-	105,189
Financial investment designated at fair value through profit or loss	-	79,573	-	-	-	-	-	-	79,573
Financial investment available-for-sale	6,409,947	57,044	-	-	-	-	-	-	6,466,991
Financial investment held-to-maturity	575	-	-	-	-	-	-	-	575
Islamic derivative financial assets	-	1,676	-	-	6	12	2,794	-	4,488
Financing of customers	10,350,021	14,999	-	-	-	-	-	-	10,365,020
Other assets	80,427	66	-	-	-	-	-	-	80,493
Statutory deposits with Bank Negara Malaysia	612,721	-	-	-	-	-	-	-	612,721
Investment in subsidiaries	6,384	-	-	-	-	-	-	-	6,384
Investment in associates	1,000	-	-	-	-	-	-	-	1,000
Intangible assets	34,546	-	-	-	-	-	-	-	34,546
Property, plant and equipment	65,642	-	-	-	-	-	-	-	65,642
Prepaid land lease payment	247	-	-	-	-	-	-	-	247
Deferred tax assets	17,027	-	-	-	-	-	-	-	17,027
<b>TOTAL ASSETS</b>	<b>20,560,969</b>	<b>397,973</b>	<b>-</b>	<b>59</b>	<b>75,892</b>	<b>123</b>	<b>41,056</b>	<b>329</b>	<b>21,076,401</b>
<b>LIABILITIES</b>									
Deposits from customers	18,199,831	448,661	-	-	101,763	-	-	-	18,750,255
Deposits and placements of banks and other financial institutions	10,774	-	-	-	-	-	-	-	10,774
Bills and acceptances payable	132,750	-	-	-	-	-	-	-	132,750
Islamic derivative financial liabilities	7,726	363	24	-	756	11	25	-	8,905
Other liabilities	95,112	-	-	-	-	-	-	-	95,112
Provision for taxation and zakat	14,498	-	-	-	-	-	-	-	14,498
Recourse obligation on financing sold to Cagamas	61,679	-	-	-	-	-	-	-	61,679
Subordinated sukuk	406,055	-	-	-	-	-	-	-	406,055
<b>TOTAL LIABILITIES</b>	<b>18,928,425</b>	<b>449,024</b>	<b>24</b>	<b>-</b>	<b>102,519</b>	<b>11</b>	<b>25</b>	<b>-</b>	<b>19,480,028</b>
<b>On-balance sheet open position</b>	<b>1,632,544</b>	<b>(51,051)</b>	<b>(24)</b>	<b>59</b>	<b>(26,627)</b>	<b>112</b>	<b>41,031</b>	<b>329</b>	<b>1,596,372</b>
Less: Islamic derivative financial assets	-	(1,676)	-	-	(6)	(12)	(2,794)	-	(4,488)
Add: Islamic derivative financial liabilities	7,726	363	24	-	756	11	25	-	8,905
<b>NET OPEN POSITION</b>	<b>1,640,270</b>	<b>(52,364)</b>	<b>-</b>	<b>59</b>	<b>(25,877)</b>	<b>111</b>	<b>38,262</b>	<b>329</b>	<b>1,600,789</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Malaysian Ringgit	United States Dollar	Australian Dollar	Swiss Franc	Euro	Great Britain Pound	Japan Yen	Bank Others	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>									
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 designated at fair value through profit or loss	-	45,972	-	-	-	-	-	-	45,972
Financial investment available-for-sale	6,054,886	84,332	-	-	-	-	-	-	6,139,218
Financial investment held-to-maturity	28,522	-	-	-	-	-	-	-	28,522
Islamic derivative financial assets	-	3,453	-	-	44	1	607	45	4,150
Financing of customers	9,041,615	34,978	-	-	-	-	-	-	9,076,593
Other assets	35,725	1,669	-	-	-	-	-	-	37,394
Statutory deposits with Bank Negara Malaysia	527,721	-	-	-	-	-	-	-	527,721
Investment in subsidiaries	6,384	-	-	-	-	-	-	-	6,384
Intangible assets	19,133	-	-	-	-	-	-	-	19,133
Property, plant and equipment	61,939	-	-	-	-	-	-	-	61,939
Prepaid land lease payment	251	-	-	-	-	-	-	-	251
Deferred tax assets	62,133	-	-	-	-	-	-	-	62,133
<b>TOTAL ASSETS</b>	<b>20,113,006</b>	<b>332,029</b>	<b>39</b>	<b>215</b>	<b>35,494</b>	<b>3,195</b>	<b>24,098</b>	<b>2,890</b>	<b>20,510,966</b>
<b>LIABILITIES</b>									
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
Bills and acceptances payable	310,324	-	-	-	-	-	-	-	310,324
Islamic derivative financial liabilities	3,889	1,468	-	-	173	-	56	44	5,630
Other liabilities	133,218	-	-	-	-	-	-	-	133,218
Provision for taxation and zakat	20,491	20	-	-	-	-	-	-	20,511
Recourse obligation on financing sold to Cagamas	64,910	-	-	-	-	-	-	-	64,910
Subordinated sukuk	406,079	-	-	-	-	-	-	-	406,079
<b>TOTAL LIABILITIES</b>	<b>18,475,007</b>	<b>610,496</b>	<b>-</b>	<b>-</b>	<b>25,712</b>	<b>-</b>	<b>56</b>	<b>44</b>	<b>19,111,315</b>
<b>On-balance sheet open position</b>	<b>1,637,999</b>	<b>(278,467)</b>	<b>39</b>	<b>215</b>	<b>9,782</b>	<b>3,195</b>	<b>24,042</b>	<b>2,846</b>	<b>1,399,651</b>
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
<b>NET OPEN POSITION</b>	<b>1,641,888</b>	<b>(280,452)</b>	<b>39</b>	<b>215</b>	<b>9,911</b>	<b>3,194</b>	<b>23,491</b>	<b>2,845</b>	<b>1,401,131</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Malaysian Ringgit	United States Dollar	Australian Dollar	Swiss Franc	Euro	Great Britain Pound	Japan Yen	Others	Total
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>									
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	7,429,277	83,604	-	-	-	-	-	-	7,512,881
Other assets	62,774	871	-	-	-	-	-	-	63,645
Statutory deposits with Bank Negara Malaysia	94,121	-	-	-	-	-	-	-	94,121
Deferred tax assets	42,622	-	-	-	-	-	-	-	42,622
Investment in subsidiaries	6,484	-	-	-	-	-	-	-	6,484
Intangible assets	48,488	-	-	-	-	-	-	-	48,488
Property, plant and equipment	53,028	-	-	-	-	-	-	-	53,028
Prepaid land lease payment	255	-	-	-	-	-	-	-	255
<b>TOTAL ASSETS</b>	<b>18,329,315</b>	<b>308,080</b>	<b>380</b>	<b>192</b>	<b>4,207</b>	<b>607</b>	<b>21,367</b>	<b>2,290</b>	<b>18,666,438</b>
<b>LIABILITIES</b>									
Deposits from customers	15,917,694	305,096	-	-	-	-	-	-	16,222,790
Deposits and placements of banks and other financial institutions	14,993	-	-	-	-	-	-	-	14,993
Bills and acceptances payable	291,375	-	-	-	-	-	-	-	291,375
Islamic derivative financial liabilities	158	2,032	-	14	1,441	198	143	-	3,986
Other liabilities	164,422	-	-	-	-	-	-	-	164,422
Provision for taxation and zakat	5,228	-	-	-	-	-	-	-	5,228
Recourse obligation on financing sold to Cagamas	364,373	-	-	-	-	-	-	-	364,373
Subordinated sukuk	251,128	-	-	-	-	-	-	-	251,128
<b>TOTAL LIABILITIES</b>	<b>17,009,371</b>	<b>307,128</b>	<b>-</b>	<b>14</b>	<b>1,441</b>	<b>198</b>	<b>143</b>	<b>-</b>	<b>17,318,295</b>
<b>On-balance sheet open position</b>	<b>1,319,944</b>	<b>952</b>	<b>380</b>	<b>178</b>	<b>2,766</b>	<b>409</b>	<b>21,224</b>	<b>2,290</b>	<b>1,348,143</b>
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
<b>NET OPEN POSITION</b>	<b>1,320,102</b>	<b>297</b>	<b>380</b>	<b>178</b>	<b>2,766</b>	<b>390</b>	<b>20,548</b>	<b>2,290</b>	<b>1,346,952</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

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

(b) Market risk (cont'd.)

No sensitivity has been performed for foreign exchange risk as the Group and the Bank do not have significant exposures denominated in foreign currencies.

(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 2013 based on remaining contractual maturities.

43. 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:

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
Cash and short-term funds	2,913,226	323,279	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	-	105,189	-	-	-	105,189
Financial investment designated at fair value through profit or loss	-	-	-	-	-	84,373	84,373
Financial investment available-for-sale	130,708	467,195	185,850	282,741	294,214	5,106,283	6,466,991
Financial investment held-to-maturity	-	-	-	-	-	575	575
Islamic derivative financial assets	340	2,529	789	728	102	-	4,488
Financing of customers	-	675,133	416,540	438,304	766,336	8,056,313	10,352,626
Other assets	-	-	-	-	90,024	730,819	820,843
<b>TOTAL ASSETS</b>	<b>3,044,274</b>	<b>1,468,138</b>	<b>708,368</b>	<b>721,773</b>	<b>1,150,676</b>	<b>13,978,363</b>	<b>21,071,590</b>
<b>LIABILITIES AND EQUITY</b>							
Deposits from customers	1,848,030	8,925,947	5,365,877	1,582,461	990,359	31,505	18,744,179
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	4,802	10,774
Islamic derivative financial liabilities	938	-	230	-	11	7,726	8,905
Other liabilities	-	168,743	462	703	133,293	406,055	709,256
<b>TOTAL LIABILITIES</b>	<b>1,848,968</b>	<b>9,094,690</b>	<b>5,369,389</b>	<b>1,583,164</b>	<b>1,126,815</b>	<b>450,088</b>	<b>19,473,114</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,598,476	1,598,476
<b>NET MATURITY MISMATCH</b>	<b>1,195,306</b>	<b>(7,626,554)</b>	<b>(4,661,021)</b>	<b>(861,391)</b>	<b>23,861</b>	<b>11,929,799</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
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 designated at fair value through profit or loss	-	-	-	-	-	50,772	50,772
Financial investment available-for-sale	-	350,778	175,528	481,282	399,757	4,731,873	6,139,218
Financial investment held-to-maturity	-	298	-	27,649	-	575	28,522
Islamic derivative financial assets	162	2,330	1,645	13	-	-	4,150
Financing of customers	-	514,337	365,509	439,506	690,822	7,054,097	9,064,271
Other assets	-	-	-	-	96,724	618,824	715,548
<b>TOTAL ASSETS</b>	<b>3,252,787</b>	<b>2,006,341</b>	<b>561,071</b>	<b>1,040,394</b>	<b>1,187,303</b>	<b>12,456,141</b>	<b>20,504,037</b>
<b>LIABILITIES AND EQUITY</b>							
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	-	386,196	561	854	79,051	467,758	934,420
<b>TOTAL LIABILITIES</b>	<b>1,755,823</b>	<b>8,641,534</b>	<b>5,946,188</b>	<b>1,550,893</b>	<b>704,043</b>	<b>504,552</b>	<b>19,103,033</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,401,003	1,401,003
<b>NET MATURITY MISMATCH</b>	<b>1,496,964</b>	<b>(6,635,193)</b>	<b>(5,385,117)</b>	<b>(510,499)</b>	<b>483,260</b>	<b>10,550,586</b>	<b>-</b>

43. 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	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
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 designated at fair value through profit or loss	-	-	-	-	-	10,800	10,800
Financial investment available-for-sale	-	227,852	287,499	437,491	254,286	3,153,059	4,360,187
Financial investment held-to-maturity	-	361	-	-	-	28,224	28,585
Islamic derivative financial assets	3,122	1,689	366	-	-	-	5,177
Financing of customers	-	774,552	664,627	387,976	807,440	4,860,412	7,495,007
Other assets	-	-	-	-	64,708	244,511	309,219
<b>TOTAL ASSETS</b>	<b>4,704,535</b>	<b>2,502,994</b>	<b>1,142,998</b>	<b>885,973</b>	<b>1,126,434</b>	<b>8,297,006</b>	<b>18,659,940</b>
<b>LIABILITIES AND EQUITY</b>							
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	-	386,300	2,881	255,487	366,924	64,910	1,076,502
<b>TOTAL LIABILITIES</b>	<b>1,868,847</b>	<b>7,273,116</b>	<b>5,657,530</b>	<b>1,571,263</b>	<b>834,555</b>	<b>106,343</b>	<b>17,311,654</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,348,286	1,348,286
<b>NET MATURITY MISMATCH</b>	<b>2,835,688</b>	<b>(4,770,122)</b>	<b>(4,514,532)</b>	<b>(685,290)</b>	<b>291,879</b>	<b>6,842,377</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
Cash and short-term funds	2,913,226	323,279	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	-	105,189	-	-	-	105,189
Financial investment designated at fair value through profit or loss	-	-	-	-	-	79,573	79,573
Financial investment available-for-sale	130,708	467,195	185,850	282,741	294,214	5,106,283	6,466,991
Financial investment held-to-maturity	-	-	-	-	-	575	575
Islamic derivative financial assets	340	2,529	789	728	102	-	4,488
Financing of customers	-	675,133	416,540	438,304	766,336	8,068,707	10,365,020
Other assets	-	-	-	-	80,492	737,568	818,060
<b>TOTAL ASSETS</b>	<b>3,044,274</b>	<b>1,468,136</b>	<b>708,368</b>	<b>721,773</b>	<b>1,141,144</b>	<b>13,992,706</b>	<b>21,076,401</b>
<b>LIABILITIES AND EQUITY</b>							
Deposits from customers	1,848,506	8,931,547	5,365,877	1,582,461	990,359	31,505	18,750,255
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	4,802	10,774
Islamic derivative financial liabilities	938	-	230	-	11	7,726	8,905
Other liabilities	-	169,765	462	703	133,109	406,055	710,094
<b>TOTAL LIABILITIES</b>	<b>1,849,444</b>	<b>9,101,312</b>	<b>5,369,389</b>	<b>1,583,164</b>	<b>1,126,631</b>	<b>450,088</b>	<b>19,480,028</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,596,373	1,596,373
<b>NET MATURITY MISMATCH</b>	<b>1,194,830</b>	<b>(7,633,176)</b>	<b>(4,661,021)</b>	<b>(861,391)</b>	<b>14,513</b>	<b>11,946,245</b>	<b>-</b>

43. 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	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
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 designated at fair value through profit or loss	-	-	-	-	-	45,972	45,972
Financial investment available-for-sale	-	350,778	175,528	481,282	399,757	4,731,873	6,139,218
Financial investment held-to-maturity	-	298	-	27,649	-	575	28,522
Islamic derivative financial assets	162	2,330	1,645	13	-	-	4,150
Financing of customers	-	514,337	365,509	439,506	690,822	7,066,419	9,076,593
Other assets	-	-	-	-	89,747	625,208	714,955
<b>TOTAL ASSETS</b>	<b>3,252,787</b>	<b>2,006,341</b>	<b>561,071</b>	<b>1,040,394</b>	<b>1,180,326</b>	<b>12,470,047</b>	<b>20,510,966</b>
<b>LIABILITIES AND EQUITY</b>							
Deposits from customers	1,763,172	8,255,153	5,944,495	1,547,083	624,637	24,207	18,158,74
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	-	386,383	561	854	79,486	467,758	935,042
<b>TOTAL LIABILITIES</b>	<b>1,763,483</b>	<b>8,641,721</b>	<b>5,946,188</b>	<b>1,550,893</b>	<b>704,478</b>	<b>504,552</b>	<b>19,111,315</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,399,651	1,399,651
<b>NET MATURITY MISMATCH</b>	<b>1,489,304</b>	<b>(6,635,380)</b>	<b>(5,385,117)</b>	<b>(510,499)</b>	<b>475,848</b>	<b>10,565,844</b>	<b>-</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
1 April 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>							
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 designated at fair value through profit or loss	-	-	-	-	-	-	-
Financial investment available-for-sale	-	192,948	287,499	437,491	254,286	3,187,963	4,360,187
Financial investment held-to-maturity	-	361	-	-	-	28,224	28,585
Islamic derivative financial assets	3,122	1,689	366	-	-	-	5,177
Financing of customers	-	774,552	664,627	387,976	807,440	4,878,286	7,512,881
Other assets	-	-	-	-	57,653	250,990	308,643
<b>TOTAL ASSETS</b>	<b>4,704,535</b>	<b>2,468,090</b>	<b>1,142,998</b>	<b>885,973</b>	<b>1,119,379</b>	<b>8,345,463</b>	<b>18,666,438</b>
<b>LIABILITIES AND EQUITY</b>							
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	-	386,403	2,881	255,487	366,845	64,910	1,076,526
<b>TOTAL LIABILITIES</b>	<b>1,875,464</b>	<b>7,273,219</b>	<b>5,657,530</b>	<b>1,571,263</b>	<b>834,476</b>	<b>106,343</b>	<b>17,318,295</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,348,143	1,348,143
<b>NET MATURITY MISMATCH</b>	<b>2,829,071</b>	<b>(4,805,129)</b>	<b>(4,514,532)</b>	<b>(685,290)</b>	<b>284,903</b>	<b>6,890,977</b>	<b>-</b>

43. 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:

Group	Deposits from customers						Total
	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>							
By contractual maturity	1,848,030	8,925,947	5,365,877	1,582,461	990,359	31,505	18,744,179
By behavioural maturity	2,114,990	1,922,126	910,685	160,414	224,555	13,411,409	18,744,179
Difference	(266,960)	7,003,821	4,455,192	1,422,047	765,804	(13,379,904)	-

<b>31 March 2012</b>							
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)	-

<b>1 April 2011</b>							
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	Deposits from customers						Total
	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>							
By contractual maturity	1,848,506	8,931,547	5,365,877	1,582,461	990,359	31,505	18,750,255
By behavioural maturity	2,115,465	1,922,126	910,685	166,014	224,555	13,411,409	18,750,255
Difference	(266,959)	7,009,421	4,455,192	1,416,447	765,804	(13,379,904)	-

<b>31 March 2012</b>							
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)	-

<b>1 April 2011</b>							
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)	-

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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.

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	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative liabilities</b>							
Deposits from customers	1,848,030	8,931,547	5,365,877	1,582,461	990,359	31,628	18,749,902
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	5,022	10,994
Bills and acceptances payable	-	132,750	-	-	-	-	132,750
Other liabilities	-	16,232	-	-	981	-	17,213
Recourse obligation on financing sold to Cagamas	-	238	462	703	60,277	-	61,680
Subordinated sukuk	-	-	-	-	-	410,412	410,412
Derivative liabilities	938	-	230	-	11	8,385	9,564
<b>Total Financial Liabilities</b>	<b>1,848,968</b>	<b>9,080,767</b>	<b>5,369,389</b>	<b>1,583,164</b>	<b>1,054,780</b>	<b>455,447</b>	<b>19,392,515</b>

43. 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.)

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative liabilities</b>							
Deposits from customers	1,755,512	8,255,153	5,944,495	1,547,083	624,637	24,335	18,151,215
Deposits and placements of banks and other financial institutions	-	-	-	2,946	252	9,069	12,267
Bills and acceptances payable	-	310,324	-	-	-	-	310,324
Other liabilities	-	13,983	-	-	779	-	14,762
Recourse obligation on financing sold to Cagamas	-	278	561	854	1,537	61,679	64,910
Subordinated sukuk	-	-	-	-	-	410,966	410,966
Derivative liabilities	311	185	1,132	10	103	4,498	6,239
<b>Total Financial Liabilities</b>	<b>1,755,823</b>	<b>8,579,923</b>	<b>5,946,188</b>	<b>1,550,893</b>	<b>627,308</b>	<b>510,547</b>	<b>18,970,682</b>

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative liabilities</b>							
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
Bills and acceptances payable	-	291,375	-	-	-	-	291,375
Other liabilities	-	49,852	-	-	598	-	50,450
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	364,373	364,373
Subordinated sukuk	-	-	-	251,128	-	-	251,128
Derivative liabilities	3,031	309	149	339	-	158	3,986
<b>Total Financial Liabilities</b>	<b>1,868,847</b>	<b>7,228,043</b>	<b>5,654,649</b>	<b>1,566,904</b>	<b>468,229</b>	<b>405,806</b>	<b>17,192,478</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

43. 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	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative liabilities</b>							
Deposits from customers	1,848,506	8,931,547	5,365,877	1,582,461	990,359	31,628	18,750,378
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	5,022	10,994
Bills and acceptances payable	-	132,750	-	-	-	-	132,750
Other liabilities	-	17,255	-	-	968	-	18,223
Recourse obligation on financing sold to Cagamas	-	238	462	703	60,277	-	61,680
Subordinated sukuk	-	-	-	-	-	410,412	410,412
Derivative liabilities	938	-	230	-	11	8,385	9,564
<b>Total Financial Liabilities</b>	<b>1,849,444</b>	<b>9,081,790</b>	<b>5,369,389</b>	<b>1,583,164</b>	<b>1,054,767</b>	<b>455,447</b>	<b>19,394,001</b>

Bank	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative liabilities</b>							
Deposits from customers	1,763,172	8,255,153	5,944,495	1,547,083	624,637	24,335	18,158,875
Deposits and placements of banks and other financial institutions	-	-	-	2,946	252	9,069	12,267
Bills and acceptances payable	-	310,324	-	-	-	-	310,324
Other liabilities	-	14,170	-	-	766	-	14,936
Recourse obligation on financing sold to Cagamas	-	278	561	854	1,537	61,679	64,909
Subordinated sukuk	-	-	-	-	-	410,966	410,966
Derivative liabilities	311	185	1,132	10	103	4,498	6,239
<b>Total Financial Liabilities</b>	<b>1,763,483</b>	<b>8,580,110</b>	<b>5,946,188</b>	<b>1,550,893</b>	<b>627,295</b>	<b>510,547</b>	<b>18,978,516</b>

43. 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	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 Year	Total
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-derivative liabilities</b>							
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
Bills and acceptances payable	-	291,375	-	-	-	-	291,375
Other liabilities	-	49,828	-	-	598	-	50,426
Recourse obligation on financing sold to Cagamas	-	-	-	-	-	364,373	364,373
Subordinated sukuk	-	-	-	251,128	-	-	251,128
Derivative liabilities	3,031	309	149	339	-	158	3,986
<b>Total Financial Liabilities</b>	<b>1,875,464</b>	<b>7,227,719</b>	<b>5,654,649</b>	<b>1,566,904</b>	<b>468,229</b>	<b>405,806</b>	<b>17,199,071</b>

(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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

44. Fair values of financial instruments

(a) Financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

MFRS 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.

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.

44. 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

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:

Group	Valuation technique using			Total
	Quoted Market Price Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>				
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss	-	-	84,373	84,373
Financial investments available-for-sale	44,182	6,316,460	106,349	6,466,991
Derivative financial assets	-	4,488	-	4,488
<b>Total financial assets measured at fair value</b>	<b>44,182</b>	<b>6,320,948</b>	<b>190,722</b>	<b>6,555,852</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	8,905	-	8,905
<b>Total financial liabilities measured at fair value</b>				
<b>31 March 2012</b>				
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss	-	-	50,772	50,772
Financial investments available-for-sale	48,023	6,074,973	16,222	6,139,218
Derivative financial assets	-	4,150	-	4,150
<b>Total financial assets measured at fair value</b>	<b>48,023</b>	<b>6,079,123</b>	<b>66,994</b>	<b>6,194,140</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	5,630	-	5,630
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>5,630</b>	<b>-</b>	<b>5,630</b>

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

44. 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	Valuation technique using			Total
	Quoted Market Price Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>				
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss	-	-	79,573	79,573
Financial investments available-for-sale	44,182	6,316,460	106,349	6,466,991
Derivative financial assets	-	4,488	-	4,488
<b>Total financial assets measured at fair value</b>	<b>44,182</b>	<b>6,320,948</b>	<b>185,922</b>	<b>6,551,052</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	8,905	-	8,905
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>8,905</b>	<b>-</b>	<b>8,905</b>
<b>31 March 2012</b>				
<b>Financial assets</b>				
Financial investments designated at fair value through profit or loss	-	-	45,972	45,972
Financial investments available-for-sale	48,023	6,074,973	16,222	6,139,218
Derivative financial assets	-	4,150	-	4,150
<b>Total financial assets measured at fair value</b>	<b>48,023</b>	<b>6,079,123</b>	<b>62,194</b>	<b>6,189,340</b>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	5,630	-	5,630
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>5,630</b>	<b>-</b>	<b>5,630</b>

44. 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.)

Reconciliation of financing assets at fair value measurements in Level 3 of the fair value hierarchy:

	Group		Bank	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	RM'000	RM'000	RM'000	RM'000
<b>At beginning of the year</b>	<b>66,994</b>	29,397	<b>62,194</b>	18,597
Gains/(losses) recognised in income statement	4,397	(8,901)	4,397	(2,901)
Gains recognised in other comprehensive income	712	-	712	-
Purchases	33,601	46,498	33,601	46,498
Sales	(4,597)	-	(4,597)	-
Settlements	(13,067)	-	(13,067)	-
Transfer from Level 2 to Level 3	102,682	-	102,682	-
<b>At end of the year</b>	<b>190,722</b>	66,994	<b>185,922</b>	62,194

The reason for the transfer was due impairment of the securities which resulted in the inability to obtain market prices for the securities as at reporting date.

	Group	
	31 March 2013	31 March 2012
	RM'000	RM'000
Total gains/(losses) recognised in income statement for financial instruments measured at fair value at the end of the financial year	4,397	(8,901)
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of the financial year	712	-
<b>Bank</b>		
	31 March 2013	31 March 2012
	RM'000	RM'000
Total gains/(losses) recognised in income statement for financial instruments measured at fair value at the end of the financial year	4,397	(2,901)
Total gains recognised in other comprehensive income for financial instruments measured at fair value at the end of the financial year	712	-

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 44. Fair values of financial instruments (cont'd.)

## (b) Financial instruments not carried at fair value

Group	Carrying amount	Fair value
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>		
Cash and short-term funds	3,236,505	3,236,505
Cash and placements with financial institutions	105,189	105,189
Financial investment available-for-sale	4,631	4,631
Financial investment held-to-maturity	575	575
Financing of customers	10,352,626	11,975,243
<b>Financial liabilities</b>		
Deposits from customers	18,744,179	18,770,758
Deposits and placements of banks and other financial institutions	10,774	10,500
Bills and acceptances payable	132,750	132,750
Recourse obligation on financing sold to Cagamas	61,679	61,679
Subordinated sukuk	406,055	422,704
<b>Group</b>		
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>		
Cash and short-term funds	4,391,223	4,391,223
Cash and placements with financial institutions	110,333	110,333
Financial investment available-for-sale	4,631	4,631
Financial investment held-to-maturity	28,522	28,522
Financing of customers	9,064,271	9,966,717
<b>Financial liabilities</b>		
Deposits from customers	18,151,087	18,153,040
Deposits and placements of banks and other financial institutions	11,896	11,493
Bills and acceptances payable	310,324	310,324
Recourse obligation on financing sold to Cagamas	64,910	61,038
Subordinated sukuk	406,079	416,068

## 44. Fair values of financial instruments (cont'd.)

## (b) Financial instruments not carried at fair value (cont'd.)

Group	Carrying amount	Fair value
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>		
Cash and short-term funds	6,199,953	6,199,953
Cash and placements with financial institutions	251,012	251,012
Financial investment available-for-sale	4,105	4,105
Financial investment held-to-maturity	28,585	28,585
Financing of customers	7,495,007	8,685,045
<b>Financial liabilities</b>		
Deposits from customers	16,216,173	16,222,790
Deposits and placements of banks and other financial institutions	14,993	14,993
Bills and acceptances payable	291,375	291,375
Recourse obligation on financing sold to Cagamas	364,373	332,941
Subordinated sukuk	250,000	250,025

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

44. Fair values of financial instruments (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

Bank	Carrying amount	Fair value
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>		
Cash and short-term funds	3,236,505	3,236,505
Cash and placements with financial institutions	105,189	105,189
Financial investment available-for-sale	4,631	4,631
Financial investment held-to-maturity	575	575
Financing of customers	10,365,021	11,962,849
<b>Financial liabilities</b>		
Deposits from customers	18,750,255	18,776,838
Deposits and placements of banks and other financial institutions	10,774	10,500
Bills and acceptances payable	132,750	132,750
Recourse obligation on financing sold to Cagamas	61,679	59,193
Subordinated sukuk	406,055	422,704

Bank	Carrying amount	Fair value
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>		
Cash and short-term funds	4,391,223	4,391,223
Cash and placements with financial institutions	110,333	110,333
Financial investment available-for-sale	4,631	4,631
Financial investment held-to-maturity	28,522	28,522
Financing of customers	9,076,593	9,985,038
<b>Financial liabilities</b>		
Deposits from customers	18,158,747	18,158,752
Deposits and placements of banks and other financial institutions	11,896	11,493
Bills and acceptances payable	310,324	310,324
Recourse obligation on financing sold to Cagamas	64,910	61,038
Subordinated sukuk	406,079	416,068

44. Fair values of financial instruments (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

Bank	Carrying amount	Fair value
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>		
Cash and short-term funds	6,199,953	6,199,953
Cash and placements with financial institutions	251,012	251,012
Financial investment available-for-sale	4,150	4,150
Financial investment held-to-maturity	28,585	28,585
Financing of customers	7,512,881	8,702,919
<b>Financial liabilities</b>		
Deposits from customers	16,222,790	16,222,790
Deposits and placements of banks and other financial institutions	14,993	14,993
Bills and acceptances payable	291,375	291,375
Recourse obligation on financing sold to Cagamas	364,373	332,941
Subordinated sukuk	251,128	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.

Fair value information has not been disclosed for the Group and the Bank investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group and the Bank does not intend to dispose of this investment in the foreseeable future.

**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 investments available-for-sale and financial investments held-to-maturity**

Where 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 interest 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 borrowers 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

44. Fair values of financial instruments (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

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 sukuk

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for borrowings with similar risks profiles.

Recourse obligation on financing sold to Cagamas

The fair value of recourse obligation on financing sold to Cagamas are determined based on the discounted cash flows of future instalment payables at applicable prevailing Cagamas rate as at reporting date.

45. Capital and other commitments

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Approved and contracted for	11,996	16,529	6,002
Approved but not contracted for	21,366	29,080	42,981
	<b>33,362</b>	<b>45,609</b>	<b>48,983</b>

	Bank		
	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
Approved and contracted for	11,996	16,529	6,002
Approved but not contracted for	21,426	29,080	42,981
	<b>33,422</b>	<b>45,609</b>	<b>48,983</b>

46. Capital adequacy

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

Group	31 March 2013	31 March 2012	1 April 2011
	RM'000	RM'000	RM'000
<b>Computation of total risk-weighted assets ("RWA")</b>			
Total credit RWA	9,687,613	8,854,238	7,948,103
Total market RWA	57,818	115,622	75,061
Total operation RWA	1,022,010	1,006,091	960,106
<b>Total RWA</b>	<b>10,767,441</b>	<b>9,975,951</b>	<b>8,983,270</b>

Computation of capital ratios

<u>Tier-I capital</u>			
Paid-up ordinary share capital	1,000,000	1,000,000	1,000,000
Retained profits	226,049	170,589	128,097
<b>Other Reserves</b>			
Statutory reserve	398,978	315,385	272,893
Unrealised losses on available-for-sale financial instruments	(25,940)	-	-
Foreign exchange translation reserve	(610)	-	-
<b>Regulatory Adjustment</b>			
Less: Deferred tax assets (net)	(17,027)	(52,353)	(38,240)
Less: Investment in subsidiaries	-	-	-
<b>Total Common Equity Tier-1 Capital</b>	<b>1,581,450</b>	<b>1,433,621</b>	<b>1,362,750</b>
<b>Total Tier-I Capital</b>	<b>1,581,450</b>	<b>1,433,621</b>	<b>1,362,750</b>

<u>Tier-II capital</u>			
Subordinated sukuk	365,450	406,079	250,000
Collective assessment	121,095	128,332	114,833
<b>Total Tier-II Capital</b>	<b>486,545</b>	<b>534,411</b>	<b>364,833</b>
<b>Total Capital Base</b>	<b>2,067,995</b>	<b>1,968,032</b>	<b>1,727,583</b>

Ratio (%)			
CET 1 Capital	14.7%	14.4%	15.2%
Tier-1 Capital	14.7%	14.4%	15.2%
Total Capital	19.2%	19.7%	19.2%

After proposed dividend (of RM195 million net)

CET 1 Capital	12.9%
Tier-1 Capital	12.9%
Total Capital	17.4%

After proposed dividend and reinvestment into ordinary share

CET 1 Capital	14.7%
Tier-1 Capital	14.7%
Total Capital	19.2%

## NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

## 46. Capital adequacy (cont'd.)

## (a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows : (cont'd.)

Bank	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
<b>Computation of total risk- weighted assets ("RWA")</b>			
Total credit RWA	9,680,838	8,840,877	7,934,560
Total market RWA	57,818	115,622	75,061
Total operational RWA	1,020,708	998,498	953,244
<b>Total RWA</b>	<b>10,759,364</b>	<b>9,954,997</b>	<b>8,962,865</b>
<b>Computation of capital ratios</b>			
<u>Tier-I capital</u>			
Paid-up ordinary share capital	1,000,000	1,000,000	1,000,000
Retained profits	225,542	171,290	129,105
<b>Other Reserves</b>			
Statutory reserve	397,381	313,788	271,603
Unrealised losses on available for-sale financial instruments	(25,940)	-	-
Foreign exchange translation reserve	(610)	-	-
<b>Regulatory Adjustment</b>			
Less: Deferred tax assets (net)	(17,027)	(52,353)	(38,240)
Less: Investment in subsidiaries	(6,384)	-	-
Total Common Equity Tier-1 Capital	1,572,962	1,432,725	1,362,468
<b>Total Tier-I Capital</b>	<b>1,572,962</b>	<b>1,432,725</b>	<b>1,362,468</b>
<u>Tier-II capital</u>			
Subordinated sukuk	365,450	406,079	250,000
Collective assessment	120,903	128,332	114,833
<b>Total Tier-II Capital</b>	<b>486,353</b>	<b>534,411</b>	<b>364,833</b>
Less: Investment in subsidiaries (Basel II)	-	(6,384)	(6,484)
<b>Total Tier-II Capital</b>	<b>486,353</b>	<b>528,027</b>	<b>358,349</b>
<b>Total Capital Base</b>	<b>2,059,315</b>	<b>1,960,752</b>	<b>1,720,817</b>

## 46. Capital adequacy (cont'd.)

## (a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows : (cont'd.)

Bank	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
<b>Ratio (%)</b>			
CET 1 Capital	14.6%	14.4%	15.2%
Tier-1 Capital	14.6%	14.4%	15.2%
Total Capital	19.1%	19.7%	19.2%
<i>After proposed dividend (of RM195 million net)</i>			
CET 1 Capital	12.8%		
Tier - Capital	12.8%		
Total Capital	17.3%		
<i>After proposed dividend and reinvestment into ordinary share</i>			
CET 1 Capital	14.6%		
Tier-1 Capital	14.6%		
Total Capital	19.1%		

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Group and Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I capital ratio and Tier I capital ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (2012: 8.0%) for total capital ratio.

The current year's core capital ratios and risk-weighted capital ratios were computed using reported amounts which form part of the current year financial statements which have been prepared in accordance with MFRS. Core capital ratios and risk-weighted capital ratios as at 31 March 2012 and 1 April 2011 were computed using reported amounts which form part of the financial year financial statements which were prepared in accordance with FRS in Malaysia as modified by BNM Guidelines and Capital Adequacy Framework for Islamic Banks.

The capital adequacy ratios for 31 March 2012 and 1 April 2011 are computed in accordance with BNM's Risk Weighted Capital Adequacy Framework for Islamic Banks, which are based on the Basel II capital accord.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

46. Capital adequacy (cont'd.)

(b) Credit risk disclosure by risk weights of the Group as at 31 March, are as follows:

Group	31 March 2013		31 March 2012		1 April 2011	
	Total exposures after netting and credit risk mitigation	Total risk weighted assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	9,165,454	-	9,387,217	-	9,101,082	-
20%	2,260,167	452,033	2,238,923	447,785	1,883,668	376,734
35%	988,384	345,934	829,206	290,222	534,458	187,060
50%	747,640	373,820	931,978	465,989	1,041,868	520,934
75%	3,100,378	2,325,285	3,332,019	2,499,014	3,499,816	2,624,862
100%	6,084,959	6,084,959	4,989,859	4,989,859	4,136,883	4,136,883
150%	70,388	105,582	107,580	161,369	67,754	101,630
Risk weighted assets for credit risk	22,417,370	9,687,613	21,816,782	8,854,238	20,265,529	7,948,103
Risk weighted assets for market risk		57,818		115,622		75,061
Risk weighted assets for operational risk		1,022,010		1,006,091		960,106
<b>Total risk weighted assets</b>		<b>10,767,441</b>		<b>9,975,951</b>		<b>8,983,270</b>

(b) Credit risk disclosure by risk weights of the Bank as at 31 March, are as follows:

Bank	31 March 2013		31 March 2012		1 April 2011	
	Total exposures after netting and credit risk mitigation	Total risk weighted assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	9,165,454	-	9,387,217	-	9,101,082	-
20%	2,260,167	452,033	2,238,923	447,785	1,883,668	376,734
35%	988,384	345,934	829,206	290,222	534,458	187,060
50%	747,640	373,820	931,978	465,989	1,041,868	520,934
75%	3,100,379	2,325,283	3,332,019	2,499,014	3,499,816	2,624,862
100%	6,077,556	6,077,556	4,976,498	4,976,498	4,123,340	4,123,340
150%	70,808	106,212	107,580	161,369	67,754	101,630
Risk weighted assets for credit risk	22,410,388	9,680,838	21,803,421	8,840,877	20,251,986	7,934,560
Risk weighted assets for market risk		57,818		115,622		75,061
Risk weighted assets for operational risk		1,020,708		998,498		953,244
<b>Total risk weighted assets</b>		<b>10,759,364</b>		<b>9,954,997</b>		<b>8,962,865</b>

47. 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

48. 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	Wholesale banking	Retail banking	Others	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000
Total income	516,549	471,997	10,793	999,339
<b>Result</b>				
Segment result	161,736	174,686	(100,459)	235,963
Zakat and taxation				(68,027)
<b>Net profit for the financial year</b>				<b>167,936</b>
<b>Other information</b>				
Segment assets	9,619,285	7,469,603	-	17,088,888
Unallocated corporate assets				3,982,702
<b>Total assets</b>				<b>21,071,590</b>
Segment liabilities	6,956,937	11,728,499	-	18,685,436
Unallocated corporate liabilities				787,678
<b>Total liabilities</b>				<b>19,473,114</b>
Other segment items				
Capital expenditure	284	17,021	3,870	21,175
Depreciation and amortisation	1,594	12,541	7,261	21,396

48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group	Wholesale banking	Retail banking	Others	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000
Total income	491,879	385,752	15,960	893,591
<b>Result</b>				
Segment result	127,639	110,180	(134,813)	103,006
Zakat and taxation				(33,762)
<b>Net profit for the financial year</b>				<b>69,244</b>
<b>Other information</b>				
Segment assets	9,514,653	6,153,549	-	15,668,202
Unallocated corporate assets				4,835,835
<b>Total assets</b>				<b>20,504,037</b>
Segment liabilities	8,899,931	9,251,156	-	18,151,087
Unallocated corporate liabilities				951,946
<b>Total liabilities</b>				<b>19,103,033</b>
Other segment items				
Capital expenditure	95	9,333	17,984	27,412
Depreciation and amortisation	1,685	10,338	4,182	16,205

Group	Wholesale banking	Retail banking	Others	Total
1 April 2011	RM'000	RM'000	RM'000	RM'000
Total income	406,597	409,647	5,339	821,583
<b>Result</b>				
Segment result	157,430	99,621	(70,266)	186,785
Zakat and taxation				(66,352)
<b>Net profit for the financial year</b>				<b>120,433</b>
<b>Other information</b>				
Segment assets	6,842,657	5,337,344	-	12,180,001
Unallocated corporate assets				6,479,939
<b>Total assets</b>				<b>18,659,940</b>
Segment liabilities	7,165,843	9,031,131	-	16,196,974
Unallocated corporate liabilities				1,114,680
<b>Total liabilities</b>				<b>17,311,654</b>
Other segment items				
Capital expenditure	398	7,438	24,024	31,860
Depreciation and amortisation	1,436	8,816	3,386	13,638

NOTES TO THE FINANCIAL STATEMENTS - 31 March 2013 (19 Jamadil Awal 1434H) (cont'd.)

48. Segment information (cont'd.)  
(a) Business segments (cont'd.)

Bank	Wholesale banking	Retail banking	Others	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total income	516,549	471,997	9,715	998,261
<b>Result</b>				
Segment result	161,736	174,686	(101,444)	234,978
Zakat and taxation				(67,792)
<b>Net profit for the financial year</b>				<b>167,186</b>
<b>Other information</b>				
Segment assets	9,619,285	7,469,603	-	17,088,888
Unallocated corporate assets				3,987,513
<b>Total assets</b>				<b>21,076,401</b>
Segment liabilities	6,964,597	11,728,499	-	18,693,096
Unallocated corporate liabilities				786,932
<b>Total liabilities</b>				<b>19,480,028</b>
Other segment items				
Capital expenditure	284	17,021	3,810	21,115
Depreciation and amortisation	1,594	12,540	7,258	21,392

Bank	Wholesale banking	Retail banking	Others	Total
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total income	491,879	385,752	15,269	892,900
<b>Result</b>				
Segment result	127,639	110,180	(135,928)	101,891
Zakat and taxation				(33,719)
<b>Net profit for the financial year</b>				<b>68,172</b>
<b>Other information</b>				
Segment assets	9,514,653	6,153,549	-	15,668,202
Unallocated corporate assets				4,842,764
<b>Total assets</b>				<b>20,510,966</b>
Segment liabilities	8,907,591	9,251,156	-	18,158,747
Unallocated corporate liabilities				944,285
<b>Total liabilities</b>				<b>19,111,315</b>
Other segment items				
Capital expenditure	95	9,333	17,984	27,412
Depreciation and amortisation	1,685	10,338	4,177	16,200

48. Segment information (cont'd.)  
(a) Business segments (cont'd.)

Bank	Wholesale banking	Retail banking	Others	Total
<b>1 April 2011</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total income	406,597	409,647	5,254	821,498
<b>Result</b>				
Segment result	157,430	99,621	(69,790)	187,261
Zakat and taxation				(66,391)
<b>Net profit for the financial year</b>				<b>120,870</b>
<b>Other information</b>				
Segment assets	6,842,657	5,337,344	-	12,180,001
Unallocated corporate assets				6,486,437
<b>Total assets</b>				<b>18,666,438</b>
Segment liabilities	7,147,258	9,031,131	-	16,178,389
Unallocated corporate liabilities				1,139,906
<b>Total liabilities</b>				<b>17,318,295</b>
Other segment items				
Capital expenditure	398	7,438	24,024	31,860
Depreciation and amortisation	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.

# Basel II Pillar 3 Disclosure

Pillar 3's objective is to improve market discipline through effective public disclosure to complement requirements for Pillar 1 and Pillar 2. To that end, Pillar 3 is a substantial public disclosure requirements, which represent a significant increase in the amount of information made publicly available by Bank Muamalat Malaysia Berhad and its subsidiaries (hereinafter refers as "the Group and the Bank") around capital structure, capital adequacy, risk management and risk measurement.

The information herein disclosed pursuant to the requirements of the Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (RWCAF Basel II) - Disclosure Requirements (Pillar 3) (hereinafter referred to as the 'Pillar 3' Guideline) and is published for the year ended 31 March 2013. This document covers quantitative disclosures.

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.

This Pillar 3 disclosure should be read in conjunction with the Bank's audited financial statement for the year ended 31 March 2013.

## Basel II Improved Soundness and Stability

PILLAR 1 Minimum capital	PILLAR 2 Supervisory review	PILLAR 3 Market discipline
<p><b>CREDIT RISK</b></p> <ul style="list-style-type: none"> <li>▶ Standardised method, or</li> <li>▶ Internal rating based approach (IRB or A-IRB)</li> <li>▶ Risk quantification (PD, LGD, EAD)</li> </ul> <p><b>OPERATIONAL RISK</b></p> <ul style="list-style-type: none"> <li>▶ Standardised methods, or</li> <li>▶ Advanced measurement (AM)</li> <li>▶ Loss event segmentation by type and business unit</li> <li>▶ Quantification of losses</li> <li>▶ Process development</li> </ul> <p><b>MARKET RISK</b></p> <ul style="list-style-type: none"> <li>▶ Focus on specific</li> </ul>	<ul style="list-style-type: none"> <li>▶ Risk measurement of all risk</li> <li>▶ Stress testing of risk</li> <li>▶ Financial plan and down turn scenario</li> <li>▶ Assessment of capital adequacy management</li> <li>▶ Capital plan and capital alert plan</li> <li>▶ Board and senior management oversight</li> </ul>	<ul style="list-style-type: none"> <li>▶ Policies and procedures regarding disclosure frequency and materiality</li> <li>▶ Capital structure</li> <li>▶ Capital adequacy</li> <li>▶ Risk exposure and assessment               <ul style="list-style-type: none"> <li>• Credit Risk</li> <li>• Market Risk</li> <li>• Operational Risk</li> <li>• Equities in the banking book</li> <li>• Rate of</li> </ul> </li> </ul>

BASEL Committee On Banking Supervision (BCBS) and BNM had introduced a third BASEL accord (BASEL III) which is to strengthen the banking industry liquidity and capital management, in which the disclosure and reporting has been made and submitted to BNM on monthly basis.

## 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.

### 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 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 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.

**2.0 Capital Management (cont'd.)**

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 Bank has fully complied with the BASEL 3's capital calculation effective 1st January 2013.

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 utilized to facilitate capital and financial management on a more forward-looking basis.

The tables below present the capital adequacy ratios of the Group and the Bank.

Table 1: Capital adequacy ratios

	Group		Bank	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	RM'000	RM'000	RM'000	RM'000
Core Capital Ratio	14.7%	14.4%	14.6%	14.4%
Risk-weighted capital ratio	19.2%	19.7%	19.2%	19.7%

	Group		Bank	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	RM'000	RM'000	RM'000	RM'000
After proposed dividend				
Core Capital Ratio	12.7%	14.4%	12.7%	14.4%
Risk-weighted capital ratio	17.2%	19.7%	17.2%	19.7%

**2.0 Capital Management (cont'd.)****2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd.)**

	Group		Bank	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
<i>After proposed dividend and reinvestment into ordinary share</i>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Core Capital Ratio	14.7%	14.4%	14.6%	14.4%
Risk-weighted capital ratio	19.2%	19.7%	19.2%	19.7%

The following table represents the Group's and Bank's capital position as at 31 March 2013. Details on capital instruments, including share capital and reserves are found in notes 23 to 25 of the financial statements:

Table 2: Capital structure

	Group		Bank	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	RM'000	RM'000	RM'000	RM'000
<b>Tier-I capital</b>				
Paid-up ordinary share capital	1,000,000	1,000,000	1,000,000	1,000,000
Retained profits/loss brought forward	226,049	170,589	225,542	171,290
<b>Other Reserves</b>				
Statutory reserve	398,978	315,385	397,381	313,788
Unrealised gains and losses on 'available for-sale' financial instruments	(25,940)	-	(25,940)	-
Foreign exchange translation reserve	(610)	-	(610)	-
<b>Regulatory Adjustment</b>				
Less: Deferred tax assets (net)	(17,028)	(52,353)	(17,028)	(52,353)
Less: Investment in subsidiaries	-	-	(6,384)	-
<b>Total Tier-I Capital</b>	<b>1,581,449</b>	1,433,621	<b>1,572,961</b>	1,432,725
<b>Tier-II capital</b>				
Subordinated bonds	365,450	406,079	365,450	406,079
Collective assessment allowance	121,095	128,332	120,903	128,332
<b>Total Tier-II Capital</b>	<b>486,545</b>	534,411	<b>486,353</b>	534,411
Less: Investment in subsidiaries (Basel II - FYE 2012)	-	-	-	(6,384)
Common Equity Tier 1 Capital (CET1)	1,581,449	1,433,621	1,572,961	1,432,725
Tier 1 Capital	1,581,449	1,433,621	1,572,961	1,432,725
<b>Total Capital</b>	<b>2,067,994</b>	1,968,032	<b>2,059,314</b>	1,960,752

## 2.0 Capital Management (cont'd.)

## 2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd.)

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets). The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

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

Group	31 March 2013		31 March 2012	
	Risk Weighted Assets	Minimum Capital Requirement at 8%	Risk Weighted Assets	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Credit Risk	9,687,613	775,009	8,854,238	708,339
Market Risk	57,818	4,625	115,622	9,250
Operational Risk	1,022,010	81,761	1,006,091	80,487
<b>Total</b>	<b>10,767,441</b>	<b>861,395</b>	<b>9,975,951</b>	<b>798,076</b>

Bank	31 March 2013		31 March 2012	
	Risk Weighted Assets	Minimum Capital Requirement at 8%	Risk Weighted Assets	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Credit Risk	9,672,270	773,782	8,840,877	707,270
Market Risk	57,818	4,625	115,622	9,250
Operational Risk	1,020,708	81,657	998,498	79,880
<b>Total</b>	<b>10,750,796</b>	<b>860,064</b>	<b>9,954,997</b>	<b>796,400</b>

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.

## 2.0 Capital Management (cont'd.)

## 2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd.)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows:

Table 4: Minimum capital requirement and risk-weighted assets by exposures

Group	Gross Exposures	*Net Exposures	Risk Weighted Assets	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	8,262,049	8,262,049	-	-
PSEs	67,594	63,029	12,606	1,008
Banks, Development Financial Institution & MDBs	399,475	399,475	78,906	6,312
Corporates	5,028,053	4,945,547	3,384,867	270,789
Regulator Retail	4,645,090	4,641,658	4,000,865	320,069
Residential Real Estate	2,151,797	2,151,797	1,241,602	99,329
Higher Risk Assets	18,625	18,625	27,938	2,235
Other Assets	356,282	356,282	234,778	18,783
Defaulted Exposures	101,504	101,504	109,677	8,774
	<b>21,030,469</b>	<b>20,939,966</b>	<b>9,091,239</b>	<b>727,299</b>
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,417,933	1,417,933	569,240	45,540
Derivative financial instruments	43,920	43,920	11,791	943
	<b>1,461,853</b>	<b>1,461,853</b>	<b>581,031</b>	<b>46,483</b>
<b>Total Credit Exposures</b>	<b>22,492,322</b>	<b>22,401,819</b>	<b>9,672,270</b>	<b>773,782</b>
	Long Position	Short Position	Risk Weighted Assets	Capital Requirement
<b>(ii) Market Risk (Standardised Approach)</b>				
Benchmark Rate Risk	204	(1,044)	38,494	3,080
Foreign Currency Risk	19,324	(2,513)	19,324	1,545
			<b>57,818</b>	<b>4,625</b>
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			<b>1,020,708</b>	<b>81,657</b>
<b>(iv) Total RWA and Capital Requirements</b>			<b>10,750,796</b>	<b>860,064</b>

\* After netting and credit risk mitigation

\*\* Credit Risk of off balance sheet items

## 2.0 Capital Management (cont'd.)

### 2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd.)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd.)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd.)

Group	Gross Exposures	*Net Exposures	Risk Weighted Assets	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2012</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
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
<b>(b) Off-Balance Sheet Exposures**</b>				
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
<b>Total Credit Exposures</b>	<b>21,920,394</b>	<b>21,816,782</b>	<b>8,854,238</b>	<b>708,339</b>
	<b>Long Position</b>	<b>Short Position</b>	<b>Risk Weighted Assets</b>	<b>Capital Requirement</b>
<b>(ii) Market Risk (Standardised Approach)</b>				
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
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			1,006,091	80,487
<b>(iv) Total RWA and Capital Requirements</b>			9,975,951	798,077

\* After netting and credit risk mitigation

\*\* Credit Risk of off balance sheet items

## 2.0 Capital Management (cont'd.)

### 2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd.)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd.)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd.)

Bank	Gross Exposures	*Net Exposures	Risk Weighted Assets	Minimum Capital Requirement at 8%
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>				
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	8,262,049	8,262,049	-	-
PSEs	67,594	63,029	12,606	1,008
Banks, Development Financial Institution & MDBs	399,475	399,475	78,906	6,312
Corporates	5,028,053	4,945,547	3,384,867	270,789
Regulator Retail	4,645,090	4,641,658	4,000,865	320,069
Residential Real Estate	2,151,797	2,151,797	1,241,602	99,329
Higher Risk Assets	18,625	18,625	27,938	2,235
Other Assets	356,282	356,282	234,778	18,783
Defaulted Exposures	101,504	101,504	109,677	8,774
	21,030,469	20,939,966	9,091,239	727,299
<b>(b) Off-Balance Sheet Exposures**</b>				
Credit-related off-balance sheet exposure	1,417,933	1,417,933	569,240	45,540
Derivative financial instruments	43,920	43,920	11,791	943
	1,461,853	1,461,853	581,031	46,483
<b>Total Credit Exposures</b>	<b>22,492,322</b>	<b>22,401,819</b>	<b>9,672,270</b>	<b>773,782</b>
	<b>Long Position</b>	<b>Short Position</b>	<b>Risk Weighted Assets</b>	<b>Capital Requirement</b>
<b>(ii) Market Risk (Standardised Approach)</b>				
Benchmark Rate Risk	204	(1,044)	38,494	3,080
Foreign Currency Risk	19,324	(2,513)	19,324	1,545
			57,818	4,625
<b>(iii) Operational Risk (Basic Indicators Approach)</b>			1,020,708	81,657
<b>(iv) Total RWA and Capital Requirements</b>			10,750,796	860,064

\* After netting and credit risk mitigation

\*\* Credit Risk of off balance sheet items

## 2.0 Capital Management (cont'd.)

### 2.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd.)

Risk-weighted and capital requirements for credit risk, market risk and operational risk are as follows: (cont'd.)

Table 4: Minimum capital requirement and risk-weighted assets by exposures (cont'd.)

Bank	Gross Exposures	*Net Exposures	Risk Weighted Assets	Minimum Capital Requirement at 8%
31 March 2012	RM'000	RM'000	RM'000	RM'000
<b>(i) Credit Risk (Standardised Approach)</b>				
<b>(a) On Balance Sheet Exposures</b>				
Sovereign/Central Banks	8,568,744	8,568,744	-	-
PSEs	77,156	71,576	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
<b>(b) Off-Balance Sheet Exposures**</b>				
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
<b>Total Credit Exposures</b>	<b>21,907,034</b>	<b>21,803,421</b>	<b>8,840,877</b>	<b>707,270</b>
	<b>Long Position</b>	<b>Short Position</b>	<b>Risk Weighted Assets</b>	<b>Capital Requirement</b>
<b>(ii) Market Risk (Standardised Approach)</b>				
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
<b>(iii) Operational Risk (Basic Indicators Approach)</b>				
			998,498	79,880
<b>(iv) Total RWA and Capital Requirements</b>				
			9,954,997	796,400

\* 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.

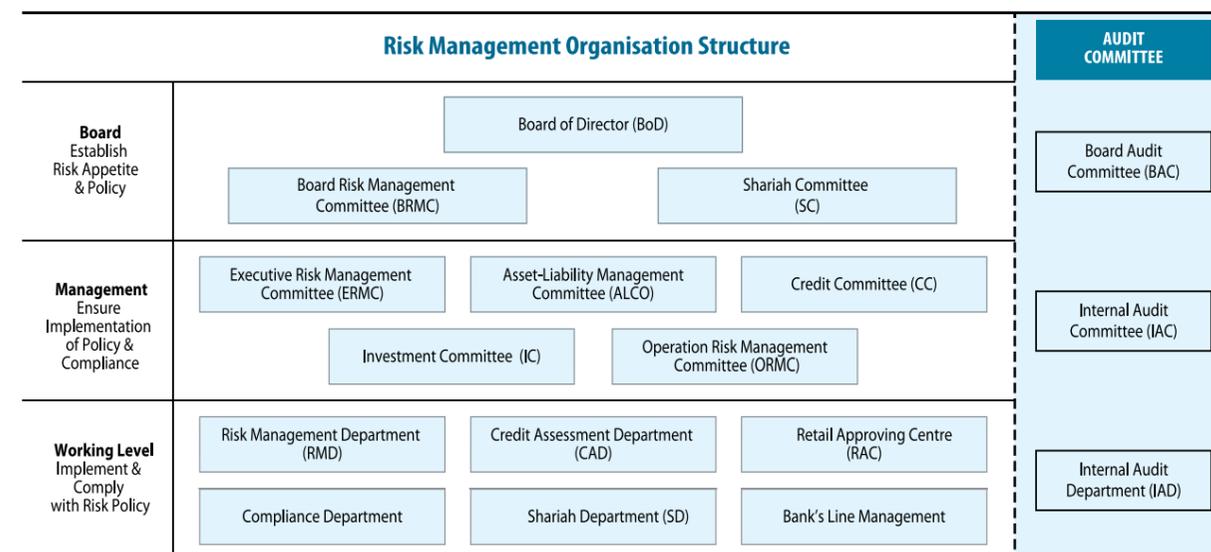
An integral part of this approach is the systematic process of risk identification and measurement, subsequently developing appropriate risk management strategies in line with the Bank's business plans and objectives, and ensuring on-going monitoring and control. The management and control over the principal 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 optimized 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



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.

### 3.0 Risk Management (cont'd.)

#### Risk Governance (cont'd.)

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

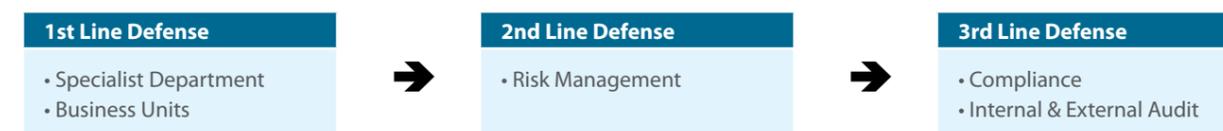
The Bank's integrated risk management system is inherently a "distributed function", where:

- 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 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.

### 3.0 Risk Management (cont'd.)

#### Risk Appetite (cont'd.)

Table 7: Risk Management Flow



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 minimises 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 ERM 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.

**4.0 Credit Risk (General Disclosure) (cont'd.)**

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.

**Credit Risk Exposures and Credit Risk Concentration**

Table 9: Credit risk exposures and credit risk concentration by sector analysis

Group	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	3,236,505	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	105,189
Financial investments designated at fair value through profit or loss	-	79,573	4,800	-	-	-	84,373
Financial investment available-for-sale	4,398,120	368,717	482,340	257,340	-	960,474	6,466,991
Financial investment held-to-maturity	575	-	-	-	-	-	575
Islamic derivative financial assets	-	4,488	-	-	-	-	4,488
Financing of customers	621,076	481,993	1,205,013	588,866	971,027	6,484,651	10,352,627
Statutory deposits with Bank Negara Malaysia	612,721	-	-	-	-	-	612,721
Other financial assets	-	-	-	-	-	22,959	22,959
	5,632,492	4,276,465	1,692,153	846,206	971,027	7,468,084	20,886,428
<b>Commitments and contingencies</b>							
Contingent liabilities	139,872	25,000	73,259	260,811	-	116,853	615,795
Commitments	1,360,128	-	304,007	279,623	14,036	456,318	2,414,112
Derivative financial instruments	-	1,270,124	-	-	-	-	1,270,124
	1,500,000	1,295,124	377,266	540,434	14,036	573,171	4,300,031
<b>Total credit exposures</b>	<b>7,132,492</b>	<b>5,571,589</b>	<b>2,069,419</b>	<b>1,386,640</b>	<b>985,063</b>	<b>8,041,255</b>	<b>25,186,459</b>

#### 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 by sector analysis (cont'd.)

Group	Government and statutory business bodies	Finance, takaful and retail and services	Agriculture, manufacturing, wholesale, and restaurant	Construction transport real estate	Purchase of vehicles	Others	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	4,391,223	-	-	-	-	4,391,223
Cash and placements with financial institutions	-	110,333	-	-	-	-	110,333
Financial investments designated at fair value through profit or loss	-	45,972	-	-	-	-	45,972
Financial investment available-for-sale	3,922,079	325,467	605,148	243,533	-	1,047,791	6,144,018
Financial investment held-to-maturity	575	-	-	-	-	27,947	28,522
Islamic derivative financial assets	1,320	2,816	-	-	-	14	4,150
Financing of customers (restated)	613,331	515,403	1,179,231	714,314	977,762	5,064,230	9,064,271
Statutory deposits with Bank Negara Malaysia	527,721	-	-	-	-	-	527,721
Other financial assets	-	-	-	-	-	27,284	27,284
	<b>5,065,026</b>	<b>5,391,214</b>	<b>1,784,379</b>	<b>957,847</b>	<b>977,762</b>	<b>6,167,266</b>	<b>20,343,494</b>
<b>Commitments and contingencies</b>							
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
	<b>1,500,000</b>	<b>1,051,123</b>	<b>526,876</b>	<b>540,204</b>	<b>14,036</b>	<b>655,030</b>	<b>4,287,269</b>
<b>Total credit exposures</b>	<b>6,565,026</b>	<b>6,442,337</b>	<b>2,311,255</b>	<b>1,498,051</b>	<b>991,798</b>	<b>6,822,296</b>	<b>24,630,763</b>

#### 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 by sector analysis (cont'd.)

Bank	Government and statutory business bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	3,236,505	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	105,189	-	-	-	-	105,189
Financial investments designated at fair value through profit or loss	-	79,573	-	-	-	-	79,573
Financial investment available-for-sale	4,398,120	368,717	482,340	257,340	-	960,474	6,466,991
Financial investment held-to-maturity	575	-	-	-	-	-	575
Islamic derivative financial assets	-	4,488	-	-	-	-	4,488
Financing of customers	621,075	481,993	1,209,577	588,866	971,027	6,492,480	10,365,019
Statutory deposits with Bank Negara Malaysia	612,721	-	-	-	-	-	612,721
Other financial assets	-	-	-	-	-	13,488	13,488
	<b>5,632,491</b>	<b>4,276,465</b>	<b>1,691,917</b>	<b>846,206</b>	<b>971,027</b>	<b>7,466,442</b>	<b>20,884,549</b>
<b>Commitments and contingencies</b>							
Contingent liabilities	139,872	25,000	73,259	260,811	-	116,853	615,795
Commitments	1,360,128	-	304,007	279,623	14,036	456,318	2,414,112
Derivative financial instruments	-	1,270,124	-	-	-	-	1,270,124
	<b>1,500,000</b>	<b>1,295,124</b>	<b>377,266</b>	<b>540,434</b>	<b>14,036</b>	<b>573,171</b>	<b>4,300,031</b>
<b>Total credit exposures</b>	<b>7,132,491</b>	<b>5,571,589</b>	<b>2,069,183</b>	<b>1,386,640</b>	<b>985,063</b>	<b>8,039,613</b>	<b>25,184,580</b>

#### 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 by sector analysis (cont'd.)

Bank	Government and statutory bodies	Finance, takaful and business services	Agriculture, manufacturing, wholesale, retail and restaurant	Construction and real estate	Purchase of transport vehicles	Others	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On balance sheet exposures</b>							
Cash and short-term funds	-	4,391,223	-	-	-	-	4,391,223
Cash and placements with financial institutions	-	110,333	-	-	-	-	110,333
Financial investments designated at fair value through profit or loss	-	45,972	-	-	-	-	45,972
Financial investment available-for-sale	3,922,079	325,467	600,348	243,533	-	1,047,791	6,139,218
Financial investment held-to-maturity	575	-	-	-	-	27,947	28,522
Islamic derivative financial assets	1,320	2,816	-	-	-	14	4,150
Financing of customers (restated)	613,331	515,403	1,184,104	714,314	977,762	5,071,679	9,076,593
Statutory deposits with Bank Negara Malaysia	527,721	-	-	-	-	-	527,721
Other financial assets	-	-	-	-	-	20,572	20,572
	5,065,026	5,391,214	1,784,452	957,847	977,762	6,168,003	20,344,304
<b>Commitments and contingencies</b>							
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
<b>Total credit exposures</b>	<b>6,565,026</b>	<b>6,442,337</b>	<b>2,311,328</b>	<b>1,498,051</b>	<b>991,798</b>	<b>6,823,033</b>	<b>24,631,573</b>

#### 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 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	
	Domestic	Labuan	Domestic	Labuan
31 March 2013	RM'000	RM'000	RM'000	RM'000
<b>On Balance Sheet Exposures</b>				
Cash and short-term funds	3,232,160	4,345	3,232,160	4,345
Cash and placements with financial institutions	105,189	-	105,189	-
Financial investment designated at fair value through profit or loss	4,800	79,573	-	79,573
Financial investment available-for-sale	6,409,947	57,044	6,409,947	57,044
Financial investment held-to-maturity	575	-	575	-
Islamic derivative financial assets	4,487	1	4,487	1
Financing of customers	10,337,626	14,999	10,350,021	14,999
Statutory deposits with Bank Negara Malaysia	612,721	-	612,721	-
Other financial assets	22,955	4	13,485	4
	20,730,461	155,966	20,728,585	155,966
<b>Commitments and contingencies</b>				
Contingent liabilities	615,795	-	615,795	-
Commitments	2,414,112	-	2,414,112	-
Derivative financial instruments	1,270,124	-	1,270,124	-
	4,300,031	-	4,300,031	-
<b>Total credit exposures</b>	<b>25,030,492</b>	<b>155,966</b>	<b>25,028,616</b>	<b>155,966</b>

## 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 by geographical analysis (cont'd.)

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	
	Domestic	Labuan	Domestic	Labuan
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On Balance Sheet Exposures</b>				
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 designated at fair value through profit or loss	-	45,972	-	45,972
Financial investment available-for-sale	6,059,686	84,332	6,054,886	84,332
Financial investment held-to-maturity	28,522	-	28,522	-
Islamic derivative financial assets	4,150	-	4,150	-
Financing of customers (restated)	9,027,104	37,167	9,039,426	37,167
Statutory deposits with Bank Negara Malaysia	527,721	-	527,721	-
Other financial assets	27,276	8	20,564	8
	20,163,330	180,164	20,164,140	180,164
<b>Commitments and contingencies</b>				
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	-
<b>Total credit exposures</b>	<b>24,450,599</b>	<b>180,164</b>	<b>24,451,409</b>	<b>180,164</b>

## 4.0 Credit Risk (General Disclosure) (cont'd.)

## Credit Exposures of Financial Assets by Maturity Distribution

Table 11: Maturities of financial assets by remaining contractual maturity

Group	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	3,236,505	-	-	-	3,236,505
Cash and placements with financial institutions	105,189	-	-	-	105,189
Financial investments designated at fair value through profit or loss	-	-	-	84,373	84,373
Financial investment available-for-sale	1,066,494	294,214	4,054,559	1,051,724	6,466,991
Financial investment held-to-maturity	-	-	-	575	575
Islamic derivative financial assets	4,386	102	-	-	4,488
Financing of customers	1,529,977	766,336	3,740,874	4,315,439	10,352,626
Statutory deposits with Bank Negara Malaysia	-	-	-	612,721	612,721
Other financial assets	-	22,959	-	-	22,959
<b>Total On-Balance Sheet Exposures</b>	<b>5,942,551</b>	<b>1,083,611</b>	<b>7,795,433</b>	<b>6,064,832</b>	<b>20,886,427</b>
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	4,391,223	-	-	-	4,391,223
Cash and placements with financial institutions	110,333	-	-	-	110,333
Financial investments designated at fair value through profit or loss	-	-	-	50,772	50,772
Financial investment available-for-sale	1,007,588	399,757	2,764,754	1,967,119	6,139,218
Financial investment held-to-maturity	27,947	-	575	-	28,522
Islamic derivative financial assets	4,150	-	-	-	4,150
Financing of customers (restated)	1,319,352	690,822	3,265,017	3,789,080	9,064,271
Statutory deposits with Bank Negara Malaysia	-	-	-	527,721	527,721
Other financial assets	-	27,284	-	-	27,284
<b>Total On-Balance Sheet Exposures</b>	<b>6,860,593</b>	<b>1,117,863</b>	<b>6,030,346</b>	<b>6,334,692</b>	<b>20,343,494</b>

#### 4.0 Credit Risk (General Disclosure) (cont'd.)

##### Credit Exposures of Financial Assets by Maturity Distribution (cont'd.)

Table 11: Maturities of financial assets by remaining contractual maturity (cont'd.)

Bank	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	3,236,505	-	-	-	3,236,505
Cash and placements with financial institutions	105,189	-	-	-	105,189
Financial investments designated at fair value through profit or loss	-	-	-	79,573	79,573
Financial investment available-for-sale	1,066,494	294,214	4,054,559	1,051,724	6,466,991
Financial investment held-to-maturity	-	-	-	575	575
Islamic derivative financial assets	4,386	102	-	-	4,488
Financing of customers	1,529,977	766,336	3,740,874	4,327,833	10,365,020
Statutory deposits with Bank Negara Malaysia	-	-	-	612,721	612,721
Other financial assets	-	13,488	-	-	13,488
<b>Total On-Balance Sheet Exposures</b>	<b>5,942,551</b>	<b>1,074,140</b>	<b>7,795,433</b>	<b>6,072,426</b>	<b>20,884,550</b>

Bank	Up to 6 months	> 6 - 12 months	> 1 - 5 years	Over 5 years	Total
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>On-Balance Sheet Exposures</b>					
Cash and short-term funds	4,391,223	-	-	-	4,391,223
Cash and placements with financial institutions	110,333	-	-	-	110,333
Financial investments designated at fair value through profit or loss	-	-	-	45,972	45,972
Financial investment available-for-sale	1,007,588	399,757	2,764,754	1,967,119	6,139,218
Financial investment held-to-maturity	27,947	-	575	-	28,522
Islamic derivative financial assets	4,150	-	-	-	4,150
Financing of customers (restated)	1,319,352	690,822	3,277,339	3,789,080	9,076,593
Statutory deposits with Bank Negara Malaysia	-	-	-	527,721	527,721
Other financial assets	-	20,572	-	-	20,572
<b>Total On-Balance Sheet Exposures</b>	<b>6,860,593</b>	<b>1,111,151</b>	<b>6,042,668</b>	<b>6,329,892</b>	<b>20,344,304</b>

#### 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 analyze 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 (CSR) is responsible for monitoring and recovery of delinquent and problematic financing. An Early Care unit within the CSR 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.

##### Credit Scoring Project

The project commenced in April 2011 with the objective to develop risk grading tools in assessing the customers' credit risk using statistical methodologies. The outcome of the credit scoring would facilitate the Bank either to approve or reject a financing application. This also would allow the Bank for robust estimation of probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") to move forward to "Internal Rating Based" (IRB) approach of Basel II Capital Accord. The Credit Scoring Project was completed and launched on 27th March 2013, and covers 6 scorecards i.e Corporate, Commercial, Consumer and Retail SME, as well as development of risk data mart for Credit Scoring purposes.

#### 4.0 Credit Risk (General Disclosure) (cont'd.)

##### Credit Quality Financing of Customers

Table 12: 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	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	2,291,366	307,003	128,490	83,628	2,810,487
- Syndicated financing	33,220	-	-	21,567	54,787
- Hire purchase receivables	855,491	78,021	40,738	29,204	1,003,454
- Leasing receivables	75,381	-	-	21,681	97,062
- Other term financing	4,468,744	224,994	87,720	75,681	4,857,139
Other financing	1,097,361	667,430	2,595	33,607	1,800,993
	<b>8,821,563</b>	<b>1,277,448</b>	<b>259,543</b>	<b>265,368</b>	<b>10,623,922</b>
Less:					
- Collective assesment allowance	-	-	-	-	(242,843)
- Individual assesment allowance	-	-	-	(28,453)	(28,453)
<b>Total net financing</b>	<b>8,821,563</b>	<b>1,277,448</b>	<b>259,543</b>	<b>236,915</b>	<b>10,352,626</b>
Group	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	1,766,411	331,551	108,669	94,602	2,301,233
- 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
	<b>7,495,955</b>	<b>1,345,576</b>	<b>206,597</b>	<b>446,344</b>	<b>9,494,472</b>
Less:					
- Collective assesment allowance	-	-	-	-	(268,297)
- Individual assesment allowance	-	-	-	(161,904)	(161,904)
<b>Total net financing</b>	<b>7,495,955</b>	<b>1,345,576</b>	<b>206,597</b>	<b>284,440</b>	<b>9,064,271</b>

#### 4.0 Credit Risk (General Disclosure) (cont'd.)

##### Credit Quality Financing of Customers (cont'd.)

Table 12: Credit quality financing of customers (cont'd.)

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:

Bank	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	2,291,366	307,003	128,490	83,628	2,810,487
- Syndicated financing	33,220	-	-	21,567	54,787
- Hire purchase receivables	855,491	78,021	40,738	29,204	1,003,454
- Leasing receivables	75,381	-	-	21,681	97,062
- Other term financing	4,481,138	224,994	87,720	81,681	4,875,533
Other financing	1,097,361	667,430	2,595	33,607	1,800,993
	<b>8,833,957</b>	<b>1,277,448</b>	<b>259,543</b>	<b>271,368</b>	<b>10,642,316</b>
Less:					
- Collective assesment allowance	-	-	-	-	(242,843)
- Individual assesment allowance	-	-	-	(34,453)	(34,453)
<b>Total net financing</b>	<b>8,833,957</b>	<b>1,277,448</b>	<b>259,543</b>	<b>236,915</b>	<b>10,365,020</b>
Bank	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good	Satisfactory			
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Term financing					
- Home financing	1,784,733	331,551	108,669	94,602	2,319,555
- 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
	<b>7,514,277</b>	<b>1,339,576</b>	<b>206,597</b>	<b>452,344</b>	<b>9,512,794</b>
Less:					
- Collective assesment allowance	-	-	-	-	(268,297)
- Individual assesment allowance	-	-	-	(167,904)	(167,904)
<b>Total net financing</b>	<b>7,514,277</b>	<b>1,339,576</b>	<b>206,597</b>	<b>284,440</b>	<b>9,076,593</b>

## 4.0 Credit Risk (General Disclosure) (cont'd.)

## Credit Quality Financing of Customers (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	31 March 2013	31 March 2012
	RM'000	RM'000
Term financing		
- Home financing	142,435	138,979
- Hire purchase receivables	8,865	11,690
- Leasing receivables	-	-
- Other term financing	124,698	127,105
Other financing	2,493	2,645
<b>Total</b>	<b>278,491</b>	<b>280,419</b>

## 4.0 Credit Risk (General Disclosure) (cont'd.)

## Credit Quality Financing of Customers (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	Less than 1 month	1 - 2 months	>2 - 3 months	Total
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>				
Term financing				
- Home financing	-	93,161	35,329	128,490
- Hire purchase receivables	-	34,658	6,080	40,738
- Other term financing	-	80,769	6,951	87,720
Other financing	614	531	1,450	2,595
<b>Total</b>	<b>614</b>	<b>209,119</b>	<b>49,810</b>	<b>259,543</b>

Group and Bank	Less than 1 month	1 - 2 months	>2 - 3 months	Total
	RM'000	RM'000	RM'000	RM'000
<b>31 March 2012</b>				
Term financing				
Home financing	-	74,396	34,273	108,669
- Hire purchase receivables	-	27,671	6,497	34,168
- Other term financing	-	41,585	20,833	62,418
Other financing	-	606	736	1,342
<b>Total</b>	<b>-</b>	<b>144,258</b>	<b>62,339</b>	<b>206,597</b>

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank	31 March 2013	31 March 2012
	RM'000	RM'000
Purchase of transport vehicles	40,838	34,190
Purchase of landed properties of which:		
- residential	130,116	110,157
- non-residential	14,518	5,682
Personal use	13,253	11,005
Construction	24,734	950
Other purpose	36,084	44,613
<b>Total</b>	<b>259,543</b>	<b>206,597</b>

**4.0 Credit Risk (General Disclosure) (cont'd.)****Credit Quality Financing of Customers (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 geographical area:

Group and Bank	31 March 2013	31 March 2012
	RM'000	RM'000
Domestic	259,543	206,597
Labuan Offshore	-	-
	<b>259,543</b>	<b>206,597</b>

**(iv) Impaired financing**

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 MFRS139).

**Individual assessment allowance**

- principal or profit or both are past due for more than three (3) months;
- where a financing is in arrears for less than three (3) months, and exhibits the indications of credit weaknesses; or
- 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.

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:

- Bankruptcy petition filed against the customer
- Customer resorting to Section 176 Companies Act 1965 (and alike)
- Other banks calling their lines (revealed through publicised news, etc)
- Customer involved in material fraud
- Excess drawing or unpaid profit / principal
- Distressed debt restructuring
- Improper use of credit lines
- Legal action by other creditors

**Collectively assessed allowances**

The Group's and the Bank's collective assessment allowance were previously maintained at a minimum of 1.5% of total outstanding financing of customers, net of individual assessment allowance, being the transitional arrangement as prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans / Financing (the "BNM Impairment Guidelines").

The BNM Impairment Guidelines were revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of MFRS 139. Based on the revised Guidelines, the transitional arrangement is removed with effect from 1 January 2012.

**4.0 Credit Risk (General Disclosure) (cont'd.)****Credit Quality Financing of Customers (cont'd.)**

Financing of customers are analysed as follows: (cont'd.)

**(iv) Impaired financing (cont'd.)**

Following the adoption of MFRS during the financial year, exposures not individually considered to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not yet identified. The required financing loss allowance is estimated on the basis of historical loss experience of the Bank for assets with credit risk characteristics similar to those in the collective pool.

The financial effects of the adoption of MFRS in relation to other areas on the Group's and the Bank's financial statements are disclosed in Note 2.3.

Table 15: Impaired financing by economic purpose

The following tables present an analysis of the impaired financing by economic purpose.

Group	Impaired Financing	Individual Assessment	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
		Allowance at 1 April		RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	18	-	-	-	-	19	19
Purchase of transport vehicles	29,306	4,587	(3,478)	(877)	232	39,062	39,294
Purchase of landed properties of which:							
– residential	84,590	2,021	(2,597)	-	(576)	86,181	85,605
– non-residential	10,314	(13)	(50)	-	(63)	10,385	10,322
Purchase of fixed assets (excluding landed properties)	3,171	920	(733)	(487)	(300)	16,409	16,109
Personal use	26,086	-	-	-	-	46,851	46,851
Construction	63,083	77,467	494	(67,404)	10,557	29,017	39,574
Working capital	7,000	18,198	(266)	-	17,932	3,688	21,620
Other purpose	41,800	58,724	(1,368)	(56,685)	671	11,231	11,902
	<b>265,368</b>	<b>161,904</b>	<b>(7,998)</b>	<b>(125,453)</b>	<b>28,453</b>	<b>242,843</b>	<b>271,296</b>

4.0 Credit Risk (General Disclosure) (cont'd.)

(iv) Impaired financing (cont'd.)

Table 15: Impaired financing by economic purpose (cont'd.)

The following tables present an analysis of the impaired financing by economic purpose.

Group	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	65,538	85,140
	446,344	108,531	53,373	-	161,904	268,297	391,079

4.0 Credit Risk (General Disclosure) (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

(iv) Impaired financing (cont'd.)

Table 15: Impaired financing by economic purpose (cont'd.)

The following tables present an analysis of the impaired financing by economic purpose.(cont'd.)

Bank	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Purchase of securities	18	-	-	-	-	19	19
Purchase of transport vehicles	29,306	4,587	(3,478)	(877)	232	39,062	39,294
Purchase of landed properties of which:							
– residential	84,590	2,021	(2,597)	-	(576)	86,181	85,605
– non-residential	10,314	(13)	(50)	-	(63)	10,385	10,322
Purchase of fixed assets (excluding landed properties)	3,171	920	(733)	(487)	(300)	16,409	16,109
Personal use	26,086	-	-	-	-	46,851	46,851
Construction	63,083	77,467	494	(67,404)	10,557	29,017	39,574
Working capital	7,000	18,198	(266)	-	17,932	3,688	21,620
Other purpose	47,800	64,724	(1,368)	(56,685)	6,671	11,231	17,902
	271,368	167,904	(7,998)	(125,453)	34,453	242,843	277,296

Bank	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	65,538	91,140
	452,344	108,531	59,373	-	167,904	268,297	397,079

#### 4.0 Credit Risk (General Disclosure) (cont'd.)

##### Credit Quality Financing of Customers (cont'd.)

##### (iv) Impaired financing (cont'd.)

Table 16: Impaired financing by geographical distribution

The following tables present an analysis of the impaired financing by geographical distribution

Group	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Domestic	243,801	154,766	(14,461)	(118,535)	21,770	242,843	264,613
Labuan offshore	21,567	7,138	6,463	(6,918)	6,683	-	6,683
	<b>265,368</b>	<b>161,904</b>	<b>(7,998)</b>	<b>(125,453)</b>	<b>28,453</b>	<b>242,843</b>	<b>271,296</b>

Group	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Domestic	439,870	101,393	53,373	-	154,766	265,561	381,715
Labuan offshore	6,474	7,138	-	-	7,138	2,736	9,364
	<b>446,344</b>	<b>108,531</b>	<b>53,373</b>	<b>-</b>	<b>161,904</b>	<b>268,297</b>	<b>391,079</b>

The following tables present an analysis of the impaired financing by geographical distribution

Bank	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
<b>31 March 2013</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Domestic	249,801	160,766	(14,461)	(118,535)	27,770	242,843	270,613
Labuan offshore	21,567	7,138	6,463	(6,918)	6,683	-	6,683
	<b>271,368</b>	<b>167,904</b>	<b>(7,998)</b>	<b>(125,453)</b>	<b>34,453</b>	<b>242,843</b>	<b>277,296</b>

Bank	Impaired Financing	Individual Assessment Allowance at 1 April	Net Charge for the Year	Amounts Written Off/Other Movements	Individual Assessment Allowance at 31 March	Collective Assessment Allowance at 31 March	Total Impairment Allowances for Financing
<b>31 March 2012</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Domestic	445,870	101,393	59,373	-	160,766	265,561	387,715
Labuan offshore	6,474	7,138	-	-	7,138	2,736	9,364
	<b>452,344</b>	<b>108,531</b>	<b>59,373</b>	<b>-</b>	<b>167,904</b>	<b>268,297</b>	<b>397,079</b>

#### 4.0 Credit Risk (General Disclosure) (cont'd.)

##### Credit Quality Financing of Customers (cont'd.)

##### (iv) Impaired financing (cont'd.)

##### Collateral and other credit enhancements

The amount and type of collateral required depends on an 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.

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 36% as at 31 March 2013, respectively (31 March 2012: 43% for the Group and the Bank). The financial effect of collateral held for other financial assets is not significant.

At 31 March 2013 the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to RM482,338,000 as compared with 31 March 2012 (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 & advances, and held as at the end of the year as follows.

Table 17: Repossessed Collateral

Group and Bank	31 March 2013	31 March 2012
	<b>RM'000</b>	<b>RM'000</b>
Residential properties	14,000	14,000
	<b>14,000</b>	<b>14,000</b>

### 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

Group											
31 March 2013											
Exposure Class	Rating by Approved ECAIS										Grand Total
	AAA	AA+	AA	AA-	A	BBB	BB+ to BB-	P1/MARC1	Unrated	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>											
<b>Credit Exposures - Standardised Approach</b>											
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	9,003,386	-	9,003,386
Public Sector Entities	-	-	-	-	-	-	-	-	73,229	-	73,229
Banks, Development Financial Institutions & MDBs	30,938	77,345	35,222	-	-	-	-	696	258,185	-	402,386
Corporates	1,043,793	149,342	90,024	426,100	300,718	163,115	-	59,900	3,378,964	-	5,611,956
Regulatory Retail	-	-	-	-	-	-	-	-	-	4,778,393	4,778,393
Residential Mortgages	-	-	-	-	-	-	-	-	-	2,248,065	2,248,065
Higher Risk Assets	-	-	-	-	-	-	-	-	18,205	-	18,205
Other Assets	-	-	-	-	-	-	-	-	-	372,255	372,255
<b>Total</b>	<b>1,074,731</b>	<b>226,687</b>	<b>125,246</b>	<b>426,100</b>	<b>300,718</b>	<b>163,115</b>	<b>-</b>	<b>60,596</b>	<b>12,731,969</b>	<b>7,398,713</b>	<b>22,507,875</b>

Group											
31 March 2012											
Exposure Class	Rating by Approved ECAIS										Grand Total
	AAA	AA+	AA	AA-	A	BBB	BB+ to BB-	P1/MARC1	Unrated	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>											
<b>Credit Exposures - Standardised Approach</b>											
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
<b>Total</b>	<b>918,368</b>	<b>172,926</b>	<b>320,185</b>	<b>261,324</b>	<b>657,926</b>	<b>219,627</b>	<b>-</b>	<b>155,701</b>	<b>13,422,155</b>	<b>5,792,180</b>	<b>21,920,393</b>

### 5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd.)

Table 18: Rating distribution on credit exposures (cont'd.)

Bank											
31 March 2013											
Exposure Class	Rating by Approved ECAIS										Grand Total
	AAA	AA+	AA	AA-	A	BBB	BB+ to BB-	P1/MARC1	Unrated	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>											
<b>Credit Exposures - Standardised Approach</b>											
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	9,003,386	-	9,003,386
Public Sector Entities	-	-	-	-	-	-	-	-	73,229	-	73,229
Banks, Development Financial Institutions & MDBs	30,938	77,345	35,222	-	-	-	-	696	258,185	-	402,386
Corporates	1,043,793	149,342	90,024	426,100	300,718	163,115	-	59,900	3,378,964	-	5,611,956
Regulatory Retail	-	-	-	-	-	-	-	-	-	4,778,393	4,778,393
Residential Mortgages	-	-	-	-	-	-	-	-	-	2,248,065	2,248,065
Higher Risk Assets	-	-	-	-	-	-	-	-	18,625	-	18,625
Other Assets	-	-	-	-	-	-	-	-	-	356,282	356,282
<b>Total</b>	<b>1,074,731</b>	<b>226,687</b>	<b>125,246</b>	<b>426,100</b>	<b>300,718</b>	<b>163,115</b>	<b>-</b>	<b>60,596</b>	<b>12,732,389</b>	<b>7,382,740</b>	<b>22,492,322</b>

Bank											
31 March 2012											
Exposure Class	Rating by Approved ECAIS										Grand Total
	AAA	AA+	AA	AA-	A	BBB	BB+ to BB-	P1/MARC1	Unrated	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>											
<b>Credit Exposures - Standardised Approach</b>											
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
<b>Total</b>	<b>918,368</b>	<b>172,926</b>	<b>320,186</b>	<b>261,324</b>	<b>657,926</b>	<b>219,627</b>	<b>-</b>	<b>155,701</b>	<b>13,422,155</b>	<b>5,778,821</b>	<b>21,907,034</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd.)

Table 18: Rating distribution on credit exposures (cont'd.)

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's S&P Fitch RAM MARC RII Inc	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A- A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB1 to BB3 BBB+ to BB- BBB+ to BB-	B1 to C B+ to D B+ to D B to D B+ to D B+ to D	Unrated Unrated Unrated Unrated Unrated Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>						
<b>Credit Exposures (using Corporate Risk Weights)</b>						
<b>Group and Bank</b>						
<b>31 March 2013</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	73,229
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	1,709,259	300,718	163,115	-	-	3,364,119
<b>Total</b>	<b>1,709,259</b>	<b>300,718</b>	<b>163,115</b>	<b>-</b>	<b>-</b>	<b>3,437,348</b>
<b>Group and Bank</b>						
<b>31 March 2012</b>						
Public Sector Entities (applicable for entities risk weighted based on their external ratings as corporates)	-	-	-	-	-	86,400
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	1,396,468	497,926	219,627	-	-	3,819,418
<b>Total</b>	<b>1,396,468</b>	<b>497,926</b>	<b>219,627</b>	<b>-</b>	<b>-</b>	<b>3,905,818</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd.)

Table 18: Rating distribution on credit exposures (cont'd.)

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's S&P Fitch RAM MARC RII Inc	P-1 A-1 F1+,F1 P-1 MARC-1 a-1+,a-1	P-2 A-2 2 P-2 MARC-2 a-2	P-3 A-3 3 P-3 MARC-3- a-3	Others Others B to D NP MARC-4 b,c	Unrated Unrated Unrated Unrated Unrated Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>						
<b>Group and Bank</b>						
<b>31 March 2013</b>						
Banks, MDBs and FDIs	696	-	-	-	-	-
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Corporates	59,900	-	-	-	-	-
<b>Total</b>	<b>60,596</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Group and Bank</b>						
<b>31 March 2012</b>						
<b>On and Off-Balance Sheet Exposures</b>						
Banks, MDBs and FDIs	1,286	-	-	-	-	-
<b>Credit Exposures (using Corporate Risk Weights)</b>						
Corporates	154,415	-	-	-	-	-
<b>Total</b>	<b>155,701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd.)

Table 18: Rating distribution on credit exposures (cont'd.)

Exposure Class	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 RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>							
<b>Group and Bank 31 March 2013</b>							
Sovereigns and Central Banks	-	-	-	-	-	-	9,003,386
<b>Total</b>	-	-	-	-	-	-	9,003,386
<b>Group and Bank 31 March 2012</b>							
<b>On and Off-Balance Sheet Exposures</b>							
Sovereigns and Central Banks	-	-	-	-	-	-	9,307,747
<b>Total</b>	-	-	-	-	-	-	9,307,747

Exposure Class	Ratings of Banking Institutions 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 RII Inc	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D CCC+ to C	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off-Balance Sheet Exposures</b>							
<b>Group and Bank 31 March 2013</b>							
Banks, MDBs and FDIs	143,505	-	-	-	-	-	258,185
<b>Total</b>	143,505	-	-	-	-	-	258,185
<b>Group and Bank 31 March 2012</b>							
Banks, MDBs and FDIs	276,336	160,000	-	-	-	-	186,791
<b>Total</b>	276,336	160,000	-	-	-	-	186,791

5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd.)

Credit risk disclosure by risk weights (including deducted exposures) as at 31 March 2013, are as follows:

Table 19: Credit risk disclosure by risk weights

Group 31 March 2013	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Equity Exposures	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Risk-Weights</b>											
0%	9,003,386	-	4,966	35,598	-	-	-	-	121,504	9,165,454	-
20%	-	68,664	397,405	1,794,098	-	-	-	-	-	2,260,167	452,033
35%	-	-	-	-	-	988,384	-	-	-	988,384	345,934
50%	-	-	14	318,119	-	429,506	-	-	-	747,639	373,820
75%	-	-	-	-	2,689,433	410,946	-	-	-	3,100,379	2,325,283
100%	-	-	-	3,329,452	2,085,528	419,230	-	-	250,751	6,084,961	6,084,961
150%	-	-	-	52,183	-	-	580	17,625	-	70,388	105,582
<b>Total</b>	9,003,386	68,664	402,385	5,529,450	4,774,961	2,248,066	580	17,625	372,255	22,417,372	9,687,613

Group 31 March 2012	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Other Assets			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Risk-Weights</b>											
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	107,580	161,369
<b>Total</b>	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	

## 5.0 Credit Risk (Disclosures for Portfolio under the Standardised Approach) (cont'd.)

Credit risk disclosure by risk weights (including deducted exposures) as at 31 March 2013, are as follows (con'd.):

Table 19: Credit risk disclosure by risk weights (cont'd.)

Bank 31 March 2013	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Equity Exposures	Higher Risk Assets	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Risk-Weights</b>											
0%	9,003,386	-	4,966	35,598	-	-	-	-	121,504	9,165,454	-
20%	-	68,664	397,405	1,794,098	-	-	-	-	-	2,260,167	452,033
35%	-	-	-	-	-	988,385	-	-	-	988,385	345,934
50%	-	-	14	318,119	-	429,506	-	-	-	747,639	373,820
75%	-	-	-	-	2,689,433	410,946	-	-	-	3,100,379	2,325,284
100%	-	-	-	3,329,451	2,085,528	419,230	-	-	234,778	6,068,987	6,068,987
150%	-	-	-	52,183	-	-	1,000	17,625	-	70,808	106,212
<b>Total</b>	<b>9,003,386</b>	<b>68,664</b>	<b>402,385</b>	<b>5,529,449</b>	<b>4,774,961</b>	<b>2,248,067</b>	<b>1,000</b>	<b>17,625</b>	<b>356,282</b>	<b>22,401,819</b>	<b>9,672,270</b>

Bank 31 March 2012	Exposures after Netting and Credit Risk Mitigation									Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereign & Central Banks	Public Sector Entities	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Residential Real Estate	Higher Risk Assets	Other Assets			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Risk-Weights</b>											
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	
<b>Total</b>	<b>9,307,747</b>	<b>80,822</b>	<b>624,413</b>	<b>5,991,415</b>	<b>3,817,894</b>	<b>1,692,788</b>	<b>22,943</b>	<b>265,399</b>	<b>21,803,421</b>	<b>8,840,877</b>	

## 6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach

Upon assessment of the customer's credit standing and repayment capacity, and identification of the financing's source of repayment, 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 enforceability 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.

The following tables present the credit exposures covered by eligible financial collateral and financial guarantees 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 does not have any credit exposure which is reduced through the application of other eligible collateral.

6.0 Credit Risk Mitigation (CRM) Disclosures under the Standardised Approach (cont'd.)

Table 20: Credit risk mitigation on credit exposures

Group	Gross Exposures	Total Exposures Covered by Eligible Financial Collateral	*Net Exposures
	RM'000	RM'000	RM'000
<b>31 March 2013</b>			
<b>On Balance sheet exposures</b>			
Sovereign/Central banks	8,262,049	-	8,262,049
Public sector entities	67,594	4,565	63,029
Banks, Development Financial Institution & MDBs	399,475	-	399,475
Corporates	5,028,053	82,507	4,945,546
Regulatory retail	4,645,090	3,432	4,641,658
Residential real estate	2,151,797	-	2,151,797
Higher risk assets	18,205	-	18,205
Other assets	372,256	-	372,256
Defaulted exposure	101,504	-	101,504
	21,046,023	90,504	20,955,519
<b>Off-Balance Sheet Exposures</b>			
Credit-related off-balance sheet exposure	1,417,933	-	1,417,933
Derivative financial instruments	43,920	-	43,920
	1,461,853	-	1,461,853
<b>Total Credit Exposures</b>	<b>22,507,876</b>	<b>90,504</b>	<b>22,417,372</b>

Group	Gross Exposures	Total Exposures Covered by Eligible Financial Collateral	*Net Exposures
	RM'000	RM'000	RM'000
<b>31 March 2012</b>			
<b>On Balance sheet exposures</b>			
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
Regulatory 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 exposure	168,404	-	168,404
	20,339,698	103,613	20,236,086
<b>Off-Balance Sheet Exposures</b>			
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
<b>Total Credit Exposures</b>	<b>21,920,394</b>	<b>103,613</b>	<b>21,816,782</b>

\* 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 (cont'd.)

Bank	Gross Exposures	Total Exposures Covered by Eligible Financial Collateral	*Net Exposures
	RM'000	RM'000	RM'000
<b>31 March 2013</b>			
<b>On Balance Sheet Exposures</b>			
Sovereign/Central Banks	8,262,049	-	8,262,049
Public Sector Entities	67,594	4,565	63,029
Banks, Development Financial Institution & MDBs	399,475	-	399,475
Corporates	5,028,053	82,507	4,945,546
Regulatory Retail	4,645,090	3,432	4,641,658
Residential Real Estate	2,151,797	-	2,151,797
Higher Risk Assets	18,625	-	18,625
Other Assets	356,283	-	356,283
Defaulted Exposures	101,504	-	101,504
	21,030,470	90,504	20,939,966
<b>Off-Balance Sheet Exposures</b>			
Credit-related Off-Balance Sheet Exposure	1,417,933	-	1,417,933
Derivative Financial Instruments	43,920	-	43,920
	1,461,853	-	1,461,853
<b>Total Credit Exposures</b>	<b>22,492,323</b>	<b>90,504</b>	<b>22,401,819</b>

Bank	Gross Exposures	Total Exposures Covered by Eligible Financial Collateral	*Net Exposures
	RM'000	RM'000	RM'000
<b>31 March 2012</b>			
<b>On Balance Sheet Exposures</b>			
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
Regulatory 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
<b>Off-Balance Sheet Exposures</b>			
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
<b>Total Credit Exposures</b>	<b>21,907,034</b>	<b>103,613</b>	<b>21,803,421</b>

\* After netting and credit risk mitigation

## 7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk (CCR)

### Commitments and contingencies

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 utilization 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	31 March 2013			31 March 2012		
	Principal amount	Credit equivalent amount	Total risk weighted amount	Principal amount	Credit equivalent amount	Total risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The commitments and contingencies constitute the following :						
<b>Contingent liabilities</b>						
Direct credit substitutes	16,362	16,362	8,362	1,208	1,208	1,208
Trade-related contingencies	73,372	14,674	4,904	65,352	13,070	5,739
Transaction related contingencies	501,061	250,531	191,325	616,105	308,053	248,935
Obligations under an on-going underwriting agreement	25,000	12,500	2,500	41,000	20,500	4,100
Housing financing sold directly and indirectly to Cagamas with recourse	-	-	-	64,910	64,910	33,962
<b>Commitments</b>						
Credit extension commitment:						
- Maturity within one year	450,046	90,009	76,294	349,478	69,896	65,135
- Maturity exceeding one year	1,944,354	972,177	256,626	2,184,119	1,092,060	376,999
Bills of collection	19,712	-	-	19,883	-	-
<b>Islamic derivative financial instruments</b>						
Foreign exchange related contracts	395,124	6,670	4,341	870,214	5,001	3,783
Profit rate related contract	875,000	37,250	7,450	75,000	6,000	1,200
<b>Total off-balance sheet exposures</b>	<b>4,300,031</b>	<b>1,400,173</b>	<b>551,802</b>	<b>4,287,269</b>	<b>1,580,698</b>	<b>741,061</b>

## 7.0 General Disclosure for Off-balance Sheet Exposure and Counterparty Credit Risk (CCR) (cont'd.)

### 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.

Table 22: Derivative financial assets & liabilities

Group and Bank	31 March 2013			31 March 2012		
	Contract/notional amount	Fair value		Contract/Notional Amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Trading derivatives:</b>						
Foreign exchange contracts						
- Currency forwards						
Less than one year	54,230	2,862	(24)	52,994	770	(302)
- Currency swaps						
Less than one year	213,422	1,500	(1,021)	256,702	1,384	(558)
- Currency spot						
Less than one year	127,472	126	(134)	1,487,300	3,023	(2,968)
	<b>395,124</b>	<b>4,488</b>	<b>(1,178)</b>	<b>1,796,996</b>	<b>5,177</b>	<b>(3,828)</b>
Islamic profit rate swap (IPRS)						
More than one year	875,000	-	(7,726)	75,000	-	(158)
<b>Total</b>	<b>1,270,124</b>	<b>4,488</b>	<b>(8,904)</b>	<b>1,871,996</b>	<b>5,177</b>	<b>(3,986)</b>

## 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 maximize 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 maximize earnings and attain its strategic goal within the overall risk/return preferences.

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

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 ERM, 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

- 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.
- 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.
- 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:-
  - Level 1**  
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.

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 8.1 Market Risk (Disclosures for Portfolios under the Standardised Approach) (cont'd.)

#### Valuation Methodologies (cont'd.):

- Level 2**  
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.
- Level 3**  
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 2013, the Group and the Bank used the standardized 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.

Table 23: Minimum regulatory requirement for market risk

Group and Bank	Long Position	Short Position	Risk weighted	Minimum Capital Requirement at 8%
31 March 2013	RM' 000	RM' 000	RM' 000	RM' 000
Benchmark Rate Risk	204	(1,044)	38,494	3,080
Foreign Currency Risk	19,324	(2,513)	19,324	1,545
<b>Total</b>	<b>19,528</b>	<b>(3,557)</b>	<b>57,818</b>	<b>4,625</b>

Group and Bank	Long Position	Short Position	Risk weighted	Minimum Capital Requirement at 8%
31 March 2012	RM' 000	RM' 000	RM' 000	RM' 000
Benchmark Rate Risk	481	(3,166)	100,693	8,055
Foreign Currency Risk	14,928	(2,709)	14,929	1,194
<b>Total</b>	<b>15,409</b>	<b>(5,875)</b>	<b>115,622</b>	<b>9,250</b>

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 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.

### 8.2 Equities (Disclosures for Banking Book Positions)

Table 24: Equity exposures

Group and Bank	Gross Credit Exposure	Risk Weighted Assets	Unrealised Gain/(Losses)
31 March 2013	RM'000	RM'000	RM'000
<b>Publicly Traded</b>			
Investment in Unit Trust Funds	-	-	-
Investment in Quoted Shares	44,182	44,182	(2,059)
<b>Total</b>	<b>44,182</b>	<b>44,182</b>	<b>(2,059)</b>
<hr/>			
31 March 2012	RM'000	RM'000	RM'000
<b>Publicly Traded</b>			
Investment in Unit Trust Funds	-	-	-
Investment in Quoted Shares	48,691	48,691	(668)
<b>Total</b>	<b>48,691</b>	<b>48,691</b>	<b>(668)</b>

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB")

#### 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 the options embedded in the 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 than the rate that has been earned on its assets financed by investment account holders

#### 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.

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 8.3 Disclosure for Rate of Return Risk in Banking Book ("RORBB") (cont'd.)

#### Rate of Return Risk in the Banking Book ("RORBB")

Table 26: Sensitivity analysis of 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:

Increase/(decrease) in basis points	Tax rate	Group		Bank	
		-50 Basis Points	+50 Basis Points	-50 Basis Points	+50 Basis Points
		RM'000	RM'000	RM'000	RM'000
<b>31 March 2013</b>					
Effect on profit after tax	25%	29,815	(29,815)	29,837	(29,837)
Effect on other comprehensive income, net of tax	25%	68,650	(68,650)	68,650	(68,650)
Effect on equity		159,855	(159,855)	159,854	(159,854)
<b>31 March 2012</b>					
Effect on profit after tax	25%	27,092	(27,092)	27,092	(27,092)
Effect on other comprehensive income, net of tax	25%	78,394	(78,394)	78,394	(78,394)
Effect on equity		172,575	(172,575)	172,575	(172,575)

### 8.4 Liquidity Risk

#### Liquidity and Funding Risk

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.

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 8.4 Liquidity Risk (cont'd.)

As stated in the policy, the Bank's liquidity risk magnitude segregated into the following:

Magnitude	Definition
Low	Earning and capital expose from the liquidity risk profile is negligible
Moderate	Earning or capital expose from the liquidity risk profile is manageable
High	Funding source 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 minimizes 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.
- BASEL 3  
The Bank has put in place the relevant measures and monitoring processes of Basel 3 requirements on liquidity through the LCR and NSFR computation.

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 8.4 Liquidity Risk (cont'd.) Liquidity and Funding Risk (cont'd.)

Table 28: Maturity analysis of assets and liabilities based on remaining contractual maturity.

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short-term funds	2,913,226	323,070	209	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	-	105,189	-	-	-	-	105,189
Financial investments designated at fair value through profit or loss	-	-	-	-	-	-	84,373	84,373
Financial investment available-for-sale	130,708	467,195	185,850	282,741	294,214	4,054,559	1,051,724	6,466,991
Financial investment held-to-maturity	-	-	-	-	-	-	575	575
Islamic derivative financial assets	340	2,529	789	728	102	-	-	4,488
Financing of customers	-	675,133	416,540	438,304	766,336	3,740,874	4,315,439	10,352,626
Other assets	-	-	-	-	90,024	-	730,819	820,843
<b>TOTAL ASSETS</b>	<b>3,044,274</b>	<b>1,467,927</b>	<b>708,577</b>	<b>721,773</b>	<b>1,150,676</b>	<b>7,795,433</b>	<b>6,182,930</b>	<b>21,071,590</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	1,848,030	8,925,947	5,365,877	1,582,461	990,359	5,848	25,657	18,744,179
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	4,802	-	10,774
Islamic derivative financial liabilities	938	-	230	-	11	-	7,726	8,905
Other liabilities	-	168,743	462	703	133,293	-	406,055	709,256
<b>Total Liabilities</b>	<b>1,848,968</b>	<b>9,094,690</b>	<b>5,369,389</b>	<b>1,583,164</b>	<b>1,126,815</b>	<b>10,650</b>	<b>439,438</b>	<b>19,473,114</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	1,598,476	1,598,476
<b>NET MATURITY MISMATCH</b>	<b>1,195,306</b>	<b>(7,626,763)</b>	<b>(4,660,812)</b>	<b>(861,391)</b>	<b>23,861</b>	<b>7,784,783</b>	<b>4,145,016</b>	<b>-</b>

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 8.4 Liquidity Risk (cont'd.)

Table 28: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd.)

Group	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
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 investments designated at fair value through profit or loss	-	-	-	-	-	-	50,772	50,772
Financial investment available-for-sale	-	350,778	175,528	481,282	399,757	2,762,054	1,969,819	6,139,218
Financial investment held-to-maturity	-	298	-	27,649	-	-	575	28,522
Islamic derivative financial assets	162	2,330	1,645	13	-	-	-	4,150
Financing of customers (restated)	-	514,337	365,509	439,506	690,822	3,264,045	3,790,052	9,064,271
Other assets (restated)	-	-	-	-	96,724	-	618,824	715,548
<b>TOTAL ASSETS</b>	<b>3,252,787</b>	<b>2,006,341</b>	<b>561,071</b>	<b>1,040,394</b>	<b>1,187,303</b>	<b>6,026,099</b>	<b>6,430,042</b>	<b>20,504,037</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	1,755,512	8,255,153	5,944,495	1,547,083	624,637	5,631	18,576	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 (restated)	-	386,196	561	854	79,051	-	467,758	934,420
<b>Total Liabilities</b>	<b>1,755,823</b>	<b>8,641,534</b>	<b>5,946,188</b>	<b>1,550,893</b>	<b>704,043</b>	<b>18,218</b>	<b>486,334</b>	<b>19,103,033</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	1,401,004	1,401,004
<b>NET MATURITY MISMATCH</b>	<b>1,496,964</b>	<b>(6,635,193)</b>	<b>(5,385,117)</b>	<b>(510,499)</b>	<b>483,260</b>	<b>6,007,881</b>	<b>4,542,704</b>	<b>-</b>

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 8.4 Liquidity Risk (cont'd.)

Table 28: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd.)

Bank	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 March 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
Cash and short-term funds	2,913,226	323,070	209	-	-	-	-	3,236,505
Cash and placements with financial institutions	-	-	105,189	-	-	-	-	105,189
Financial investments designated at fair value through profit or loss	-	-	-	-	-	-	79,573	79,573
Financial investment available-for-sale	130,708	467,195	185,850	282,741	294,214	4,054,559	1,051,724	6,466,991
Financial investment held-to-maturity	-	-	-	-	-	-	575	575
Islamic derivative financial assets	340	2,529	789	728	102	-	-	4,488
Financing of customers	-	675,133	416,540	438,304	766,336	3,740,874	4,327,833	10,365,020
Other assets	-	-	-	-	80,492	-	737,568	818,060
<b>TOTAL ASSETS</b>	<b>3,044,274</b>	<b>1,467,927</b>	<b>708,577</b>	<b>721,773</b>	<b>1,141,144</b>	<b>7,795,433</b>	<b>6,197,273</b>	<b>21,076,401</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	1,848,506	8,931,547	5,365,877	1,582,461	990,359	5,848	25,658	18,750,256
Deposits and placements of banks and other financial institutions	-	-	2,820	-	3,152	4,802	-	10,774
Islamic derivative financial liabilities	938	-	230	-	11	-	7,726	8,905
Other liabilities	-	169,765	462	703	133,109	-	406,055	710,094
<b>Total Liabilities</b>	<b>1,849,444</b>	<b>9,101,312</b>	<b>5,369,389</b>	<b>1,583,164</b>	<b>1,126,631</b>	<b>10,650</b>	<b>439,439</b>	<b>19,480,029</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	1,596,373	1,596,373
<b>NET MATURITY MISMATCH</b>	<b>1,194,830</b>	<b>(7,633,385)</b>	<b>(4,660,812)</b>	<b>(861,391)</b>	<b>14,513</b>	<b>7,784,783</b>	<b>4,161,461</b>	<b>-</b>

## 8.0 Market Risk and Assets-Liability Management (ALM) (cont'd.)

### 8.4 Liquidity Risk (cont'd.)

Table 28: Maturity analysis of assets and liabilities based on remaining contractual maturity. (cont'd.)

Bank	Up to 7 Days	>7 Days - 1 Month	>1-3 Months	>3-6 Months	>6-12 Months	>1 - 5 Years	Over 5 Years	Total
31 March 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>								
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 investments designated at fair value through profit or loss	-	-	-	-	-	-	45,972	45,972
Financial investment available-for-sale	-	350,778	175,528	481,282	399,757	2,762,054	1,969,819	6,139,218
Financial investment held-to-maturity	-	298	-	27,649	-	-	575	28,522
Islamic derivative financial assets	162	2,330	1,645	13	-	-	-	4,150
Financing of customers (restated)	-	514,337	365,509	439,506	690,822	3,276,367	3,790,052	9,076,593
Other assets (restated)	-	-	-	-	89,747	-	625,208	714,955
<b>TOTAL ASSETS</b>	<b>3,252,787</b>	<b>2,006,341</b>	<b>561,071</b>	<b>1,040,394</b>	<b>1,180,326</b>	<b>6,038,421</b>	<b>6,431,626</b>	<b>20,510,966</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	1,763,172	8,255,153	5,944,495	1,547,083	624,637	5,631	18,576	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 (restated)	-	386,383	561	854	79,486	61,679	406,079	935,042
<b>Total Liabilities</b>	<b>1,763,483</b>	<b>8,641,721</b>	<b>5,946,188</b>	<b>1,550,893</b>	<b>704,478</b>	<b>79,897</b>	<b>424,655</b>	<b>19,111,315</b>
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	1,399,651	1,399,651
<b>NET MATURITY MISMATCH</b>	<b>1,489,304</b>	<b>(6,635,380)</b>	<b>(5,385,117)</b>	<b>(510,499)</b>	<b>475,848</b>	<b>5,958,524</b>	<b>4,607,320</b>	<b>-</b>

9.0 Operational Risk Management (“ORM”) Disclosures

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:

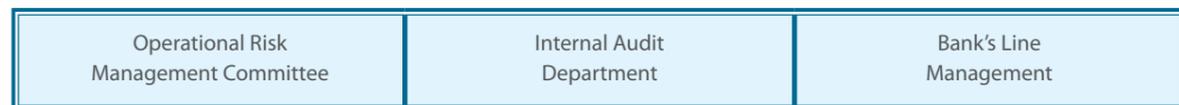
Table 29: ORM minimum capital requirement

	2013		2012	
	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	1,022,010	81,761	1,006,091	80,487
Bank	1,020,708	81,657	998,498	79,880

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 minimize 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.

9.0 Operational Risk Management (“ORM”) Disclosures (cont'd.)

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.

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.

9.0 Operational Risk Management (“ORM”) Disclosures (cont’d.)

Operational Risk Management (cont’d.)  
BCM Methodology (cont’d.)

**The Muamalat Operational Risk Solution (MORiS)**

The new implemented system is a tool in risk identification and assessment that provides centralized loss incidents database (IMDC) and indicators (KRI) to track the risk exposures overtime. Its objective is to improve monitoring and reporting for branches and departments through Risk & Control Self-Assessment (RCSA), Incident Management Data Collection (IMDC) and Key Risk Indicator (KRI). The scope of application is primarily intended to be used for the Operational Risk Management of the Bank. At the same time, it will become a single point of entry to aggregate and present the Directorial Dashboard covering the key areas of risk management. The system was completed and lauched on 27 March 2013.

**The life cycle of BCM**

Our practices of BCM life cycle comprise of the following:

- Analyzing 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

**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 organizational 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.

10.0 Shariah Governance Disclosures (cont’d.)

**Shariah Governance Structure**

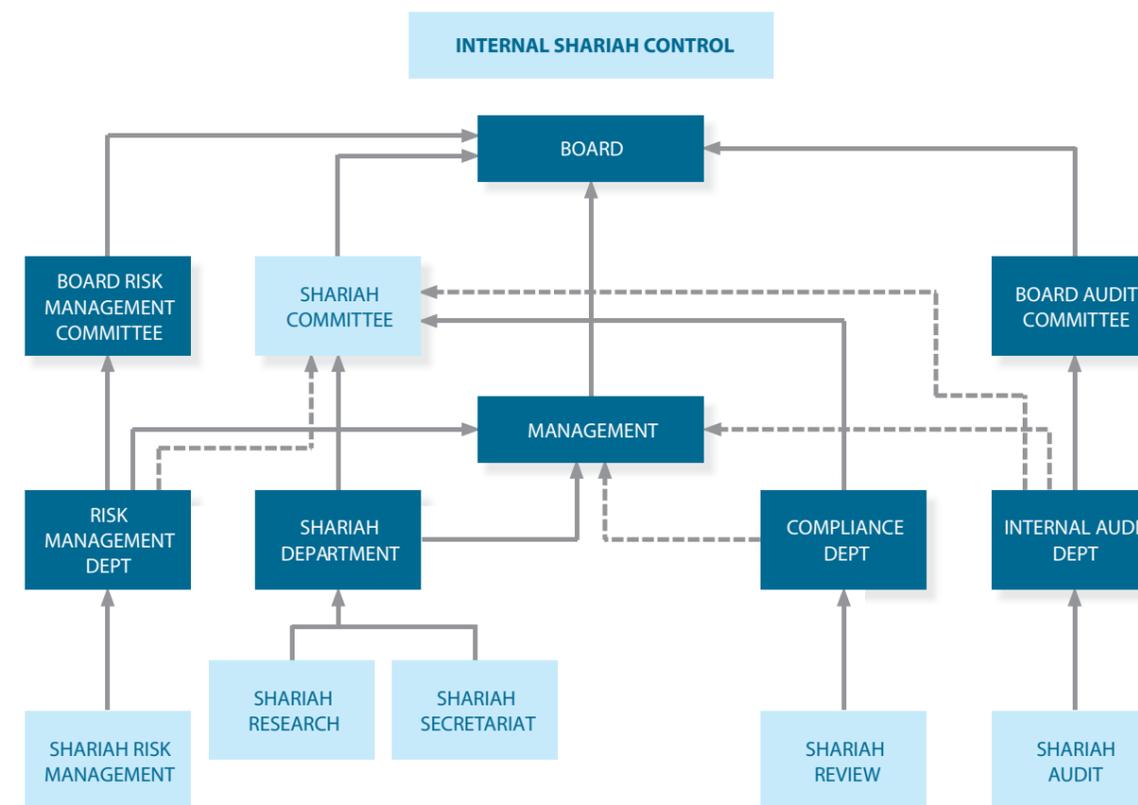
**Internal Shariah Control**

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.

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.)**

**Shariah Governance Structure (cont'd.)**

Shariah Risk Management Unit has developed Shariah Risk Management Framework ("SRMF") to ensure that the management of Shariah non-compliance risks in the Bank is of the highest standards in line with the SGF. SRMF is to govern and guide the Bank on the on-going development and enhancement of its Shariah risk management infrastructure. It forms the basic foundation upon which Shariah risk management policies are to be developed, Shariah risk management structure is to be operated in and Shariah risk management initiatives are to be carried out.

The Bank shall have in place an organizational structure and process in handling and managing Shariah Risk which involves the analysis of the Bank's risk exposure to such Shariah risks and proactively mitigate the risk. Towards achieving the objectives of the Shariah Risk Management, the Shariah Risk Management function is premise under the three (3) lines of defense namely the Business Unit, Risk Control Unit and Independent Assurance, as depicted below:

Table 31: Shariah risk management organisation structure



**1st Line of Defence: Risk Taking Units (RTU)**

This refers to the line management and individual staff in every business and support unit responsible to ensure compliance with the SC and SA's decisions in their functional areas.

- (a) Shariah Advisory & Secretariat and Shariah Research & Development of Shariah Department (SD); and
- (b) Business and Support Units/ Staff.

**2nd Line of Defence: Risk Control Units**

This refers to TWO (2) major gatekeepers of the Shariah risk event from being taken place:

- (a) Shariah Review and Compliance (SRC) of Compliance Department (CD); and
- (b) Shariah Risk Management Unit (SRMU) of Risk Management Department (RMD)

**3rd Line of Defence: Independent Assurance**

This refers to the Shariah Audit Section (SAS) function under the Internal Audit Department that shall be held responsible in providing an independent assurance to the Management and Board on the effectiveness and efficiency of the Shariah risk management overall structure and processes implemented by the Bank.

**Shariah Risk Management Strategy**

- (a) Effectively provides Shariah advisory and consultancy, in ensuring the compliance of all matters towards Shariah.
- (b) 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.
- (c) Enhance Shariah knowledge and produce competent staff via various series of training suited to specified participants, and conduct research and development.
- (d) Ensure that all the Group's and the Bank's activities and businesses are endorsed by the SC.
- (e) Communicate to the relevant personnel the decisions resolved at the SC level, circulars or guidelines issued by BNM or SeC pertaining to Shariah issues.
- (f) Identify, measure and recommend the solutions for the discrepancy/ies exist/s in the Group's and the Bank's.

Shariah Advisory and Secretariat, Shariah Research, Shariah Review and Compliance, Shariah Risk and Shariah Audit are the key organs that involve directly in managing the Shariah Risk.

**10.0 Shariah Governance Disclosures (cont'd.)**

**Rectification Process of Shariah Non-Compliance Income (SNCI)**

**Earning and Expenditure Prohibited by Shariah**

Policy on Management of Shariah Non-Compliant Income is formulated pursuant to the BNM Shariah Governance Framework for IFI to define the principles and practices to be applied by the Bank in managing its SNCI as per decided by SC .

SNCI is an income which generated from any transaction(s) that breaches to the governing Shariah principles and requirements determined by Shariah Committee (SC) of Bank Muamalat Malaysia Berhad and/ or with other Shariah Authorities (SA).

The SA are as follows:

- Shariah Advisory Council of Bank Negara Malaysia.
- Shariah Advisory Council of Securities Commission Malaysia.
- Any other relevant Shariah resolutions and rulings as prescribed and determined by the SC of the Bank from time to time.

The amount of SNCI and events decided by SC is as follows:

Shariah Non- compliant income (RM)	Shariah Non- compliant events
63,816	One (1) incident plus monthly income from Nostro account.

The reported SNCI has been fully utilised during the year by channelling the fund for charitable purposes as guided by SC of the Bank.

**Unidentified fund / Shubhah**

During the bank's daily operation, there are certain funds received by the bank where the source is not clear / uncertain. These sources of fund are not recognised as income and it's retained in the Maslahah Ammah account.

The utilisation of the fund follows the similar procedure set for the SNCI funds.

Example of unidentified funds are cash excess at teller and ATM machines and unidentified credit balances. Unidentified fund during the year was recorded at RM340,547.

# Branch Network

## Bank Muamalat Malaysia Berhad

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Calling from Local : 1300-88-8787  
Calling from Overseas : +603-2600 5500

## REGIONAL OFFICE FEDERAL TERRITORY

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Regional Office Federal Territory  
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43650 Bandar Baru Bangi, Selangor Darul Ehsan  
Tel : 03-8925 1654  
Fax : 03-8925 5894

## 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  
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No. 516-1, Batu 3, Jalan Ipoh,  
51200 Kuala Lumpur  
Tel : 03-4041 1885  
Fax : 03-4043 1467
- 4) JALAN TAR  
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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,  
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53100 Kuala Lumpur  
Tel : 03-4108 1160  
Fax : 03-4107 4625
- 6) BANDAR TASIK SELATAN  
No 14, Ground & 1st Floor,  
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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 & N. SEMBILAN

Bank Muamalat Malaysia Berhad  
Regional Office Selangor & N.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 Ehsan  
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: 03-6091 9045  
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  
Ground & First Floor,  
No. 1, Jalan USJ Sentral 2, USJ Sentral,  
47500 Subang Jaya, Selangor Darul Ehsan  
Tel : 03-8022 1664/8022 1725/ 8022 1726  
Fax : 03-8022 1729/ 8022 1730
- 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

## Negeri Sembilan

- 12) SEREMBAN  
Wisma Great Eastern,  
No. 105, 107 & 109, Jalan Yam Tuan,  
70000 Seremban, Negeri Sembilan  
Tel : 06-765 1506  
Fax : 06-762 7218

## KIOSK

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  
Fax : 03-5121 2766

## REGIONAL OFFICE NORTHERN

Bank Muamalat Malaysia Berhad  
Regional Office Northern,  
3rd Floor, No. 64, Lebuhr Pantai,  
10300 Georgetown, 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  
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  
Tel : 05-716 6737  
Fax : 05-716 7204
- 3) SITI AWAN  
Ground & 1st Floor,  
No. 392, Taman Samudera,  
32040 Seri Manjung, Perak.  
Tel : 05-688 4915  
Fax : 05-688 4931
- 4) TAIPING  
98-100, Ground & 1st Floor,  
Jalan Kota,  
34000 Taiping, Perak  
Tel : 05-807 8372  
Fax : 05-807 8375

## Kedah

- 5) ALOR SETAR  
Lot T-1, Ground & Mezzanine Floor,  
Wisma PKNK,  
Jalan Sultan Badlishah,  
05000 Alor Setar, Kedah  
Tel : 04-731 5722  
Fax : 04-731 5724

- 6) SOUQ AL-BUKHARY  
Ground Floor,  
Bazaar Souq Al-Bukhary,  
No. 1, Jalan Tun Abdul Razak,  
05200 Alor Setar, Kedah  
Tel : 04-731 5480  
Fax : 04-731 5546

- 7) KULIM  
No. 6, Bangunan Al-Ikhwan,  
Pusat Perniagaan Putra,  
Jalan Kilang Lama,  
09000 Kulim, Kedah  
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  
Tel : 04-420 4300 / 4301 / 4302  
Fax : 04-421 5007

## Pulau Pinang

- 9) BAYAN BARU  
No 24, 26 & 28,  
Ground & 1st Floor,  
Taman Seri Tunas, Jln Tengah,  
11950 Bayan Baru, Pulau Pinang  
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, Lebuhr Pantai,  
Georgetown,  
10300 Pulau Pinang.  
Tel : 04-262 0000 / 04-262 0266  
Fax : 04-2611700

## Perlis

- 13) KANGAR  
No. 11 & 13, Jalan Bukit Lagi,  
01000 Kangar, Perlis  
Tel : 04-976 4751  
Fax : 04-976 4799

## KIOSK

- 1) KEPALA BATAS  
Lot G-13A, Ground Floor,  
Pusat Perniagaan Dato' Kailan,  
13200 Kepala Batas, Pulau Pinang  
Tel : 04-575 4071 / 4018  
Fax : 04-575 4084
- 2) IPOH TERMINAL  
Lot No 25, Ground Floor,  
Ipoh City Integrated Bus Terminal Complex,  
Persiaran Meru Raya 5,  
Bandar Meru Raya,  
30020 Ipoh, Perak  
Tel : 05-5273275, 05-5273276 (General Line)  
Fax : 05-5273277

## 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  
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  
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  
Tel : 09-747 3187  
Fax : 09-747 3230
- 6) JELI  
Ground & First Floor,  
No. PT4646, Lot 2003,  
PN 3523,17600 Bandar Jeli, Kelantan  
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,  
28000 Temerloh, 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  
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, Jalan Cheng Baru,  
Taman Cheng Baru,  
75250 Melaka  
Tel : 06-312 5086  
Fax : 06-312 5091

## Johor

- 3) JOHOR BAHRU  
Ground & 1st Floor, Lot 1 & 2,  
Kebun Teh Commercial City,  
Jalan Kebun Teh,  
80250 Johor Bahru, Johor  
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  
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  
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  
Tel : 07-357 7451  
Fax : 07-355 8106
- 7) KLUANG  
No. 1, Jalan Persiaran Dato' Haji Ismail Hassan,  
86000 Kluang, Johor  
Tel : 07-772 2487  
Fax : 07-774 4419
- 8) KULAI  
No. 32, Jalan Sri Putra 1,  
Bandar Putra,  
81000 Kulai, Johor  
Tel : 07-662 1570  
Fax : 07-663 8496
- 9) SEGAMAT  
No. 37 & 38, Jalan Genuang Perdana,  
Taman Genuang Perdana,  
85000 Segamat, Johor  
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  
Tel : 07-520 6875  
Fax : 07-520 5503

## KIOSK

- 1) JOHOR BHARU SENTRAL TERMINAL  
SK05, 3rd Floor  
JB Sentral Terminal  
Jalan Lingkaran Dalam  
80300 Johor Bahru, Johor  
Tel : 07-2212397  
Fax : 07-2211597
- 2) PASIR GUDANG  
L3,-188, Kompleks Pusat Bandar Pasir Gudang,  
Jalan Bandar,  
81700 Pasir Gudang, Johor  
Tel : 07-252 1350 / 1421  
Fax : 07-252 1094
- 3) SG. UDANG  
No. 11, Jalan Kerambit 1  
Bandar Baru Sungai Udang  
76300 Sungai Udang, Melaka  
Tel : 06-3515700  
Fax : 06-3513703

## 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 / 025 / 026  
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 / 129 / 881  
Fax : 088-239 128
- 5) LABUAN  
UO 114, Ground Floor,  
Jalan OKK Awang Besar, 87000  
Wilayah Persekutuan Labuan  
Tel : 087-424 190  
Fax : 087-424 204

## KIOSK

- 1) PUTATAN  
Lot G14, Ground Floor,  
One Place Mall@ Putatan Square,  
88200 Kota Kinabalu, Sabah  
Tel : 088-779 601 / 602  
Fax : 088-779 603

**Bank Muamalat Malaysia Berhad** (6175-W)

Menara Bumiputra, Jalan Melaka

50100 Kuala Lumpur

[www.muamalat.com.my](http://www.muamalat.com.my)