Serial No.

STRICTLY PRIVATE AND CONFIDENTIAL

AmIslamic Bank

AmISLAMIC BANK BERHAD

(Company No. 295576-U)

INFORMATION MEMORANDUM

IN RELATION TO THE PROPOSED ISSUE OF, OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR PURCHASE OF UP TO RM3.0 BILLION IN NOMINAL VALUE SUBORDINATED SUKUK MURABAHAH ("SUBORDINATED SUKUK MURABAHAH") UNDER A SUBORDINATED SUKUK MURABAHAH PROGRAMME ("SUBORDINATED SUKUK MURABAHAH PROGRAMME")

Principal Adviser, Lead Arranger and Lead Manager

AmInvestment Bank

(Company No. 23742-V)

This Information Memorandum is dated 25 February 2014

ELECTRONIC DISCLAIMER

Please find attached an electronic copy of the information memorandum dated 25 February 2014 (the "**Information Memorandum**") relating to the proposed issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of up to RM3.0 billion in nominal value of subordinated sukuk murabahah ("**Subordinated Sukuk Murabahah**") under a Subordinated Sukuk Murabahah programme by AmIslamic Bank Berhad (Company No. 295576-U) (the "**Issuer**").

This Information Memorandum is strictly confidential and does not constitute an offer to subscribe for or purchase of any of the securities described herein or any invitation to subscribe for or purchase any of the securities to any person or to the public generally other than to the intended recipient. Distribution or reproduction in any manner and form of the Information Memorandum to any persons, other than the person (and such person's directors, officers, employees, affiliates and agents and any person retained by such person to advise it) receiving the electronic transmission from AmInvestment Bank Berhad (Company No. 23742-V) (the "**Lead Arranger/Lead Manager**") and/or the Issuer and/or the Lead Arranger/Lead Manager's and the Issuer's respective directors, officers, employees, affiliates and agents is unauthorised. The person receiving the electronic transmission from the Lead Arranger/Lead Manager and/or the Issuer and/or the Lead Arranger/Lead Manager's and the Issuer's respective directors, officers, employees, affiliates and agents is prohibited from disclosing the Information Memorandum or any of its contents in any manner or form, altering the contents of the Information Memorandum or forwarding a copy of the Information Memorandum or any portion thereof by electronic mail or otherwise to any other person save for the recipient's directors, officers, employees, affiliates and agents and advisers identified above.

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RESPONSIBILITY STATEMENT

The directors of AmIslamic Bank Berhad ("**AmIslamic**" or "**the Bank**" or "**the Issuer**") have given approval for the issuance of an Information Memorandum ("**IM**") relating to the issuance of tier 2 subordinated sukuk ("**Subordinated Sukuk Murabahah**") pursuant to a Subordinated Sukuk Murabahah issuance programme of up to RM3.0 billion in nominal value based on the Shariah principles of Murabahah ("**Subordinated Sukuk Murabahah Programme**"). AmIslamic accepts full responsibility for the accuracy of the information contained in this IM. AmIslamic confirms that, to the best of its knowledge and belief: (a) this IM contains all information with respect to AmIslamic that is material in the context of the purpose for which this IM is issued; (b) the information and data contained in this IM are true, accurate and not misleading in all material respects; and (c) there is no material omission of any information and data from this IM. Enquiries have been made by AmIslamic to ascertain that all material facts have been disclosed and to verify the accuracy of all information and statements in this IM.

ACKNOWLEDGEMENT

AmIslamic hereby acknowledges that it has authorised AmInvestment Bank Berhad ("**AmInvestment Bank"** or "**Lead Arranger/Lead Manager**") to circulate or distribute this IM on its behalf in respect of the issuance of Subordinated Sukuk Murabahah pursuant to a Subordinated Sukuk Murabahah Programme to prospective investors and that no further evidence of authorisation is required.

IMPORTANT NOTICE

AmIslamic has prepared this IM which is being provided on a confidential basis to potential investors in relation to the issuance of Subordinated Sukuk Murabahah pursuant to a Subordinated Sukuk Murabahah Programme.

The Securities Commission ("**SC**") has approved and authorised the issuance of the Subordinated Sukuk Murabahah vide its letter dated 11 February 2014 pursuant to Sections 214 and 256C of the Capital Markets and Services Act, 2007, as amended from time to time ("**CMSA**"). Such approval and authorisation shall not be taken to indicate that the SC recommends the subscription or purchase of the Subordinated Sukuk Murabahah.

The Subordinated Sukuk Murabahah may not be offered, sold, transferred or otherwise disposed of, directly or indirectly, nor may any document or other material in connection therewith including this IM be distributed, in Malaysia other than to persons to whom an offer or invitation to subscribe for the Subordinated Sukuk Murabahah and to whom the Subordinated Sukuk Murabahah are issued, at the point of issuance of the Subordinated Sukuk Murabahah, would fall within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Subordinated Sukuk Murabahah would constitute an excluded issue, excluded offer or excluded invitation pursuant to Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA (as amended from time to time), and after the point of issuance of the Subordinated Sukuk Murabahah, would fall within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Subordinated Sukuk Murabahah would constitute an excluded offer or excluded invitation pursuant to Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA (as amended from time to time).

It is a condition precedent of the Subordinated Sukuk Murabahah Programme that the Issuer shall have obtained a minimum long-term rating of AA_3 for the Subordinated Sukuk Murabahah Programme from RAM Rating Services Berhad ("**RAM Ratings**") for the first issuance. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by RAM Ratings.

This IM may not be, in whole or in part, reproduced or used for any other purpose, or shown, given, copied to or filed with any other person including, without limitation, any government or regulatory authority except with the prior written consent of AmIslamic or as required under Malaysian laws, regulations or guidelines.

The persons preparing this IM have made all enquiries as were reasonable in the circumstances and after making such enquiries, have reasonable grounds to believe and do believe up to the time of the issue of this IM that the information herein is true and not misleading and there is no material omission therefrom. This IM and any document delivered under or in relation to the Subordinated Sukuk Murabahah Programme are not, and should not be construed as a recommendation by AmIslamic, AmInvestment Bank and/or any other party to subscribe for or purchase the Subordinated Sukuk Murabahah. Further, the information contained herein should not be read as a representation or warranty, express or implied, as to the merits of the Subordinated Sukuk Murabahah or the purchase thereof. This IM is not a substitute for, and should not be regarded as, an independent evaluation and analysis. Each recipient should perform and is deemed to have made his/her/its own independent investigation and analysis of AmIslamic, the Subordinated Sukuk Murabahah and all other relevant matters, including but not limited to the information and data set out in this IM, and each recipient should consult its own professional advisers.

No representation, warranty or undertaking, express or implied, is given or assumed by the Lead Arranger/Lead Manager as to the authenticity, origin, validity, accuracy or completeness of the information and data set out in this IM or that such information or data will remain unchanged in any respect after the relevant date shown in this IM. The Lead Arranger/Lead Manager has not accepted and will not accept any responsibility for the information and data contained in this IM or otherwise in relation to the Subordinated Sukuk Murabahah Programme and shall not be liable for any consequences of reliance on any of the information or data in this IM except as provided by Malaysian laws.

This IM has not been and will not be made to comply with the laws of any jurisdiction outside Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authority or other relevant body of) any Foreign Jurisdiction and it does not constitute an offer of, or an invitation to subscribe for or purchase the Subordinated Sukuk Murabahah or any other securities of any kind by any party in any Foreign Jurisdiction. This IM is not and is not intended to be a prospectus.

By accepting delivery of this IM, each recipient agrees to the terms upon which this IM is provided to such recipient as set out in this IM, and further agrees and confirms that: (a) it will keep confidential all information and data contained in this IM; (b) it is lawful for the recipient to receive this IM and to subscribe for, purchase or in any other way to receive the Subordinated Sukuk Murabahah under all jurisdictions to which the recipient is subject; (c) it will comply with all the applicable laws in connection with such subscription, purchase or acceptance of the Subordinated Sukuk Murabahah; (d) AmIslamic , the Lead Arranger/Lead Manager and all other parties involved in the preparation of this IM and their respective directors, officers, employees, agents and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of the subscription, purchase or acceptance of the Subordinated Sukuk Murabahah by the recipient and they shall not have any responsibility or liability in the event that such subscription or acceptance of the Subordinated Sukuk Murabahah is or shall become unlawful, unenforceable, voidable or void; (e) it is aware that the Subordinated Sukuk Murabahah can only be transferred or otherwise disposed of in accordance with the relevant selling restrictions and all applicable laws; (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Subordinated Sukuk Murabahah and is able and prepared to bear the economic and financial risks of investing in or holding the Subordinated Sukuk Murabahah; and (g) it, at the point of issuance of the Subordinated Sukuk Murabahah, falls within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Subordinated Sukuk Murabahah would constitute an excluded issue, excluded offer or excluded invitation pursuant to Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA (as amended from time to time), and after the point of issuance of the Subordinated Sukuk Murabahah, falls within one or more of the categories of persons to whom an offer or invitation to subscribe for or purchase the Subordinated Sukuk Murabahah would constitute an excluded offer or excluded invitation pursuant to Schedule 6 (or Section 229(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA (as amended from time to time). For the avoidance of doubt, this IM shall not constitute an offer or invitation to subscribe or purchase the Subordinated Sukuk Murabahah in relation to any recipient who does not fall within item (g) above.

Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject at its own cost and expense.

Neither the delivery of this IM nor the offering, sale or delivery of any Subordinated Sukuk Murabahah shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof, or any date(s) indicated herein, or that any other information supplied in connection with the Subordinated Sukuk Murabahah is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Arranger/Lead Manager expressly does not undertake to advise any investor of the Subordinated Sukuk Murabahah of any information coming to its attention subsequent to the date hereof. The recipient of this IM or the potential investors should review, inter alia, the most recently published documents incorporated by reference into this IM when deciding whether or not to purchase any Subordinated Sukuk Murabahah.

This IM includes certain historical information and reports thereon derived from sources believed to be reliable and other publicly available information. Such information and reports have been included solely for illustrative or informational purposes. No representation or warranty is made as to the accuracy of any information and report thereon derived from such and other third party sources.

This IM includes “forward-looking statements”. These statements include, among other things, disclosure of AmIslamic’s business strategy and expectation concerning its position in the Malaysian economy, future operations, liquidity, financial position and settlement of indebtedness. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may affect actual outcomes, many of which are outside the control of AmIslamic. All these statements are based on assumptions made by AmIslamic that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of AmIslamic to be materially different from that expected or indicated by such statements and no assurance is given that any of such statements will be realised. Therefore, the contingencies and inherent uncertainties underlying such information should be carefully considered by investors and the inclusion of a forward-looking statement in this IM is not a representation or warranty by AmIslamic or any other person that the plans and objectives of AmIslamic will be achieved. Further, such parties are not under any obligation to update or revise such forward-looking statements to reflect any change in expectations or circumstances. Any difference in the expectations of AmIslamic and its actual performance may result in AmIslamic’s financial and operating performance and plans being materially different from those anticipated.

The information in this IM supersedes all other information and materials previously supplied (if any) to the recipients. By taking possession of this IM, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this IM and, if given or made, any such information, data, representation or warranty must not be relied upon as having been authorised by the Issuer, the Lead Arranger/Lead Manager or any other persons.

All discrepancies (if any) in the tables included in this IM between the listed amounts and totals thereof are due to, and certain numbers appearing in this IM are shown, after rounding off.

AmInvestment Bank (backed by AmIslamic Bank Shariah Committee) and Amanie Advisors Sdn Bhd as the Shariah advisers (collectively the “**Joint Shariah Advisers**”), have approved the structure and mechanism of the Subordinated Sukuk Murabahah and their compliance with Shariah principles. However, the approval is only an expression of the view of the Joint Shariah Advisers based on their extensive experience in the subject. There can be no assurance as to the Shariah permissibility of the structure of the issue and the trading of the Subordinated Sukuk Murabahah and none of the Issuer and the Lead Arranger/Lead Manager makes any representation as to the same. Investors are reminded that, as with any Shariah views, differences in opinion are possible. Investors are advised to obtain their own independent Shariah advice as to whether the structure meets their individual standards of compliance and make their own determination as to the tradability of the Subordinated Sukuk Murabahah on any secondary market.

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DOCUMENTS INCORPORATED BY REFERENCE

All information and statements herein are subject to the detailed provisions of the respective agreements referred to herein and are qualified in their entirety by reference to such documents.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION

This IM will be lodged with the SC who takes no responsibility for its contents. Such lodgement shall not be taken to indicate that the SC recommends the Subordinated Sukuk Murabahah. The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statement, opinion or report contained in this IM.

CONFIDENTIALITY

This IM and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. Accordingly, this IM and its contents, or any information, which is made available to the recipient in connection with any further enquiries, must be held in complete confidence.

In the event that there is any contravention of the confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, AmIslamic may, at its discretion, apply for any remedy available to AmIslamic whether at law or equity, including without limitation, injunctions. AmIslamic is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered by it in this regard. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisers, directors, employees and any other persons who may receive this IM (or any part of it) from the recipient.

The recipient must return this IM and all reproductions thereof whether in whole or in part and any other information in connection therewith to the Lead Arranger/Lead Manager promptly upon the request of the Lead Arranger/Lead Manager, unless the recipient provides proof of a written undertaking satisfactory to the Lead Arranger/Lead Manager with respect to destroying these documents as soon as reasonably practicable after the said request from the Lead Arranger/Lead Manager.

PRIVACY NOTICE

Pursuant to the Personal Data Protection Act 2010 which came into force on 15 November 2013, AmIslamic and AmInvestment Bank are required to issue Privacy Notice to any person for the use and processing of personal information of such person. The Privacy Notice is enclosed herewith as Appendix II.

In respect of a person which is a body corporate, the consent and authority of their directors, shareholders, authorised signatories and officers are deemed to have been duly obtained to provide the personal data (as defined under the Personal Data Protection Act 2010) as required by AmIslamic and AmInvestment Bank.

EACH ISSUE OF THE SUBORDINATED SUKUK MURABAHAH WILL CARRY DIFFERENT RISKS. INVESTORS MUST RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN ANY ISSUE OF THE SUBORDINATED SUKUK MURABAHAH. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR OWN LEGAL, FINANCIAL, SHARIAH AND OTHER ADVISERS BEFORE PURCHASING OR ACQUIRING THE SUBORDINATED SUKUK MURABAHAH.

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GLOSSARY OF DEFINITION

For the purpose of this IM, unless otherwise indicated, the following definitions shall apply:

Act	:	The Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
AMMB	:	AMMB Holdings Berhad (Company No. 223035-V)
AMMB Group	:	AMMB and its subsidiaries
AmBank	:	AmBank (M) Berhad (8515-D)
AmBank Group	:	AmBank and its subsidiaries
Amcorp	:	Amcorp Group Berhad (Company No. 1166-T)
AMFB	:	AMFB Holdings Berhad (Company No. 5493-X)
AmIslamic or **the Bank** or **the Issuer**	:	AmIslamic Bank Berhad (Company No. 295576-U)
AmInvestment Bank	:	AmInvestment Bank Berhad (23742-V)
ANZ	:	Australia and New Zealand Banking Group Limited (Company No. 005 357 522)
ANZ Funds	:	ANZ Funds Pty Ltd (Company No. 004 594 343), a wholly-owned subsidiary of ANZ
ATMs	:	Automated Teller Machines
BAFIA	:	The Banking and Financial Institutions Act, 1989 (which Act has since been repealed)
Basel III	:	Collectively, two (2) documents released by the Basel Committee on Banking Supervision on 16 December 2010 namely (i) “Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems”; and (ii) “Basel III: International Framework for Liquidity Risk Management, Standards and Monitoring”; and a press release dated 13 January 2011 entitled “Basel Committee issues final elements of the reforms to raise the quality of regulatory capital”.

BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of AmIslamic
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CMSA	:	The Capital Markets and Services Act, 2007 or any statutory modification, amendment or re-enactment thereof for the time being in force
CQMs	:	Cheque Scanning Machines
EBCs	:	Electronic Banking Channels
EGM	:	Extraordinary General Meeting
FYE	:	Financial Year Ended /Financial Year Ending
IBA	:	The Islamic Banking Act, 1983 (which Act has since been repealed)
IFSA	:	The Islamic Financial Services Act, 2013
IT	:	Information Technology
PBT	:	Profit Before Tax
PIDM	:	Perbadanan Insurans Deposit Malaysia or Malaysia Deposit Insurance Corporation
RAM Ratings	:	RAM Rating Services Berhad (Company No. 763588-T)
RM	:	Ringgit
SC	:	The Securities Commission of Malaysia
Subordinated Sukuk Murabahah	:	Subordinated Sukuk Murabahah issued pursuant to the Subordinated Sukuk Murabahah Programme
Sukukholders	:	The holders of the Subordinated Sukuk Murabahah

Subordinated Sukuk Murabahah Programme	:	Proposed Subordinated Sukuk Murabahah issuance programme of up to RM3.0 billion in nominal value of tier 2 subordinated sukuk based on the Shariah principles of Murabahah
SMEs	:	Small and Medium Enterprises
Sukuk Trustee	:	Malaysian Trustees Berhad (Company No. 21666-V)
Trust Deed	:	The trust deed entered or to be entered into between the Issuer and the Sukuk Trustee constituting the Subordinated Sukuk Murabahah
TSAH	:	Tan Sri Azman Hashim

All references to, “we”, “us”, “our” and any derivative thereof in this IM refer to AmIslamic.

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1. EXECUTIVE SUMMARY

The executive summary set out hereunder is a summary of information on the Issuer and the Subordinated Sukuk Murabahah Programme. Investors should read and understand the whole IM prior to deciding whether or not to invest in the Subordinated Sukuk Murabahah. The executive summary should be read in conjunction with the full text of this IM.

1.1 Background Information on AmIslamic

AmIslamic is a public limited company incorporated in Malaysia under the Act on 14 April 1994. AmIslamic is a wholly-owned subsidiary of AMMB.

AmIslamic was incorporated as Arab-Malaysian Bank Berhad to acquire the commercial banking business of the Malaysian branch of the Bank of America (Asia) Limited, then operating under the name of Security Pacific Asian Bank Limited, Kuala Lumpur Branch ("**SPABL**").

On 1 August 1994, Arab-Malaysian Bank Berhad completed the acquisition of the business of SPABL and commenced operations as a locally incorporated commercial bank before changing its name to AmBank Berhad on 14 June 2002.

On 1 June 2005, the banking business of AmBank Berhad was vested in AmFinance Berhad (now known as AmBank (M) Berhad) pursuant to the vesting order of the High Court of Malaya dated 18 May 2005 issued under section 50 of the BAFIA. Thereafter, AmBank Berhad surrendered its commercial banking licence to the Ministry of Finance and ceased to be a commercial banking institution.

On 16 September 2005, AmBank Berhad was renamed AMBB Capital Berhad. On 21 February 2006, AMBB Capital Berhad was renamed AmIslamic Bank Berhad.

On 1 May 2006, AmIslamic commenced operations as an Islamic banking institution under the IBA after AmBank transferred all of its Islamic banking and financial businesses to AmIslamic pursuant to the vesting order of the High Court of Malaya dated 18 April 2006 issued under section 50 of the BAFIA.

AmIslamic is a financial institution licensed under the IFSA to undertake the provision of banking and financial services which includes financing and advances, deposit services, credit cards, remittance services and foreign exchange services which are Shariah-compliant in nature.

On 28 February 2011, as part of AMMB Group's ongoing capital management strategy and an internal reorganisation exercise relating to the shareholding structure of AMMB's banking subsidiaries, AMMB acquired the 100% equity interest held by AmBank in AmIslamic, resulting in AmIslamic becoming directly held by AMMB.

As at 31 January 2014, the authorised share capital of AmIslamic is RM2,000,000,000 comprising 2,000,000,000 ordinary shares of RM1.00 each, of which 462,922,000 ordinary shares of RM1.00 each were issued and fully paid-up.

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1.2 Description of the Transaction and Structure of the Subordinated Sukuk Murabahah Programme

The Subordinated Sukuk Murabahah Programme provides flexibility for the Issuer to issue, from time to time, Subordinated Sukuk Murabahah during the availability period of the Subordinated Sukuk Murabahah Programme of up to twenty-five (25) years from the date of the first issuance under the Subordinated Sukuk Murabahah Programme ("**Availability Period**"), provided that the aggregate outstanding amount of the Subordinated Sukuk Murabahah shall not at any time exceed RM3.0 billion in nominal value.

During this Availability Period of the Subordinated Sukuk Murabahah Programme, the Issuer has the option to issue the Subordinated Sukuk Murabahah with maturity of at least five (5) years from the issue date subject to the Call Option (as defined in Section 2 of this IM).

A tranche of the Subordinated Sukuk Murabahah is callable on any periodic profit payment date after a minimum period of five (5) years from the date of issue of such tranche ("**Call Date**"), at the option of the Issuer and subject to the Redemption Conditions (as defined in section 2 of this IM) being satisfied.

None of the Subordinated Sukuk Murabahah shall carry a maturity date extending beyond the expiry of the tenure of the Subordinated Sukuk Murabahah Programme.

The Subordinated Sukuk Murabahah, which are fully Basel III-compliant, will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority in payment, to depositors and general creditors of the Issuer, to the extent and in the manner provided for in the Subordinated Sukuk Murabahah, ranking pari passu and without any preference among themselves. In the event of winding-up and liquidation of the Issuer, the payment obligations of the Issuer under the Subordinated Sukuk Murabahah will be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinated to the Subordinated Sukuk Murabahah.

The Subordinated Sukuk Murabahah may be subject to a Contingent Write-off on the occurrence of a Trigger Event (as defined in section 2 of this IM). When Contingent Write-off is triggered, the full principal amount of the Subordinated Sukuk Murabahah will automatically be written-off and will be cancelled.

The Subordinated Sukuk Murabahah shall be issued at par or at a premium (but not at a discount) to nominal value.

The Subordinated Sukuk Murabahah may be issued via a direct/private placement or bought deal basis or book building on a best efforts basis without prospectus.

<u>The underlying transaction of the Subordinated Sukuk Murabahah Programme</u>

The Sukuk Murabahah will be issued under the Shariah principles of Murabahah based on commodity trading (via a Tawarruq arrangement).

The issuance of each tranche of the Subordinated Sukuk Murabahah from time to time under the Subordinated Sukuk Murabahah Programme shall be effected as follows:

1. The Sukuk Trustee (on behalf of the holders of the Subordinated Sukuk Murabahah ("**Sukukholders**")) and AmIslamic shall enter into a Service Agency Agreement, pursuant to which AmIslamic (in such capacity, the "**Purchase Agent**") is appointed as the agent of the Sukukholders for the purchase and sale of Shariah-compliant commodities ("**Commodities**"). The Purchase Agent will then enter into a Facility Agency Agreement to appoint the Facility Agent as the sub-purchase agent (in such capacity, the "**Sub-Purchase Agent**") for the purchase and sale of Commodities under the Subordinated Sukuk Murabahah Programme.

2. Pursuant to a Commodities Murabahah Master Agreement, AmIslamic (in such capacity, the "**Purchaser"**) issues a purchase order (the "**Purchase Order**") to the Purchase Agent, and subsequently thereafter, the Purchase agent issues the Purchase Order to the Sub-Purchase Agent. In the Purchase Order, AmIslamic (acting as purchaser for itself) will request the Purchase Agent, and subsequently, the Purchase Agent will request the Sub-Purchase Agent to purchase the Commodities. The Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sub-Purchase Agent at a deferred sale price ("**Deferred Sale Price**") which shall be the Purchase Price (as defined below) plus the profit margin.

3. Based on the Purchase Order, the Sub-Purchase Agent (pursuant to the Commodity Trading Participant ("**CTP**") Purchase Agreement entered into between the Sub-Purchase Agent and the CTP), will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila' commodity market (through a CTP) at a purchase price ("**Purchase Price**") which shall be an amount equivalent to the Subordinated Sukuk Murabahah proceeds.

4. AmIslamic (acting as the Issuer) shall issue Subordinated Sukuk Murabahah whereby the proceeds shall be used to pay for the Purchase Price of the Commodities. The Subordinated Sukuk Murabahah shall evidence, amongst others, the Sukukholders' ownership of the Commodities and subsequently, once the Commodities are sold to AmIslamic (as the Purchaser for itself), the entitlement to receive the Deferred Sale Price.

5. Thereafter, pursuant to the undertaking under the Purchase Order, the Sub-Purchase Agent (acting on behalf of the Purchase Agent) shall sell the Commodities to AmIslamic (acting as Purchaser for itself) at the Deferred Sale Price under the Sale and Purchase Agreement.

6. Subsequently thereafter, AmIslamic (pursuant to the CTP Sale Agreement entered into between AmIslamic (acting as Purchaser for itself) and the CTP) shall sell the Commodities to Bursa Malaysia Islamic Services Sdn. Bhd. (through the CTP) on a spot basis for an amount equal to the Purchase Price. The CTP Sale Agreement will provide for the CTP to directly sell the Commodities into Bursa Malaysia Islamic Services Sdn. Bhd. upon notice by the Sub-Purchase Agent that the Sale and Purchase Agreement has been completed and executed.

7. During the tenure of the Subordinated Sukuk Murabahah, AmIslamic (as part of its obligation to pay the Deferred Sale Price) shall make Periodic Profit Payments (as defined in section 2 of this IM) to the Sukukholders. Upon maturity, AmIslamic shall pay all amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled. Upon the declaration of an event of default or early redemption upon the exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption (as defined in Section 2 of this IM), AmIslamic shall pay amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled.

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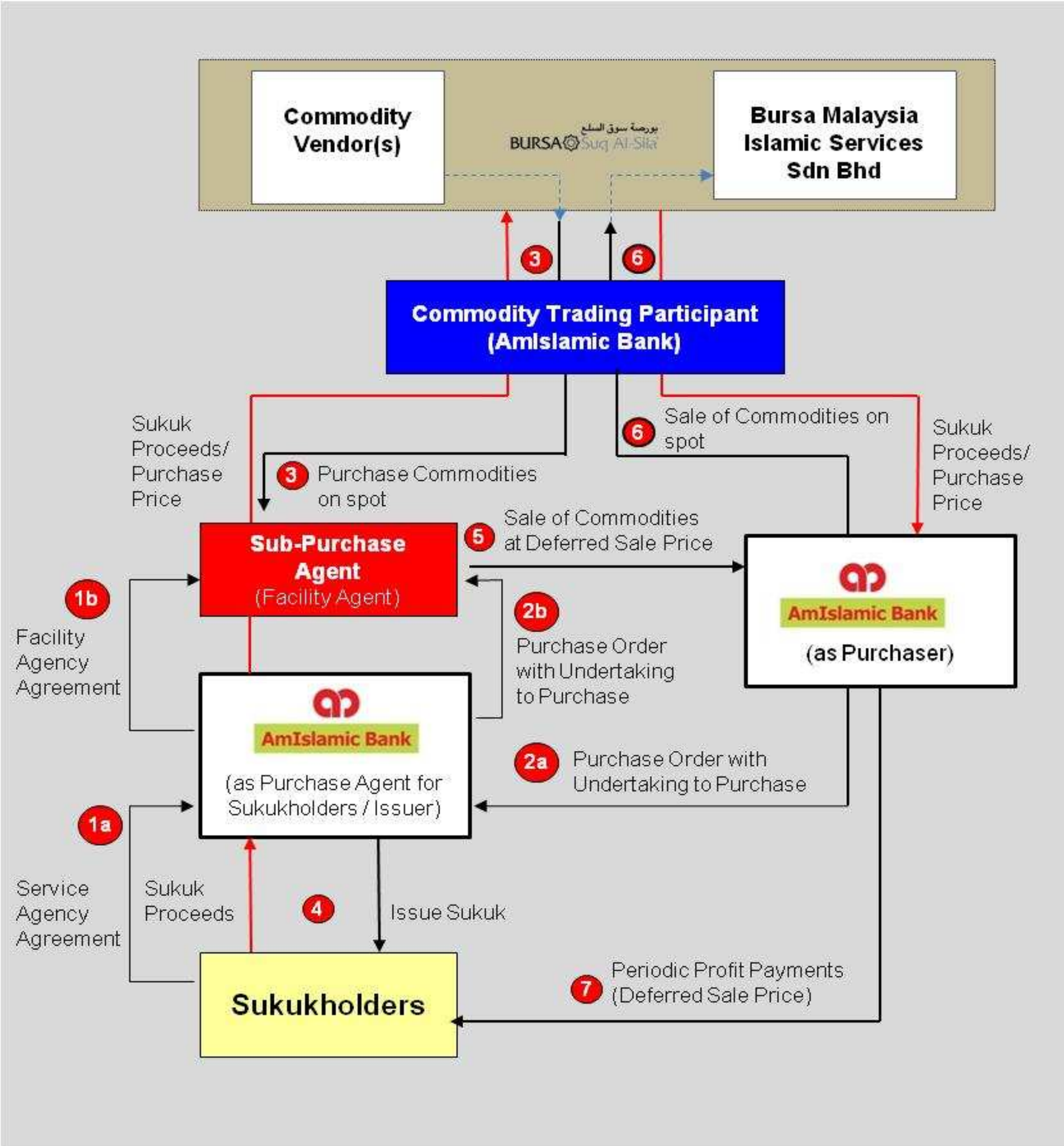
A diagrammatical structure of the Subordinated Sukuk Murabahah Programme transaction is as set out below:-



The summary of the principal terms and conditions of the Subordinated Sukuk Murabahah Programme is as set out in Section 2 of this IM.

1.3 Details of Utilisation of Proceeds

The proceeds of the issuance of the Subordinated Sukuk Murabahah shall made available to the Issuer, without limitation, for its working capital, general banking purposes and refinancing its outstanding capital instruments, all of which shall be Shariah-compliant.

1.4 Rating of the Subordinated Sukuk Murabahah Programme

RAM Ratings has assigned a long-term rating of AA_3 to the Subordinated Sukuk Murabahah Programme.

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1.5 Selling Restrictions

At issuance

The Subordinated Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed, directly or indirectly, to a person to whom an offer or invitation to subscribe for the Subordinated Sukuk Murabahah and to whom the Subordinated Sukuk Murabahah are issued would fall within Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)); read together with Schedule 9 (or Section 257(3)) of the CMSA, as amended from time to time.

After issuance

The Subordinated Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed, directly or indirectly, to a person to whom an offer or invitation to subscribe for the Subordinated Sukuk Murabahah and to whom the Subordinated Sukuk Murabahah are issued would fall within Schedule 6 (or Section 229(1)(b)); read together with Schedule 9 (or Section 257(3)) of the CMSA, as amended from time to time.

1.6 Approvals Required

The Subordinated Sukuk Murabahah Programme has been approved by BNM and approved and authorised by the SC vide their letters dated 21 October 2013 and 11 February 2014 respectively.

1.7 Conflict of Interest and Appropriate Mitigating Measures

AmInvestment Bank

Save as disclosed below, after making enquiries as were reasonable in the circumtances, AmInvestment Bank is not aware of any circumstances that would give rise to a conflict of interest.

AmInvestment Bank and AmIslamic are both subsidiaries of AMMB. As such, AmInvestment Bank and AmIslamic are deemed to be related corporations.

Potential conflict of interest situations may arise on the part of AmInvestment Bank in terms of duties owed to potential investors on the one hand and its relationship with AmIslamic on the other.

The following are existing mitigating measures or measures that will be adopted by AmInvestment Bank in order to mitigate or address the potential conflict of interest situations set out above:

(i) Messrs Adnan Sundra & Low, an external independent legal counsel, has been appointed to conduct a legal due diligence inquiry on AmIslamic;

(ii) the Subordinated Sukuk Murabahah will be issued by way of a direct placement or bought deal or book-running basis whereby pricing of the Subordinated Sukuk Murabahah will be market-driven; and

(iii) AmInvestment Bank, in all its appointed roles in respect of the Subordinated Sukuk Murabahah Programme, has considered the factors involved and believes that its objectivity and independence in carrying out its various roles have been/will be maintained at all times for the following reasons:

    (aa) AmInvestment Bank is a licensed investment bank and its appointment as the Principal Adviser, Lead Arranger, Lead Manager, Facility Agent and Shariah Adviser (backed by AmIslamic Bank Shariah Committee, on a joint-role basis with Amanie Advisors Sdn Bhd) in respect of the Subordinated Sukuk Murabahah Programme is in the ordinary course of its business;

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(bb) the conduct of AmInvestment Bank is regulated strictly by BNM and the SC and governed under, amongst others, the Financial Services Act, 2013, the IFSA (for its Islamic banking business only) and the CMSA, and AmInvestment Bank has in place its own internal policies, controls and checks with regard to transactions involving its related corporations; and

(cc) save for the professional fees charged in relation to the Subordinated Sukuk Murabahah Programme, AmInvestment Bank will not be deriving any other monetary benefits from the Subordinated Sukuk Murabahah Programme outside its aforesaid roles.

The potential conflict of interest situations have been brought to the attention of the Board and hence, the Board is fully aware of the same. The Board has confirmed that having considered the above situation, they intend to proceed with the appointment of AmInvestment Bank as the Principal Adviser, Lead Arranger, Lead Manager, Facility Agent and Shariah Adviser (backed by AmIslamic Bank Shariah Committee, on a joint-role basis with Amanie Advisors Sdn Bhd) of the Subordinated Sukuk Murabahah Programme.

Messrs Adnan Sundra & Low

After making enquiries as were reasonable in the circumstances, Messrs Adnan Sundra & Low has confirmed that it is not aware of any circumstances that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the solicitors in relation to the Subordinated Sukuk Murabahah Programme.

Malaysian Trustees Berhad

After making enquiries as were reasonable in the circumstances, Malaysian Trustees Berhad has confirmed that it is not aware of any circumstances that would give rise to a conflict of interest or potential conflict of interest situation in its capacity as the sukuk trustee in relation to the Subordinated Sukuk Murabahah Programme.

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2. PRINCIPAL TERMS AND CONDITIONS OF THE SUBORDINATED SUKUK MURABAHAH PROGRAMME

Words and expressions used and defined in this section shall, in the event of inconsistency with the definitions section of this IM, only be applicable for this section.

Note: This section sets out verbatim the principal terms and conditions of the Subordinated Sukuk Murabahah Programme approved and authorised by the SC vide its letter dated 11 February 2014.

1. BACKGROUND INFORMATION

(i)	Name:	AmIslamic Bank Berhad ("**AmIslamic**" or the "**Issuer**").
(ii)	Address:	22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.
(iii)	Business registration number:	295576-U.
(iv)	Date and place of incorporation:	14 April 1994 / Malaysia
(v)	Date of listing:	Not applicable
(vi)	Status on residence, i.e. whether it is a resident controlled company or non-resident-controlled company:	Resident-controlled company. Note: Although foreign shareholders may hold more than 50% equity in AMMB Holdings Berhad ("**AMMB**"), AmIslamic is deemed a resident-controlled company by virtue of the composition of its board of directors and management. This shareholding structure is a reflection of AMMB's shareholding in the Issuer, with AMMB being a listed company.
(vii)	Principal activities:	AmIslamic provides a range of retail, commercial banking, corporate banking and treasury products and services that are Shariah-compliant in nature.
(viii)	Board of directors:	As at 30 September 2013, the Board of Directors of the Issuer are as follows: 1. Tan Sri Azman Hashim *Chairman, Non-Independent Non-Executive Direct* 2. Tun Mohammed Hanif bin Omar *Non-Independent Non-Executive Director* 3. Tan Sri Datuk Clifford Francis Herbert *Independent Non-Executive Director* 4. Dato' Gan Nyap Liou @ Gan Nyap Liow *Independent Non-Executive Director* 5. Loh Chen Peng *Independent Non-Executive Director* 6. Chin Yuen Yin *Independent Non-Executive Director*

7. Christopher Robin Page
Non-Independent Non-Executive Director

8. Cheah Tek Kuang
Non-Independent Non-Executive Director

9. Ashok Ramamurthy
Non-Independent Non-Executive Director

(ix) Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders:

As at 30 September 2013, the shareholders of the Issuer are as follows:

Ordinary Share holders	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
AMMB	462,922,000	100.0	-	-
Tan Sri Azman Hashim	-	-	462,922,000*	100.0
Amcorp Group Berhad	-	-	462,922,000*	100.0
Clear Goal Sdn Bhd	-	-	462,922,000*	100.0
ANZ Funds Pty Ltd	-	-	462,922,000*	100.0
Australia and New Zealand Banking Group Limited	-	-	462,922,000*	100.0

**Note: Deemed interested by virtue of his/its substantial interests in AMMB*

(x) Authorised, issued and paid-up capital:

As at 30 September 2013, the authorised, issued and paid-up capital of the Issuer are as follows:

Authorised capital

RM2,000,000,000.00 divided into 2,000,000,000 ordinary shares of RM1.00 each; and

Issued and paid-up capital:

RM462,922,000.00 comprising 462,922,000 ordinary shares of RM1.00 each

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(xi) Disclosure of the following:

• If the issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of application; and	None.
• If the issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of application.	Not applicable as the Issuer is not a listed company

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2. PRINCIPAL TERMS AND CONDITIONS

(a) Names of parties involved in the proposal, where applicable:

(i)	Principal adviser	:	AmInvestment Bank Berhad ("**AmInvestment Bank**")
(ii)	Lead arranger	:	AmInvestment Bank
(iii)	Co-arranger	:	Not applicable
(iv)	Solicitor	:	Messrs. Adnan Sundra & Low
(v)	Financial adviser	:	Not applicable
(vi)	Technical adviser	:	Not applicable
(vii)	Sukuk trustee	:	Malaysian Trustees Berhad
(viii)	Shariah adviser	:	AmInvestment Bank (backed by AmIslamic Bank Shariah Committee) and Amanie Advisors Sdn Bhd (collectively the "**Joint Shariah Advisers**")
(ix)	Guarantor	:	Not applicable
(x)	Valuer	:	Not applicable
(xi)	Facility Agent	:	AmInvestment Bank
(xii)	Primary Subscriber (under a bought-deal arrangement) and amount subscribed	:	To be determined prior to the issuance in respect of issuance via bought deal basis only. Not applicable for issuance via private placement and book building.
(xiii)	Underwriter and amount underwritten	:	Not applicable
(xiv)	Central depository	:	Bank Negara Malaysia ("**BNM**")
(xv)	Paying agent	:	BNM
(xvi)	Reporting accountant	:	Not applicable
(xvii)	Calculation agent	:	Not applicable
(xviii)	Others (please specify)	:	
	Lead manager(s)		AmInvestment Bank and/or such other financial institution(s) to be appointed at point of issuance, at the option of the Issuer.
	Rating Agency		RAM Rating Services Berhad ("**RAM Ratings**")
(b)	Islamic principles used	:	Murabahah (via a Tawarruq arrangement).
(c)	Facility description	:	A subordinated sukuk ("**Subordinated Sukuk Murabahah**") issuance programme based on the Shariah principles of Murabahah ("**Subordinated Sukuk Murabahah Programme**").

The Subordinated Sukuk Murabahah will qualify as Tier 2 capital of AmIslamic in compliance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) ("**Framework**").

The Sukuk Murabahah will be issued under the Shariah principle of Murabahah based on commodity trading (via a Tawarruq arrangement).

The issuance of each tranche of the Subordinated Sukuk Murabahah from time to time under the Subordinated Sukuk Murabahah Programme shall be effected as follows:

1. The Sukuk Trustee (on behalf of the holders of the Subordinated Sukuk Murabahah ("**Sukukholders**")) and AmIslamic shall enter into a Service Agency Agreement, pursuant to which AmIslamic (in such capacity, the "**Purchase Agent**") is appointed as the agent of the Sukukholders for the purchase and sale of Shariah-compliant commodities ("**Commodities**"). The Purchase Agent will then enter into a Facility Agency Agreement to appoint the Facility Agent as the sub-purchase agent (in such capacity, the "**Sub-Purchase Agent**") for the purchase and sale of Commodities under the Subordinated Sukuk Murabahah Programme.

2. Pursuant to a Commodities Murabahah Master Agreement, AmIslamic (in such capacity, the "**Purchaser**") issues a purchase order (the "**Purchase Order**") to the Purchase Agent, and subsequently thereafter, the Purchase Agent issues the Purchase Order to the Sub-Purchase Agent. In the Purchase Order, AmIslamic (acting as purchaser for itself) will request the Purchase Agent, and subsequently, the Purchase Agent will request the Sub-Purchase Agent to purchase the Commodities. The Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sub-Purchase Agent at a deferred sale price ("**Deferred Sale Price**") which shall be the Purchase Price (as defined below) plus the profit margin.

3. Based on the Purchase Order, the Sub-Purchase Agent (pursuant to the Commodity Trading Participant ("**CTP**") Purchase Agreement entered into between the Sub-Purchase Agent and the **CTP**) will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila' commodity market (through a CTP) at a purchase price ("**Purchase Price**") which shall be an amount equivalent to the Subordinated Sukuk Murabahah proceeds.

4. AmIslamic (acting as the Issuer) shall issue Subordinated Sukuk Murabahah whereby the proceeds shall be used to pay for the Purchase Price of the Commodities. The Subordinated Sukuk Murabahah shall evidence, amongst others, the Sukukholders' ownership of the Commodities and subsequently, once the Commodities are sold to AmIslamic (as the Purchaser for itself), the entitlement to receive the Deferred Sale Price.

5. Thereafter, pursuant to the undertaking under the Purchase Order, the Sub-Purchase Agent (acting on behalf of the Purchase Agent) shall sell the Commodities to AmIslamic (acting as Purchaser for itself) at the Deferred Sale Price under the Sale and Purchase Agreement.

6. Subsequently thereafter, AmIslamic (pursuant to the CTP Sale Agreement entered into between AmIslamic (acting as Purchaser for itself) and the CTP) shall sell the Commodities to Bursa Malaysia Islamic Services Sdn. Bhd. (through the CTP) on a spot basis for an amount equal to the Purchase Price. The CTP Sale Agreement will provide for the CTP to directly sell the Commodities into Bursa Malaysia Islamic Services Sdn. Bhd. upon notice by the Sub-Purchase Agent that the Sale and Purchase Agreement has been completed and executed.

7. During the tenor of the Subordinated Sukuk Murabahah, AmIslamic (as part of its obligation to pay the Deferred Sale Price) shall make Periodic Profit Payments (as defined below) to the Sukukholders. Upon maturity, AmIslamic shall pay all amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled. Upon the declaration of an event of default or early redemption upon the exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption, subject to clauses 2(v) and 2(x) below, AmIslamic shall pay amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled.

Please refer to Appendix I for the illustrative diagram of the Subordinated Sukuk Murabahah transaction.

(d)	Identified assets	:	Shariah-compliant commodities, which shall include but not limited to crude palm oil or such other acceptable commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) which are provided through the commodity trading platform, Bursa Suq Al-Sila'.

(e)	Purchase and selling price/rental (where applicable)		<u>Purchase Price</u> The Purchase Price in relation to each purchase of the Commodities shall be equal to the proceeds of the Subordinated Sukuk Murabahah. The Purchase Price shall comply with the Securities Commission's Shariah Advisory Council ("SAC") asset pricing requirements ("Asset Pricing Requirements") as provided in the Securities Commission's ("SC") Guidelines on Sukuk effective 28 December 2012 (as may be amended from time to time) ("Guidelines on Sukuk"). <u>Deferred Sale Price</u> The Deferred Sale Price shall comprise the Purchase Price plus the aggregate Periodic Profit Payments on a deferred payment basis and will be determined prior to the sale of the Commodities to the Issuer to be evidenced by the issue of the Subordinated Sukuk Murabahah.
(f)	Issue/sukuk programme size	:	The aggregate outstanding nominal value of the Subordinated Sukuk Murabahah under the Subordinated Sukuk Murabahah Programme shall not at any point in time exceed RM3.0 billion.
(g)	Tenure of issue/sukuk programme	:	**<u>Tenure of the Subordinated Sukuk Murabahah Programme:</u>** The tenure of the Subordinated Sukuk Murabahah Programme shall be thirty (30) years from the date of first issue under the Subordinated Sukuk Murabahah Programme. **<u>Tenure of the Subordinated Sukuk Murabahah:</u>** Subject to the Call Option, each issuance of Subordinated Sukuk Murabahah shall have a tenure of at least five (5) years from the issue date provided that the Subordinated Sukuk Murabahah mature on or prior to the expiry of the Subordinated Sukuk Murabahah Programme. **<u>Call Option</u>** The relevant tranche of the Subordinated Sukuk Murabahah are callable on any Periodic Profit Payment Date after a minimum period of five (5) years from the date of issue of that tranche (hereinafter referred to as the "**Call Date**"), at the option of the Issuer.
(h)	Availability period of sukuk programme	:	The period from compliance (or waiver, as the case may be) of all conditions precedent for the establishment of the Subordinated Sukuk Murabahah Programme to the satisfaction of the Lead Arranger up to twenty five (25) years from the date of first issuance under the Subordinated Sukuk Murabahah Programme. The first issuance shall be made within two (2) years from the date of the Securities Commission ("**SC**")'s approval.

(i)	Profit/coupon/rental rate	:	To be determined prior to the issuance of the Subordinated Sukuk Murabahah and the rate shall be applicable throughout the tenure of each issue of the Subordinated Sukuk Murabahah. For avoidance of doubt, there is no step-up profit rate after the Call Date of the Subordinated Sukuk Murabahah, in the event the Call Option is not exercised by the Issuer.
(j)	Profit/coupon/rental payment frequency	:	Payable semi-annually in arrears from the issue date ("**Periodic Profit Payment Date**") with the last profit payment to be made on the respective maturity dates or upon the early redemption of the Subordinated Sukuk Murabahah.
(k)	Profit/coupon/rental payment	:	Actual number of days over 365 days basis or over 366 days in the case of a leap year, or in any event in accordance with MyClear Procedures (as defined below).
(l)	Security/Collateral, where applicable	:	Unsecured.
(m)	Details on utilisation of proceeds by issuer/obligor. If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable	:	The proceeds of the Subordinated Sukuk Murabahah shall be made available to the Issuer, without limitation, for its working capital, general banking purposes and refinancing its outstanding capital instruments, all of which shall be Shariah compliant.
(n)	Sinking fund and designated accounts, where applicable	:	Not applicable.
(o)	Rating		
	• Credit rating assigned and whether the rating is final or indicative.	:	Subordinated Sukuk Murabahah AA_3 (preliminary).
	• Name of credit rating agencies	:	RAM Ratings.
(p)	Mode of issue	:	The Subordinated Sukuk Murabahah may be issued via direct/private placement or bought deal basis or book building on a best efforts basis without prospectus. The Subordinated Sukuk Murabahah shall be issued in accordance with (1) the Participation and Operation Rules for Payments and Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") ("**MyClear Rules**") and (2) the Operational Procedures for Securities Services and the Operational Procedures for Real Time Electronic Transfer of Funds and Securities (RENTAS) (collectively the "**MyClear Procedures**"), or their replacement thereof (collectively the "**MyClear Rules and Procedures**") applicable from time to time.

(q)	Selling restriction, including tradability (i.e. whether tradable or non-tradable)	:	<u>Selling Restrictions at Issuance</u> The Subordinated Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer or invitation to subscribe for the Subordinated Sukuk Murabahah and to whom the Subordinated Sukuk Murabahah are issued would fall within: 1. Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)); read together with 2. Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act 2007, ("**CMSA**") as amended from time to time. <u>Selling Restrictions after Issuance</u> The Subordinated Sukuk Murabahah may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer or invitation to subscribe for the Subordinated Sukuk Murabahah and to whom the Subordinated Sukuk Murabahah are issued would fall within: 1. Schedule 6 (or Section 229(1)(b)); read together with 2. Schedule 9 (or Section 257(3)) of the CMSA as amended from time to time. The Subordinated Sukuk Murabahah are tradable and transferable.
(r)	Listing status and types of listing, where applicable	:	The Subordinated Sukuk Murabahah may be listed on Bursa Malaysia Securities Berhad under the Exempt Regime. The SC will be notified accordingly in the event of such listing.
(s)	Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase sukuk, and whether or not obtained;	:	Approval from BNM for the establishment of the Subordinated Sukuk Murabahah Programme of up to RM3.0 billion in nominal value for the issuance of Subordinated Sukuk Murabahah was obtained on 21 October 2013.
(t)	Conditions precedent	:	Conditions precedent for issuance of the Subordinated Sukuk Murabahah, shall include but is not limited to the following (all of which shall be in form and substance acceptable to the Lead Arranger): **A. <u>Main Documentation</u>** 1) The Transaction Documents have been executed and, where applicable, stamped or endorsed as exempted from stamp duty under the relevant legislation and presented for registration.

B. The Issuer

1) Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer.

2) Certified true copies of the latest Forms 24, 44 and 49 of the Issuer.

3) A certified true copy of a board resolution of the Issuer authorising, amongst others, the establishment of the Subordinated Sukuk Murabahah Programme and the execution of the relevant Transaction Documents.

4) A list of the Issuer's authorised signatories and their respective specimen signatures.

5) A report of the relevant company search conducted on the Issuer.

6) A report of the relevant winding-up search or the relevant statutory declaration of the Issuer (in form and substance acceptable to the Lead Arranger) signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding-up petition has been presented against the Issuer.

C. General

1) The approval and authorisation from the SC for the establishment of the Subordinated Sukuk Murabahah Programme.

2) Approval from BNM for the establishment of the Subordinated Sukuk Murabahah Programme of up to RM3.0 billion in nominal value for the issuance of Subordinated Sukuk Murabahah.

3) The Issuer shall have received evidence of the confirmation from the Joint Shariah Advisers that the structure and mechanism together with the transaction documents of the Subordinated Sukuk Murabahah Programme are in compliance with Shariah principles.

4) The Issuer shall have obtained a minimum long-term rating of AA_3 for Subordinated Sukuk Murabahah from RAM Ratings for the first issuance.

5) Evidence that arrangements have been made for payment of all transaction fees, costs and expenses.

6) The Lead Arranger has received from the solicitors acceptable legal opinion addressed to it advising with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents and a confirmation addressed to it that all the conditions precedent have been complied or waived as the case may be.

7) Such other conditions precedent as advised by the solicitors of the Lead Arranger and mutually agreed with the Issuer.

(u) Representations and warranties : Representations and warranties typical and customary for a programme of this nature, which shall include but not limited to the following:

(i) The Issuer is a company duly incorporated and validly existing under the laws of Malaysia;

(ii) The Issuer has the power to enter into, exercise its rights under and perform its obligations under the Transaction Documents;

(iii) The Issuer's entry into, exercise of its rights under and performance of the Transaction Documents do not and will not violate any existing laws or agreements to which it is a party;

(iv) The Issuer has all licences, permits, authorisations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licences, permits, authorisations, approvals, orders and other concessions would not have a Material Adverse Effect (as defined below);

(v) The Transaction Documents create valid and binding obligations which are enforceable on and against the Issuer;

(vi) All necessary actions, authorisations and consents required under the Transaction Documents have been taken, fulfilled and obtained and remain in full force and effect;

(vii) Save as disclosed in the Information Memorandum, no litigation or arbitration is current or, to the Issuer's knowledge, is threatened, which if adversely determined would have a Material Adverse Effect;

(viii) The audited financial statements of the Issuer are prepared in accordance with generally accepted accounting principles and standards and they fairly represent its financial position;

(ix) The financial statements and other information supplied are true and accurate in all material aspects and not misleading except that, when the warranted information is a forecast, the warranty will be to the effect that the forecast has been made on the basis of assumptions which were reasonable at the time when they were made and after due enquiry;

(x) No step has been taken by the Issuer, its creditors or any of its shareholders or any other person on its behalf nor have any legal proceedings or applications been started or threatened under Section 176 of the Companies Act 1965;

(xi) There has been no change in the business or condition (financial or otherwise) of the Issuer or its subsidiaries since the date of its last audited financial statements which might have a Material Adverse Effect; and

(xii) Such other representations and warranties as may be advised by the solicitor acting for the Lead Arranger.

For the purposes of this PTC, "**Material Adverse Effect**" means, any material adverse effect on the business of or condition (financial or otherwise) in relation to the Issuer or its results or operations or the ability of the Issuer to perform or comply with any of its obligations under any of the Transaction Documents (to which it is a party).

(v)	Events of default, dissolution event and enforcement event, where applicable	:	The Events of Default shall encompass the following:-

(i) if the Issuer defaults in payment of any principal or profit under that tranche on the due date and the Issuer does not remedy such default within a period of seven (7) business days after the Issuer became aware or having been notified by the Sukuk Trustee of the default; or

(ii) an order is made for the winding-up of the Issuer and such order is not stayed or set aside within thirty (30) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for the winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the Sukukholders by way of a special resolution.

Upon the occurrence of item (i) above, subject to the terms of the Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the Sukukholders) institute proceedings to enforce the payment obligations under that tranche of Subordinated Sukuk Murabahah and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Sukuk Trustee nor any of the Sukukholders of that tranche of Subordinated Sukuk Murabahah shall have the right to accelerate payment of that tranche of Subordinated Sukuk Murabahah in the case of such default in the payment of amount owing under that tranche of Subordinated Sukuk Murabahah or any default in the performance of any condition, provision or covenant under that tranche of Subordinated Sukuk Murabahah or the Trust Deed.

Upon the occurrence of item (ii) above, subject to the terms of the Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the Sukukholders) declare (by giving written notice to the Issuer) that the Subordinated Sukuk Murabahah together with all other sums payable under the Subordinated Sukuk Murabahah shall immediately become due and payable at its nominal value together with the accrued but unpaid profit (if any) notwithstanding the stated maturity of the Subordinated Sukuk Murabahah.

For avoidance of doubt, the occurrence of the event of default (i) above for any tranche of the Subordinated Sukuk Murabahah will not trigger an event of default for other tranches of the Subordinated Sukuk Murabahah outstanding. However, the occurrence of an event of default (ii) above will trigger an event of default for all tranches of the Subordinated Sukuk Murabahah outstanding.

(w) Covenants

(i) Positive Covenants : The Issuer shall comply with such applicable positive covenants as may be advised by the solicitors acting for the Lead Arranger and/or which are required in order to comply with the Trust Deeds Guidelines issued by the SC ("**Trust Deeds Guidelines**"), including, but not limited to the following:

1. The Issuer shall deliver to the Sukuk Trustee a copy of its annual audited financial statements within 180 days after the end of each of its financial year, its semi-annual unaudited financial statements within 90 days after the end of each half of its financial year and any other accounts, balance sheet, report, notice, statement, circular or other documents issued by the Issuer to its shareholders and to the holders of the Subordinated Sukuk Murabahah;

2. The Issuer shall not later than 180 days after the end of each of its financial year, deliver to the Sukuk Trustee a certificate signed by an authorised signatory of the Issuer, certifying that the Issuer has complied with and performed its obligations under the Trust Deed and the terms and conditions of the Subordinated Sukuk Murabahah and the other Transaction Documents and that there did not exist and there had not at any time existed, from the issue date of the Subordinated Sukuk Murabahah, any event of default and if such is not the case, the certificate should specify the same;

3. The Issuer shall promptly provide to the Sukuk Trustee any information relating to its affairs to the extent permitted by law, as the Sukuk Trustee may from time to time reasonably require in order to discharge its duties and obligations as Sukuk Trustee under the Trust Deed and the other Transaction Documents;

4. The Issuer shall immediately notify the Sukuk Trustee in the event that the Issuer becomes aware of the following:

   (a) the occurrence of any event of default; or the occurrence of any event that has caused or could cause one or more of the following: (a) any amount payable under the Subordinated Sukuk Murabahah becomes immediately payable; (b) the Subordinated Sukuk Murabahah become immediately enforceable; or (c) any other rights or remedies under the terms and conditions of the Subordinated Sukuk Murabahah or the Trust Deed to become immediately enforceable;

   (b) any circumstance that has occurred or any other matter that may materially prejudice the ability of the Issuer to perform its obligations under the Transaction Documents or in respect of the Subordinated Sukuk Murabahah;

   (c) any substantial change in the nature of the business of the Issuer;

   (d) any change in the utilisation of proceeds from the Subordinated Sukuk Murabahah from that set out in the submission to the SC, the Information Memorandum or any of the Transaction Documents which sets out a specific purpose for which proceeds are to be utilised;

   (e) any change in the Issuer's withholding tax position or taxing jurisdiction; and

   (f) any other matters that may materially prejudice the interests of the Sukukholders;

5. The Issuer shall keep proper books and accounts at all times and to provide the Sukuk Trustee and any person appointed by it access to such books and accounts to the extent permitted by law;

6. The Issuer shall at all times maintain its respective corporate legal existence and exercise reasonable diligence in carrying out its respective business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices and will ensure, amongst others, that all necessary approvals and relevant licences required for it to carry on its business are obtained;

7. The Issuer shall at all times maintain a paying agent with a specified office in Malaysia; and

8. The Issuer will procure that the paying agent shall notify the Sukuk Trustee, through the Facility Agent, if the paying agent does not receive payment from the Issuer on the due dates as required under the Trust Deed and the terms and conditions of the Subordinated Sukuk Murabahah.

There will be no restrictive covenants applicable to the Subordinated Sukuk Murabahah.

(x) Provisions on buy-back and early redemption of sukuk:

(i) Buy-back of the Subordinated Sukuk Murabahah	The Issuer or any of its subsidiaries or related corporations may at any time purchase, subject to the prior approval of BNM (but which approval shall not be required for a purchase done in the ordinary course of business) the Subordinated Sukuk Murabahah at any price in the open market or by private treaty provided no Non-Viability Event (as defined below) has occurred prior to the date of such purchase. If purchase is made by tender, such tender must (subject to any applicable rules and regulations) be made available to all Sukukholders equally. Subject to prior approval by BNM (but which approval shall not be required for a purchase done in the ordinary course of business), the Subordinated Sukuk Murabahah purchased by the Issuer or its subsidiaries or by agents of the Issuer shall be cancelled and shall not be resold. The Subordinated Sukuk Murabahah purchased by other related corporations (other than the Issuer's subsidiaries) or any interested person of the Issuer, which includes the directors, major shareholders and chief executive officer, need not be cancelled but they will not entitle such related corporations or interested person of the Issuer to vote under the terms of the Subordinated Sukuk Murabahah subject to any exceptions in the Trust Deeds Guidelines. For the avoidance of doubt, the Subordinated Sukuk Murabahah held by related corporations and any interested person of the Issuer shall not be counted for the purposes of voting subject to any exceptions in the Trust Deeds Guidelines.

		For the purpose of this clause, the term "ordinary course of business" includes those activities performed by the Issuer, any of the Issuer's subsidiaries or any other related corporations of the Issuer for third parties (such as clients of the Issuer, the Issuer's subsidiaries' and the Issuer's related corporations) and excludes those performed for the funds of the Issuer or such related corporation. For the avoidance of doubt, subject always to the requirements of the Trust Deeds Guidelines where the purchase of the Subordinated Sukuk Murabahah by the Issuer or its subsidiaries or by agents of the Issuer shall be cancelled and shall not be resold, neither the Issuer nor an affiliated party over which it exercises control or significant influence can purchase the Subordinated Sukuk Murabahah, nor can the Issuer directly or indirectly have financed its purchase, failing which the regulatory adjustments as set out in the Framework shall apply.
(ii) Call Option of the Subordinated Sukuk Murabahah	:	For each tranche of the Subordinated Sukuk Murabahah, if Call Option is applicable, the Issuer may, at its option, and subject to the Redemption Conditions (as defined below) being satisfied, redeem that tranche of Subordinated Sukuk Murabahah (in whole or in part) prior to the maturity on the Call Date of that tranche at their principal amount together with accrued but unpaid profit (if any). In the case of a partial redemption of Subordinated Sukuk Murabahah of a tranche, the selection of the Subordinated Sukuk Murabahah to be redeemed will be made by the Sukuk Trustee on a pro rata basis, by lot or by such other method as the Sukuk Trustee (with the agreement of the Issuer) will deem to be fair and appropriate, although no Subordinated Sukuk Murabahah of RM10,000,000 in original nominal value or less will be redeemed in part.
(iii) Redemption at maturity	:	Unless previously redeemed on a Call Date (if applicable) or redeemed pursuant to a Regulatory Event or a Tax Event or purchased from the market and cancelled, the Subordinated Sukuk Murabahah will be redeemed at the Redemption Amount (as defined below) on the maturity date.
(iv) Redemption Conditions of the Subordinated Sukuk Murabahah	:	Redemption Conditions of the Subordinated Sukuk Murabahah mean: 1. the Issuer must have received a written approval from BNM prior to redemption of the tranche of any of the Subordinated Sukuk Murabahah; 2. the Issuer is solvent at the time of redemption of such tranche of the Subordinated Sukuk Murabahah and immediately thereafter;

3. the Issuer is not in breach of BNM's minimum capital adequacy requirements and capital buffer requirements applicable to the Issuer after redemption of such tranche of the Subordinated Sukuk Murabahah; and

4. in respect of a Call Option only, the Issuer shall:

   (i) replace the called or redeemed tranche of the Subordinated Sukuk Murabahah with capital of the same or better quality and the replacement of this capital shall be done at conditions which are sustainable for the income capacity of the Issuer, or

   (ii) demonstrate to BNM that its capital position is well above the capital adequacy and capital buffer requirements after redemption of such tranche of the Subordinated Sukuk Murabahah.

(v) Regulatory redemption of the Subordinated Sukuk Murabahah	:	The Issuer may, at its option, redeem the Subordinated Sukuk Murabahah (in whole or in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied if a Regulatory Event (as defined below) occurs. **"Regulatory Event**" means any time there is more than an insubstantial risk, as determined by the Issuer, that: (i) all or any part of the Subordinated Sukuk Murabahah will, either immediately or with the passage of time or upon either the giving of notice or fulfilment of a condition, no longer qualify as Tier 2 capital of the Issuer for the purposes of BNM's capital adequacy requirements under any applicable regulations; or (ii) changes in law will make it unlawful for the Issuer to continue performing its obligations under all or any part of the Subordinated Sukuk Murabahah.
(vi) Tax redemption of the Subordinated Sukuk Murabahah	:	If there is more than an insubstantial risk as determined by the Issuer that: 1. the Issuer has or will become obliged to pay any additional taxes, duties, assessments or government charges of whatever nature in relation to the Subordinated Sukuk Murabahah; or 2. the Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of the Subordinated Sukuk Murabahah;

as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations ("**Tax Event**"), then the Issuer may, at its option, redeem the Subordinated Sukuk Murabahah (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.

(vii) Redemption Amount	"**Redemption Amount**" means Deferred Sale Price less the aggregate of Periodic Profit Payments paid (if any). The Redemption Amount payable by the Issuer on the declaration of an event of default or on Call Date (if applicable) or redeemed pursuant to a Regulatory Event or a Tax Event, is an amount as determined by the Facility Agent, which shall be calculated in accordance with the above formula.

(y) Other principal terms and conditions for the proposal

1.	Issue Price	:	The Subordinated Sukuk Murabahah shall be issued at par or at a premium (but not at a discount) to nominal value and the issue price shall be calculated in accordance with MyClear Rules and Procedures. The issue price of the Subordinated Sukuk Murabahah shall be determined prior to each issuance of the Subordinated Sukuk Murabahah.
2.	Yield to Maturity (%)	:	To be determined prior to the issue date of the Subordinated Sukuk Murabahah.
3.	Compensation (Ta'widh)	:	In the event of any overdue payments of the Deferred Sale Price due under the Subordinated Sukuk Murabahah, the Issuer shall pay to the Sukuk Trustee for the benefit of the Sukukholders compensation (Ta'widh) on such overdue amounts at the rate and manner prescribed by the Shariah Advisory Council of the SC from time to time in accordance with the Shariah principles. Any compensation referred to above which is paid to the Sukukholders, can be treated and/or utilised by the Sukukholders at their absolute discretion in accordance with or determined by their respective Shariah requirements, which may include donation to any registered charitable organization or any charitable purposes.

4.	Form and Denomination	:	The Subordinated Sukuk Murabahah shall be issued in accordance with MyClear Rules and Procedures. The Subordinated Sukuk Murabahah shall be represented by a global certificate to be deposited with BNM, and is exchanged for a definitive bearer form only in certain limited circumstances. The denomination of the Subordinated Sukuk Murabahah shall be RM1,000 or in multiples of RM1,000 at the time of issuance.
5.	Status	:	The Subordinated Sukuk Murabahah will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority in payment, to depositors and general creditors of the Issuer, to the extent and in the manner provided for in the Subordinated Sukuk Murabahah, ranking *pari passu* and without any preference among themselves. In the event of winding-up and liquidation of the Issuer, the payment obligations of the Issuer under the Subordinated Sukuk Murabahah will be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinated to the Subordinated Sukuk Murabahah.
6.	Sukuk Trustee's Reimbursement Account	:	The Sukuk Trustee shall open and maintain, throughout the tenure of the Subordinated Sukuk Murabahah, an account to be named the "Sukuk Trustee's Reimbursement Account for Sukukholders' Actions" (the "**Account**") with a bank which is acceptable to the Issuer with a sum of Ringgit Malaysia Thirty Thousand (RM30,000.00), which amount is to be obtained from the proceeds of issuance of the Subordinated Sukuk Murabahah. The Account shall be operated solely by the Sukuk Trustee and the money shall be used strictly by the Sukuk Trustee in carrying out its duties in relation to the declaration of an event of default in the manner as provided in the Trust Deed. The moneys in the Account may be invested in Shariah compliant bank deposits or Shariah compliant instruments or securities in the manner as provided in the Trust Deed, with profit from the investment to be accrued to the Issuer. The moneys in the Account shall be returned to the Issuer upon full redemption of the Subordinated Sukuk Murabahah in the event there is no declaration of an event of default.
7.	Taxation	:	All payments by the Issuer shall be made without withholding or deductions for or on account of any present and future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia unless such withholding or deduction is required by law, in which event the Issuer shall not be required to gross up in connection with such withholding or deduction on these payments or distributions.

8.	No Further Rights To Participate in Profits and Assets	:	The Sukukholders of the Subordinated Sukuk Murabahah shall have no right or claim and not be conferred any right or claim as regards to participation in the profits and assets of the Issuer.
9.	Voting Rights	:	Sukukholders will not be entitled to receive notice of or attend or vote at any meeting of the ordinary shareholders of the Issuer or participate in the management of the Issuer. No company-shareholder relationship is intended or has been contemplated between the Issuer and the Sukukholders and as such the relationship between the Issuer and the Sukukholders shall not be governed by the Memorandum and Articles of Association of the Issuer.
10.	Transaction Documents	:	The Transaction Documents shall include the following: (i) Trust Deed; (ii) Programme Agreement; (iii) Subscription Agreement (where applicable); (iv) Securities Lodgement Form; (v) Service Agency Agreement; (vi) Facility Agency Agreement; (vii) Commodities Murabahah Master Agreement; (viii) Purchase Order; (ix) CTP Purchase Agreement; (x) Sale and Purchase Agreement; (xi) CTP Sale Agreement; and (xii) Any other agreements as may be advised by the solicitors.
11.	Contingent Write-off	:	Upon the occurrence of a Trigger Event (as defined below), the Issuer is required to give notice to the Sukukholders and RAM Ratings in accordance with the terms of the Subordinated Sukuk Murabahah. Each of the Sukukholders, via the Sukuk Trustee, undertakes that, as of the relevant write-off date, the write-off shall extinguish the claim of the Subordinated Sukuk Murabahah in liquidation, which will mean that the Sukukholders will irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, payment of the aggregate principal amount of the respective Subordinated Sukuk Murabahah written-off, the amount paid when a call option is exercised and profit payments on the Subordinated Sukuk Murabahah written-off. The write-off shall be permanent and the full principal amount of the Subordinated Sukuk Murabahah together with all unpaid profits thereon that are or would be payable upon the relevant maturity date, an early redemption or the occurrence of an Event of Default under clause 2(v)(ii) will automatically be written-off and such Subordinated Sukuk Murabahah and profits will be immediately and fully cancelled as of such write-off date.

For the avoidance of doubt, (i) the write-off of the respective Subordinated Sukuk Murabahah shall not constitute an event of default or trigger cross-default clauses; and (ii) BNM shall have the option to require the entire principal amount of the Subordinated Sukuk Murabahah outstanding, or a part thereof, and all other amount owing under the Subordinated Sukuk Murabahah Programme, be written-off.

No Conversion into Equity

For avoidance of doubt, The Subordinated Sukuk Murabahah will under no circumstances be converted into equity of the Issuer and Sukukholders will have to absorb losses pursuant to the terms specified herein.

No Event of Default or Cross Default

For the avoidance of doubt, the exercise of the loss absorption at the point of non-viability shall not constitute an event of default as specified under Clause 2 (v) above or trigger cross-default clauses.

12. Trigger Event : A "**Trigger Event**" shall be the earlier of the following:

(i) BNM and Malaysia Deposit Insurance Corporation ("**PIDM**") notify the Issuer in writing that BNM and PIDM are of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or

(ii) BNM and PIDM publicly announce that a decision has been made by BNM, PIDM, or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable.

In assessing whether the Issuer would cease to be viable, BNM may consider, amongst others, any of the following circumstances exist ("**Non-Viability Event**") in respect of the Issuer:

(1) the Issuer fails to follow any directive of compliance issued by BNM, which is necessary to preserve or restore its financial soundness;

(2) the Issuer fails to meet all or any of its financial obligations as they fall due, that may significantly impair its capital position;

(3) the capital of the Issuer has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public, and the Issuer is unable to re-capitalise on its own;

(4) the Issuer's assets are insufficient to provide protection to its depositors and creditors;

(5) the Issuer has lost the confidence of depositors and the public; or

(6) any other state of affairs exists in respect of the Issuer that would put the interest of the depositors or creditors of the Issuer at risk.

For the avoidance of doubt, BNM shall have the full discretion to elect not to require a write-off when the Issuer has ceased, or is about to cease, to be viable or when a capital injection or equivalent support has been provided. Even if the option is not exercised, Sukukholders may still be exposed to losses from the resolution of the Issuer.

No Conversion into Equity

Notwithstanding the powers of BNM, the Subordinated Sukuk Murabahah will under no circumstances be converted into equity of the Issuer and Sukukholders will have to absorb losses pursuant to the terms specified herein.

13. Ibra' : Ibra' refers to the act of surrendering one's claims and rights, such as a creditor writing off the debts of a debtor either fully or partly. The Sukukholders in subscribing or purchasing the Subordinated Sukuk Murabahah hereby consent to Ibra' in the following scenarios:

i) Upon the declaration of an event of default or on exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption. The amount of Ibra' or rebate in this instance, shall be the aggregate Periodic Profit Payments due to the Sukukholders in respect of the period from (and including) the date of full payment by the Issuer of all accrued and unpaid Deferred Sale Price pursuant to the declaration of any event of default or on exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption (as the case may be) up to (but excluding) the maturity date.

   The Ibra' clause may be stated in the main agreement of the sukuk contract which is based on uqud mu'awadat (contract of exchange). However, the Ibra' clause in the main agreement shall be separated from the part related to the price of the transacted asset. The Ibra' clause shall only be stated under the section for mode of payment or settlement in the said agreement; or

ii) Upon the occurrence of a Non-Viability Event. The amount of Ibra' shall be the payment of principal amount of the Subordinated Sukuk Murabahah written-off, and profits (including profit accrued but unpaid up to the date of the occurrence of a Non-Viability Event).

14.	No payment of interest	:	For the avoidance of doubt and notwithstanding any other provision to the contrary herein, it is hereby agreed and declared that nothing in these principal terms and conditions and the Transaction Documents shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest. It is further acknowledged that the principle of the payment of interest is repugnant to Shariah and accordingly, to the extent that any legal system would (but for the provisions of this item) impose (whether by contract, statute or court order) any obligation to pay interest, the relevant parties shall agree to waive and reject any entitlement to recover interest from each other. It is further agreed that any payment pursuant to the principal terms and conditions or the Transaction Documents shall not be construed as payments of interest.
15.	Governing Law	:	The Subordinated Sukuk Murabahah shall be governed by the laws of Malaysia.
16.	Other Conditions	:	The Subordinated Sukuk Murabahah shall at all times be governed by the guidelines issued and to be issued from time to time by the SC and/or BNM, where applicable.

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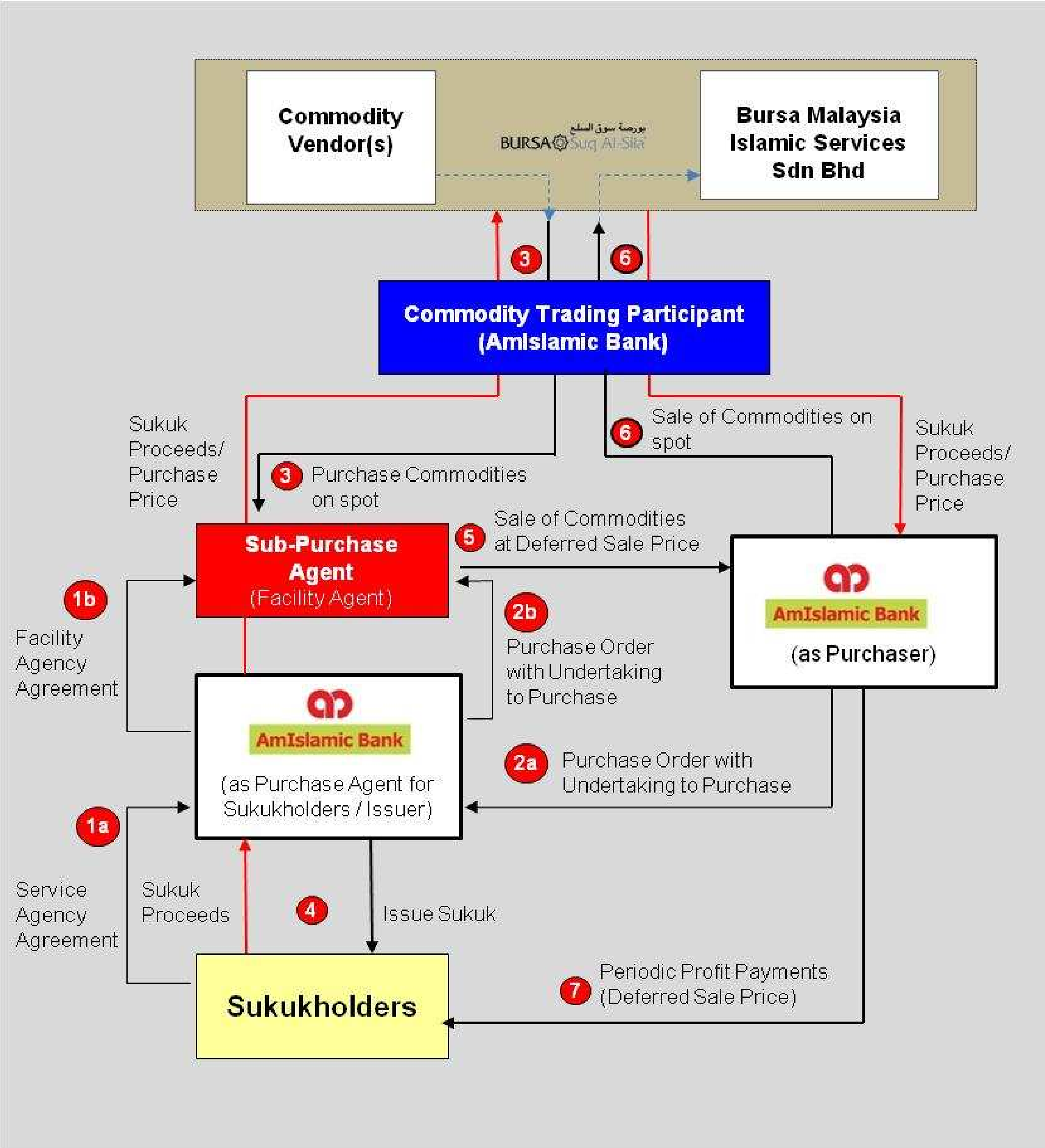
Appendix 1



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Steps	Description of the Sukuk Murabahah Structure
1	The Sukuk Trustee, on behalf of the holders of the Subordinated Sukuk Murabahah ("**Sukukholders**") and AmIslamic Bank Berhad ("**AmIslamic**") shall enter into a Service Agency Agreement, pursuant to which AmIslamic (in such capacity, the "**Purchase Agent**") is appointed as the agent of the Sukukholders for the purchase and sale of Shariah compliant commodities ("**Commodities**"). The Purchase Agent will then enter into a Facility Agency Agreement to appoint the Facility Agent as the sub-purchase agent (in such capacity the "**Sub-Purchase Agent**") for the purchase and sale of Commodities under the Subordinated Sukuk Murabahah Programme.
2	Pursuant to a Commodities Murabahah Master Agreement, AmIslamic (in such capacity, the Purchaser) issues a purchase order (the "**Purchase Order**") to the Purchase Agent, and subsequently thereafter, the Purchase Agent issues the Purchase Order to the Sub-Purchase Agent. In the Purchase Order, AmIslamic (acting as purchaser for itself) will request the Purchase Agent, and subsequently, the Purchase Agent will request the Sub-Purchase Agent to purchase the Commodities. The Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sub-Purchase Agent at a deferred sale price ("**Deferred Sale Price**") which shall be the Purchase Price plus the profit margin.
3	Based on the Purchase Order, the Sub-Purchase Agent (pursuant to the Commodity Trading Participant ("**CTP**") Purchase Agreement entered into between the Sub-Purchase Agent and the CTP) will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila' commodity market (through a CTP) at a purchase price ("**Purchase Price**") which shall be an amount equivalent to the Subordinated Sukuk Murabahah proceeds.
4	AmIslamic (acting as the Issuer) shall issue Subordinated Sukuk Murabahah whereby the proceeds shall be used to pay for the Purchase Price of the Commodities. The Subordinated Sukuk Murabahah shall evidence amongst others, the Sukukholders' ownership of the Commodities and subsequently once the Commodities are sold to AmIslamic (as the Purchaser for itself) the entitlement to receive the Deferred Sale Price.
5	Thereafter, pursuant to the undertaking under the Purchase Order, the Sub-Purchase Agent (acting on behalf of the Purchase Agent) shall sell the Commodities to AmIslamic (acting as Purchaser for itself) at the Deferred Sale Price under the Sale and Purchase Agreement
6	Subsequently thereafter, AmIslamic (pursuant to the CTP Sale Agreement entered into between AmIslamic (acting as Purchaser for itself) and the CTP) shall sell the Commodities to Bursa Malaysia Islamic Services Sdn. Bhd. (through the CTP) on a spot basis for an amount equal to the Purchase Price. The CTP Sale Agreement will provide for the CTP to directly sell the Commodities into Bursa Malaysia Islamic Services Sdn. Bhd. upon notice by the Sub-Purchase Agent that the Sale and Purchase Agreement has been completed and executed.
7	During the tenure of the Subordinated Sukuk Murabahah, AmIslamic (as part of its obligation to pay the Deferred Sale Price) shall make Periodic Profit Payments to the Sukukholders. Upon maturity, AmIslamic shall pay all amount outstanding in respect of the deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled. Upon the declaration of an event of default or early redemption upon the exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption, AmIslamic shall pay all amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled.

3. INVESTMENT CONSIDERATIONS

Prior to making a decision to invest in the Subordinated Sukuk Murabahah, prospective investors should carefully consider, along with the other information in this IM, the following risks. The risks and risk factors set forth in this Section may not be an exhaustive list of the challenges AmIslamic is currently facing or that may develop in the future or that may be associated with an investment in the Subordinated Sukuk Murabahah. Prior to making any decision to invest in the Subordinated Sukuk Murabahah, prospective investors are advised to seek professional advice and undertake their own investigations and analyses on AmIslamic and any other parties or matters connected with the Subordinated Sukuk Murabahah as they may consider necessary.

3.1 Considerations Relating to the Malaysian Banking Industry

3.1.1 AmIslamic may be subject to changes to the Malaysian regulatory environment for the financial industry

AmIslamic is a financial institution licensed under the IFSA and regulated by BNM. AmIslamic is also subject to relevant securities and other laws in Malaysia. BNM is given extensive powers to regulate the Malaysian banking industry under Malaysian law. This includes the authority to establish limits on financing to certain sectors of the Malaysian economy, establish priority financing guidelines in furtherance of certain social and economic objectives, and establish measures requiring maintenance of reserves and minimum capital adequacy requirement. BNM also has broad investigative and enforcement powers. Accordingly, potential investors should be aware that BNM could, in the future, significantly restrict business activities or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including AmIslamic.

3.1.2 Deposits in Malaysia

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided a safety net for individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. On 1 September 2005, BNM introduced a deposit insurance system (the "**Deposit Insurance System**") pursuant to the establishment of an independent statutory body namely PIDM, under the Malaysia Deposit Insurance Corporation Act 2005 ("**2005 Act**") and all licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the Deposit Insurance System.

On 16 October 2008, the Government of Malaysia (the "**Government**") moved to guarantee all bank deposits in an effort to shore up confidence in the Malaysian financial system to curb potentially damaging capital outflows. BNM announced the guarantee for all local and foreign currency deposits from 16 October 2008 until 31 December 2010. With effect from 31 December 2010, the Malaysia Deposit Insurance Corporation Act 2011 (the "**2011 Act**") came into effect and replaced the 2005 Act.

The 2011 Act was enacted to implement an enhanced financial consumer protection package whereby, amongst other changes, the deposit insurance limit was increased to RM250,000 per depositor per member bank with such amount being inclusive of principal and interest. In addition, under the 2011 Act, foreign currency deposits will now benefit from deposit insurance protection.

A separate coverage for the same amount is provided for Islamic deposits (i.e. those accepted under Shariah principles), accounts held under joint ownership and trust accounts, sole proprietorships and partnerships. The list of deposit products covered under the 2011 Act is provided under the Bank's website.

Notwithstanding the aforesaid, the fact that not all deposits are insured up to their full amount could lead to or exacerbate liquidity problems, which, if severe, could have an adverse effect on AmIslamic's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally.

The Subordinated Sukuk Murabahah to be issued under the Subordinated Sukuk Murabahah Programme will not, however, be entitled to protection under the 2011 Act.

3.1.3 Goods and services tax

As at the date of this IM, the goods and services tax ("**GST**"), a broad-based consumption tax, is scheduled to be implemented by the Government of Malaysia by 1st of April 2015 and will replace the Sales Tax and Service Tax. The potential increase in operating costs from the GST will affect all the financial institutions in Malaysia. The cost arising from GST is not expected to significantly affect AmIslamic's operation adversely.

3.2 Considerations Relating to AmIslamic

3.2.1 Political and economic factors

Political and economic conditions and developments in Malaysia as well as abroad could have a profound effect on the financial performance of AmIslamic. Adverse political and economic conditions or developments, such as an unstable political system, nationalisation and severe fluctuations in interest and currency exchange rates, create uncertainty and could discourage the free flow of investment capital and affect international trade, ultimately resulting in adverse developments in national economic activity. This, in turn, may have a material adverse impact on the financial performance of AmIslamic as a financial services provider. As a result of globalisation, economic or market problems in a single country or region are increasingly affecting other markets generally. A continuation of these situations could adversely affect global economic conditions and world markets and, in turn, could cause a chain reaction effect and thus adversely affect AmIslamic's businesses.

3.2.2 Changes in market conditions may have an adverse effect on AmIslamic's business, financial condition, and results of operations or prospects

The Malaysian economy is affected by changes in the global economic and market environment. Any widespread global financial instability may adversely affect the Malaysian economy, which could materially and adversely affect AmIslamic's business, financial conditions and results of operations or prospects. There can be no assurance that changes in market conditions will not adversely affect AmIslamic's business, financial condition, results of operations or prospects.

In addition, to the extent that any of AmIslamic's customers have been adversely affected by the changes in market conditions and the global credit and financial markets generally, the ability of such customers to service their financing obligations to AmIslamic may also be affected. If financing to these customers were to become impaired, this could adversely affect AmIslamic's business, financial condition, results of operations or prospects.

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3.2.3 Competition

Whilst the number of domestic banking instituitons has been reduced over time through consolidation, the Malaysian banking industry operates in a very competitive environment fostered by the implementation by BNM of policies which have resulted in the liberalisation of the banking industry to allow greater presence of foreign conventional and Islamic banks as well as providing greater opportunities for banks to widen their scope of business beyond traditional commercial banking. On 26 June 2012, BNM, via its website, announced that applications for Islamic mega bank licences in Malaysia are market-driven and private sector-led. The rationale behind the issuance is to increase the international dimension of Islamic Finance in the Malaysian financial system and thus enhance Malaysia's global economic and financial inter-linkages with other parts of the world, in particular, with other emerging economies and international financial centres. The liberalisation of the banking industry has brought greater competition among banking institutions as foreign licensed banks and/or Islamic banks are now allowed to offer/perform products and services that are similar to those of AmIslamic.

These measures will further intensify competition for AmIslamic. Although these policies are designed, in part, to encourage development of financial institutions in Malaysia and to strengthen domestic financial institutions in preparation for increased foreign competition, any increased competition could have an adverse effect on AmIslamic's operations in the form of reduced margins, smaller market share and reduced income generally.

The Competition Act 2010 ("**Competition Act**") which took effect on 1 January 2012, was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anticompetitive practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market. The scope of the Competition Act includes prohibitions of anti-competitive agreements and the abuse of dominant position.

There can be no assurance that AmIslamic's business and operations will be in full compliance with the Competition Act. Further, there can be no assurance that AmIslamic will be able to maintain or increase its present market share in the future or that increased competition will not materially and adversely affect AmIslamic's business, financial condition, and results of operations or prospects.

Although AmIslamic plans for expansion and growth in future business, AmIslamic's future growth will inevitably be subject to competition from other service providers as well as customer preference. As such, there can be no assurance that AmIslamic will be able to maintain or increase its present market share in the future.

3.2.4 A decline in AmIslamic's asset quality could adversely affect its business, financial condition, results of operations or prospects if its financing provisions are insufficient to cover its liabilities

AmIslamic's business, financial condition, and results of operations or prospects could be adversely affected if AmIslamic's financing provisions are insufficient, the value of AmIslamic's collateral securing the impaired financing for its customers' declines or a material amount of AmIslamic's financing becomes uncollectible. A significant amount of AmIslamic's collateral is in the form of vehicles, which do not maintain their value due to depreciation. Any significant decline in AmIslamic's asset quality could adversely affect its business, financial condition, results of operations or prospects.

Although AmIslamic believes that it has adopted a sound asset quality management system and intends to maintain it, there is no assurance that the system will remain effective or adequate in the future.

3.2.5 AmIslamic may experience liquidity constraints as it is dependent on short-term funding

The funding requirements of Malaysian banks, particularly Islamic banks, are primarily met through short-term funding, namely term deposits from customers and from other financial institutions. AmIslamic's experience is that a substantial portion of its customers' term deposits are rolled over upon maturity. However, no assurance can be given that this will continue in the future. If a substantial number of depositors, or a small number of large depositors, fail to roll over deposited funds upon maturity, AmIslamic's liquidity position could be adversely affected and AmIslamic may be required to seek alternative sources of short-term or long-term funding, which may be more expensive than deposits, to finance its operations. Furthermore, there can be no guarantee that AmIslamic will be able to obtain such funds.

3.2.6 AmIslamic's risk management system may be inadequate or ineffective in managing risks

As an Islamic banking institution engaged in activities that include retail, commercial and corporate banking that are Shariah-compliant in nature, AmIslamic is subject to business risks which are inherent in the Islamic financial services industry. Generally, these business risks can be broadly divided into:

(a) Market risk, which is the risk of loss associated with changes in the value of portfolios and financial instruments caused by movements in market variables, such as profit rates, foreign exchange rates and equity prices;

(b) Funding risk, which is the risk that AmIslamic is not able to fund its day-to-day operations at a reasonable cost;

(c) Credit risk, which is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations;

(d) Operational risk, which is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk and Shariah compliance risk; and

(e) Legal and regulatory risk, which is the risk of breaches of applicable laws and regulatory requirements, breaches of obligations of fidelity, unenforceability of counterparty obligations, and flawed/inappropriate documentation of contractual obligations.

Each of the business risks above has an implication on AmIslamic's financial condition and every transaction that AmIslamic undertakes is subject to, inter alia, the abovementioned risks. AmIslamic's financial position may be adversely affected as a result of any of the risks operating on its own. For example, AmIslamic's investment position in certain assets may require a huge mark-down as a result of a slump in the market price of those assets, or AmIslamic may find that it is not able to enforce a counterparty obligation due to flawed documentation.

Far more critical to AmIslamic's financial condition is a risk that has a 'chain reaction' effect whereby the operation of one risk leads to the operation of one or more other risks. For example, a market downturn may result in AmIslamic's customers incurring losses thus weakening their financial condition and triggering an increase in credit risks. Such increased credit risks may require AmIslamic to set aside additional loss provisions which could potentially affect AmIslamic's credit rating adversely thereby increasing liquidity risk. In an extreme case, the additional loss provisions (if large) may lead to AmIslamic breaching regulatory capital requirements.

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To counter the business risks it faces, AmIslamic has put in place a risk management framework to manage uncertainties such that deviations from AmIslamic's intended objectives are kept within acceptable levels. The risk management framework thus serves to identify, capture and analyse the risks assumed by AmIslamic at an early stage, continuously measuring and monitoring the risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

However, the risk management framework as a whole may not always be fully effective as there may be risks that have not been anticipated or identified and certain risks may be significantly greater than indicated by historical data. Further, the data relied upon to formulate the risk management framework may not be accurate, complete, up-to-date or properly evaluated. The process to manage operational, legal and regulatory risks would require proper recording and verification of a large number of transactions and events. Such process may not be fully effective in all cases. Accordingly, any failure in the effectiveness of AmIslamic's risk management procedures could have a material adverse effect on AmIslamic's business, financial condition, results of operations or prospects.

A description of AmIslamic's risk management structure is set out in Section 6.0 of this IM.

3.2.7 Substantial shareholders may influence policies of AmIslamic

As of 31 January 2014, Amcorp and ANZ (via ANZ Funds) respectively held 14.70% and 23.78%, of the issued share capital of AMMB, which, in turn, holds 100% of the issued share capital of AmIslamic. As of 31 January 2014, TSAH, the Chairman/Non-Independent Non-Executive Director of AmIslamic held indirectly a 100% controlling interest in Amcorp. Based on these shareholding interests described above, each of these substantial shareholders may, to a certain extent, be able to exercise control over matters which require shareholders' approval. There can be no assurance that the corporate objectives and strategies of AmIslamic would not be substantially influenced by the policies of the shareholders. In the case of ANZ as a substantial shareholder, AmIslamic and such shareholder enjoy a strategic relationship which has been and is expected to continue to be of significant benefit to AmIslamic. If for any reason the nature or extent of ANZ's investment in AmIslamic through AMMB were to change over time, there can be no assurance that AmIslamic would continue to benefit from this or any similar strategic relationship to the same extent.

3.2.8 Employee misconduct could adversely tarnish AmIslamic's image and affect its business, financial condition, results of operations or prospects

As with any business enterprise, AmIslamic is susceptible to the risks associated with acts of misconduct by its employees including directors. Acts of misconduct by employees may take various forms and could include misappropriation of AmIslamic's assets or the assets of its clients, concealment and/or wilful misstatement of its liabilities, unauthorised transactions and/or commitment of its resources, and breach of client confidentiality.

Acts of misconduct by employees would not only result in financial loss to AmIslamic but may also tarnish its image, which would bring about a loss of its stature in the market. Furthermore, acts of misconduct may also cover breaches of laws, regulations and guidelines, which, in extreme cases, could result in suspension and/or revocation of its banking and finance licences under IFSA.

Whilst the risks of misconduct by employees, including directors, cannot be entirely eliminated, AmIslamic has in place internal control systems to check such misconduct and to take appropriate actions.

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3.2.9 IT risk could affect AmIslamic's business, financial condition, results of operations or prospects

AmIslamic is susceptible to IT risk as large portions of its operational systems are computerised. However, AmIslamic has taken reasonable steps to reduce these risks, including the following:

(a) Adoption of an IT risk assessment and risk treatment model which is used to monitor and manage the critical information system risk;

(b) Adoption of an IT governance model which includes regular reviews by senior management;

(c) Formulation of an "Information and Communication Technology" plan which is reviewed annually to ensure continuous upgrading of critical IT application systems and IT infrastructure;

(d) Formulation and adoption of disaster recovery procedures and facilities for critical application areas which are tested on a regular basis; and

(e) Conduct of regular audits to ensure that appropriate mechanisms are in place and are being adopted for IT security and control.

3.2.10 Classification and provisioning policies for impaired financing

Following the convergence of all accounting standards with the International Financial Reporting Standards, the AMMB Group adopted the Malaysian Financial Reporting Standards framework for the financial year ended 2013. The AMMB Group now determines loans/ financing collective assessment allowance based on estimated financing loss rates, which are computed using the ratio arising from the variance or shortfall between the discounted cash flow of the collateral and the exposure at default. Loans/financing that have been individually assessed for impairment and found not to be individually impaired are grouped for collective assessment of impairment.

Bank Negara Malaysia recently issued a circular requiring banking institutions to maintain, in aggregate collective impairment provisions and regulatory reserves of no less that 1.2% of total outstanding loans/financing (excluding loans/financing with an explicit guarantee from the Government), net of individual impairment provisions. The new requirement shall be complied with by 31 December 2015. As at the date of this IM, AmIslamic is in compliance with the new requirement.

Although AmIslamic believes that its financing portfolio has been adequately provided for, no assurance can be given that the level of provisions would prove to be adequate or that AmIslamic would not have to make significant additional provisions for possible financing losses in the future.

3.2.11 Risk of possible future mergers and acquisitions within the banking industry

Given the consolidation of financial institutions in the domestic banking industry, there can be no assurance that the AMMB Group will not be affected by or involved in any mergers or acquisitions in the future or that a successful implementation of any such mergers or acquisitions will be guaranteed or that such mergers or acquisitions will not have any adverse effect on the AMMB Group's and consequently, AmIslamic's business, financial condition, results of operations or prospects. In particular, if the AMMB Group makes a decision relating to any acquisition or merger in uncertain or highly competitive economic or market conditions or for a substantial consideration, such an acquisition or a merger may result in it being more risky or may cause a depletion of the resources of the AMMB Group which could have an adverse effect on the business, financial condition and results of operations or prospects of AmIslamic.

3.2.12 Dependence on the AMMB Group for certain services

To operate its business, AmIslamic currently obtains certain services, including support services for its finance and risk functions, from other companies in the AMMB Group. If there are material interruptions in the supply of such services and AmIslamic is unable to obtain from alternative sources services of an acceptable quality in a timely and cost-effective manner, AmIslamic's operations may be affected, which may result in a loss of customers and income. There can be no assurance as to the availability of such services in the future.

3.3 Considerations Relating to the Subordinated Sukuk Murabahah

3.3.1 Limited events of default and right to accelerate and subordinated obligations

There are only two (2) events of default prescribed under the terms of the Subordinated Sukuk Murabahah:-

(i) If the Issuer defaults in payment of any principal or profit under that tranche on the due date and the Issuer does not remedy such default within a period of seven (7) business days after the Issuer became aware or having been notified by the Sukuk Trustee of the default; or

(ii) an order is made for the winding-up of the Issuer and such order is not stayed or set aside within thirty (30) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for the winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the Sukukholders by way of a special resolution.

Upon the occurrence of item (i) above, subject to the terms of the Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of Sukukholders) institute proceedings to enforce the payment obligations under that tranche of Subordinated Sukuk Murabahah and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Sukuk Trustee nor any of the Sukukholders of that tranche of Subordinated Sukuk Murabahah shall have the right to accelerate payment of that tranche of Subordinated Sukuk Murabahah in the case of such default in the payment of amount owing under that tranche of Subordinated Sukuk Murabahah or any default in the performance of any condition, provision or covenant under that tranche of Subordinated Sukuk Murabahah or the Trust Deed.

Upon the occurrence of item (ii) above, subject to the terms of the Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the Sukukholders) declare (by giving written notice to the Issuer) that the Subordinated Sukuk Murabahah together with all other sums payable under the Subordinated Sukuk Murabahah shall immediately become due and payable at its nominal value together with the accrued but unpaid profit (if any) notwithstanding the stated maturity of the Subordinated Sukuk Murabahah.

For avoidance of doubt, the occurrence of an event of default (i) above for any tranche of the Subordinated Sukuk Murabahah will not trigger the event of default for other tranches of the Subordinated Sukuk Murabahah outstanding. However, the occurrence of event of default (ii) above will trigger an event of default for all tranches of the Subordinated Sukuk Murabahah outstanding.

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Upon the occurrence of a winding-up and liquidation of AmIslamic, all payments for the principal amount of, and profit payable on, the Subordinated Sukuk Murabahah will be subordinated in right of payment to the prior payment in full of all deposits and other liabilities of the Issuer (including liabilities of all offices and branches of the Issuer wherever located) and any payment obligations (whether subordinated or unsubordinated) of AmIslamic that rank senior to the Subordinated Sukuk Murabahah, except in each case those liabilities which by their terms rank equally with or junior to the Subordinated Sukuk Murabahah. In such event, the Subordinated Sukukholders may recover less than the holders of deposit liabilities or the holders of other unsubordinated and subordinated liabilities of AmIslamic, which rank senior to the Subordinated Sukuk Murabahah.

As there is no precedent for the winding-up of a major financial institution in Malaysia, there is uncertainty as to the manner in which such proceeding would occur and the results thereof. Also, please refer to Section 3.5 below of this IM. Although the Subordinated Sukuk Murabahah may pay a higher rate of profit than comparable notes which are not subordinated, there is a real risk that an investor in Subordinated Sukuk Murabahah will lose all or some of his investment should AmIslamic become insolvent and is wound-up.

3.3.2 Subordinated Sukuk Murabahah may be subject to early redemption by the Issuer

For each tranche of Subordinated Sukuk Murabahah, if Call Option is applicable, the Issuer may, at its option and subject to the Redemption Conditions (as defined in Section 2 of this IM) being satisfied, redeem that tranche of Subordinated Sukuk Murabahah (in whole or in part) prior to their maturity on the Call Date of that tranche.

The Subordinated Sukuk Murabahah may also be redeemed under a Regulatory Event Redemption or Tax Redemption (as defined in Section 2 of this IM) at the Redemption Amount (as defined in Section 2 of this IM).

3.3.3 Liquidity of the Subordinated Sukuk Murabahah

The Subordinated Sukuk Murabahah will constitute a new issue of securities by the Issuer with no established trading market. No assurance can be given as to whether an active or liquid trading market for the Subordinated Sukuk Murabahah will develop or if a trading market does develop, that it will provide investors with liquidity of investments or that the liquidity will continue for the tenure of the Subordinated Sukuk Murabahah Programme. Furthermore, no assurance can be given as to the market prices for the Subordinated Sukuk Murabahah.

3.3.4 A downgrade in rating may affect the liquidity and market price of the Subordinated Sukuk Murabahah

RAM Ratings has assigned a long term rating of AA_3 for the Subordinated Sukuk Murabahah under the Subordinated Sukuk Murabahah Programme. There can be no assurance that the rating will remain in effect for any given period or that the rating will not be revised by RAM Ratings in the future if, in their judgement, circumstances so warrant. Any downgrade or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Subordinated Sukuk Murabahah but would not constitute an event of default or an event obliging the Issuer to prepay the Subordinated Sukuk Murabahah.

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3.3.5 There are no terms in the Subordinated Sukuk Murabahah that limit the Issuer's ability to incur additional indebtedness, including but not limited to any indebtedness that are secured or ranks senior to or equally with the Subordinated Sukuk Murabahah

There are no restrictions on the amount or number of other securities or any other form of indebtedness that AmIslamic may issue which are secured or rank senior to or pari passu with the Subordinated Sukuk Murabahah. The creation and issue of further securities or any other form of indebtedness that are secured or which rank senior to or pari passu with the Subordinated Sukuk Murabahah does not require the consent of the Sukukholders. The issue of such securities and/or incurrence of such indebtedness may reduce the amount recoverable by the Sukukholders in the event of dissolution or winding-up of AmIslamic.

3.3.6 Issuer's ability to meet its obligations under the Subordinated Sukuk Murabahah

The Subordinated Sukuk Murabahah constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and are payable out of the revenue generated by the business operations of the Issuer and thus will not be the obligations or responsibilities of any person other than the Issuer. The ability of the Issuer (in its capacity as the Obligor) to meet its obligations to pay the relevant principal or profit of the Subordinated Sukuk Murabahah will largely be dependent on the revenue generated by its operations.

3.3.7 Shariah considerations

The Joint Shariah Advisers have each issued a Shariah Pronouncement in respect of the Subordinated Sukuk Murabahah and the related structure and mechanism of the Subordinated Sukuk Murabahah and its compliance with the Shariah principles. However, the Shariah Pronouncements are only an expression of the view of the respective Joint Shariah Advisers and there can be no assurance that the transaction structure or issue and trading of the Subordinated Sukuk Murabahah will be deemed Shariah-compliant by any other Shariah board or Shariah scholars. Investors are reminded that, as with any Shariah views, differences in opinion are possible. Investors are advised to obtain their own independent Shariah advice as to whether the Subordinated Sukuk Murabahah structure meets their individual standards of compliance with Shariah principles and make their own determination as to the compliance of the structure, the issue and trading of the Subordinated Sukuk Murabahah with Shariah principles.

3.3.8 Loss Absorption

Upon the occurrence of a Trigger Event (as defined below), the Issuer is required to give notice to the Sukukholders and RAM Ratings in accordance with the terms of the Subordinated Sukuk Murabahah. Each of the Sukukholders, via the Sukuk Trustee, undertakes that, as of the relevant write-off date, the write-off shall extinguish the claim of the Subordinated Sukuk Murabahah in liquidation, which will mean that the Sukukholders will irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, payment of the aggregate principal amount of the respective Subordinated Sukuk Murabahah written-off, the amount paid when a call option is exercised and profit payments on the Subordinated Sukuk Murabahah written-off.

The write-off shall be permanent and the full principal amount of the Subordinated Sukuk Murabahah together with all unpaid profits thereon that are or would be payable upon the relevant maturity date, an early redemption or the occurrence of an Event of Default (as defined in Section 2 of the IM) will automatically be written-off and such Subordinated Sukuk Murabahah and profits will be immediately and fully cancelled as of such write-off date.

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For the avoidance of doubt, (i) the write-off of the respective Subordinated Sukuk Murabahah shall not constitute an event of default or trigger cross-default clauses; and (ii) BNM shall have the option to require the entire principal amount of the Subordinated Sukuk Murabahah outstanding, or a part thereof, and all other amount owing under the Subordinated Sukuk Murabahah Programme, be written-off.

A "**Trigger Event**" is the earlier occurrence of either:

(i) BNM and PIDM notifying the Issuer in writing that BNM and PIDM are of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or

(ii) BNM and PIDM publicly announce that a decision has been made by BNM, PIDM, or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable.

In assessing whether the Issuer would cease to be viable, BNM may consider, amongst others, any of the following circumstances exist ("**Non-Viability Event**") in respect of the Issuer:

(1) the Issuer fails to follow any directive of compliance issued by BNM, which is necessary to preserve or restore its financial soundness;

(2) the Issuer fails to meet all or any of its financial obligations as they fall due, that may significantly impair its capital position;

(3) the capital of the Issuer has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public, and the Issuer is unable to re-capitalise on its own;

(4) the Issuer's assets are insufficient to provide protection to its depositors and creditors;

(5) the Issuer has lost the confidence of depositors and the public; or

(6) any other state of affairs exists in respect of the Issuer that would put the interest of the depositors or creditors of the Issuer at risk.

For the avoidance of doubt, BNM shall have the full discretion to elect not to require a write-off when the Issuer has ceased, or is about to cease, to be viable or when a capital injection or equivalent support has been provided. Even if the option is not exercised, Sukukholders may still be exposed to losses from the resolution of the Issuer.

No Conversion into Equity

Notwithstanding the powers of BNM, the Subordinated Sukuk Murabahah will under no circumstances be converted into equity of the Issuer and Sukukholders will have to absorb losses pursuant to the terms specified herein.

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Ibra'

Ibra' refers to the act of surrendering one's claims and rights, such as a creditor writing off the debts of a debtor either fully or partly. The Sukukholders in subscribing or purchasing the Subordinated Sukuk Murabahah hereby consent to Ibra' in the following scenarios:

(i) Upon the declaration of an event of default or on exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption. The amount of Ibra' or rebate in this instance, shall be the aggregate Periodic Profit Payments due to the Sukukholders in respect of the period from (and including) the date of full payment by the Issuer of all accrued and unpaid Deferred Sale Price pursuant to the declaration of any event of default or on exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption (as the case may be) up to (but excluding) the maturity date.

The Ibra' clause may be stated in the main agreement of the sukuk contract which is based on uqud mu'awadat (contract of exchange). However, the Ibra' clause in the main agreement shall be separated from the part related to the price of the transacted asset. The Ibra' clause shall only be stated under the section for mode of payment or settlement in the said agreement; or

(ii) Upon the occurrence of a Non-Viability Event. The amount of Ibra' shall be the payment of principal amount of the Subordinated Sukuk Murabahah written-off, and profits (including profit accrued but unpaid up to the date of the occurrence of a Non-Viability Event).

3.4 AmIslamic may be required to raise additional capital if its capital adequacy ratios deteriorate in the future or in order to comply with any prevailing regulatory capital framework, but may not be able to do so on favourable terms or at all

On 17 December 2009, the Basel Committee on Banking Supervision (the "**BCBS**") proposed a number of fundamental reforms to the regulatory capital framework. On 16 December 2010, BCBS released two (2) documents entitled "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" and "Basel III: International Framework for Liquidity Risk Management, Standards and Monitoring" and on 13 January 2011 issued a press release entitled "Basel Committee issues final elements of the reforms to raise the quality of regulatory capital" (collectively "**Basel III**"). The BCBS's package of reforms includes increasing the minimum common equity (or equivalent) requirement from 2% (before the application of regulatory adjustments) to 4.5% (after the application of stricter regulatory adjustments) of risk weighted assets. The total Tier 1 capital requirement will increase from 4% to 6% of risk weighted assets. In addition, banks will be required to maintain, in the form of common equity (or equivalent), a capital conservation buffer of 2.5% to withstand future periods of stress, bringing the total common equity (or equivalent) requirements to 7% of risk weighted assets. If there is excess credit growth in any given country resulting in a system-wide build-up of risk, a countercyclical buffer within a range of 0.0% to 2.5% of common equity (or other fully loss absorbing capital) is to be applied as an extension of the conservation buffer. Furthermore, systemically important banks should have loss-absorbing capacity beyond these standards. The Basel III reforms also require Tier 1 and Tier 2 capital instruments to be more loss-absorbing.

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Pursuant to BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) guidelines issued on 28 November 2012, which are derived from internationally-agreed standards on capital adequacy promulgated by the BCBS and established by the Bank for International Settlements ("**BIS**"), BNM requires all banks in Malaysia to have minimum Common Equity Tier 1 capital ratio ("**CET1**") of 4.5%, a Tier 1 capital ratio of 6.0% and a Total Capital ratio of 8.0% by January 2015 (with the requirement that commencing from calendar years 2013, 2014 and 2015, the minimum levels of CET1 are 3.5%, 4.0% and 4.5% respectively, whereas the minimum levels of the Tier 1 capital ratio are 4.5% , 5.5% and 6.0% respectively) which would result in the Malaysian banks being required to increase the minimum quantity and quality of capital which it is obliged to maintain. The capital requirements would be supplemented by a leverage ratio, a liquidity coverage ratio and a net stable funding ratio. In addition, such banks will be required to maintain a capital conservation buffer based on a percentage of total risk weighted assets, being 0.625% in calendar year 2016, 1.25% in calendar year 2017, 1.875% in calendar year 2018 and 2.5% in calendar year 2019. Separately, such banks will be required to maintain a countercyclical capital buffer ranging between 0.0% and 2.5% of total risk weighted assets subject to scaling factors of 25% in calendar year 2016, 50% in calendar year 2017, and 75% in calendar year 2018.

As at 31 December 2013, AmIslamic's Common Equity Tier 1 capital ratio and Tier 1 capital ratio were 9.6% respectively, and its Total Capital ratio was 14.6%.

AmIslamic's capital base and capital adequacy ratios and when applicable, required capital buffers, may deteriorate in the future if its results of operations or financial condition deteriorate for any reason, including as a result of any deterioration in the asset quality of its financing portfolio, or if AmIslamic is not able to deploy its funding into suitably low-risk assets. If any of AmIslamic's capital adequacy ratios and when applicable, required capital buffers, deteriorates, it may be required to obtain additional Tier 1 or Tier 2 capital in order to remain in compliance with the applicable capital adequacy guidelines. However, AmIslamic may not be able to obtain additional capital on favourable terms, or at all. There is no assurance that AmIslamic will not face increased pressure on its capital in the future to comply with Basel III standards which may have an adverse effect on AmIslamic's business, financial condition, results of operations or prospects.

3.5 Winding-up of the Issuer

Under Section 207 of the IFSA, no application for the winding-up of a licensed person (i.e., a licensed bank, which includes the Issuer), an operator of a payment system or an approved person (as defined under Section 11 of the IFSA) can be presented to the High Court without the prior written approval of BNM.

In addition, a copy of such an application to the High Court must also be delivered to BNM at the same time as it is presented to the High Court. Failure to comply with such requirements is an offence and a person convicted of such offence is liable to imprisonment and/or a fine.

3.6 Forward-Looking Statements

Certain statements in this IM are forward-looking in nature. These statements include, among others, discussions of AmIslamic's business strategies and expectations concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All forward-looking statements are based on estimates and assumptions made by AmIslamic and third party consultants that, although believed to be reasonable at the time such estimates and assumptions were made, are subject to risks and uncertainties which may cause actual events and the future results of AmIslamic to be materially different from that expected or indicated by such statements and no assurance can be given that any such statements will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this IM should not be regarded as a representation or warranty by AmIslamic or any other person that the plans and objectives of AmIslamic will be achieved.

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4. DESCRIPTION OF THE ISSUER

4.1 History and Background Information on AmIslamic

AmIslamic is a public limited company incorporated in Malaysia under the Act on 14 April 1994. AmIslamic is a wholly-owned subsidiary of AMMB.

AmIslamic was incorporated as Arab-Malaysian Bank Berhad to acquire the commercial banking business of the Malaysian branch of the Bank of America (Asia) Limited, then operating under the name of SPABL, Kuala Lumpur Branch.

On 1 August 1994, Arab-Malaysian Bank Berhad completed the acquisition of the business of SPABL and commenced operations as a locally incorporated commercial bank before changing its name to AmBank Berhad on 14 June 2002.

On 1 June 2005, the banking business of AmBank Berhad was vested in AmFinance Berhad (now known as AmBank (M) Berhad) pursuant to the vesting order of the High Court of Malaya dated 18 May 2005 issued under section 50 of the BAFIA. Thereafter, AmBank Berhad surrendered its commercial banking license to the Ministry of Finance and ceased to be a commercial banking institution.

On 16 September 2005, AmBank Berhad was renamed AMBB Capital Berhad. On 21 February 2006, AMBB Capital Berhad was renamed AmIslamic Bank Berhad.

On 1 May 2006, AmIslamic commenced operations as an Islamic banking institution under the IBA after AmBank transferred all of its Islamic banking and financial businesses to AmIslamic pursuant to the vesting order of the High Court of Malaya dated 18 April 2006 issued under section 50 of the BAFIA.

AmIslamic is a financial institution licensed under IFSA and it provides banking and financial services which includes financing and advances, deposit services, credit cards, remittance services and foreign exchange which are Shariah-compliant in nature.

On 28 February 2011, as part of AMMB Group's ongoing capital management strategy and an internal reorganisation exercise relating to the shareholding structure of AMMB’s banking subsidiaries, AMMB acquired the 100% equity interest held by AmBank in AmIslamic, resulting in AmIslamic becoming directly held by AMMB.

As at 31 January 2014, the authorised share capital of AmIslamic is RM2,000,000,000 comprising 2,000,000,000 ordinary shares of RM1.00 each, of which 462,922,000 ordinary shares of RM1.00 each were issued and fully paid-up.

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4.2 Business Overview

As at 31 December 2013, AmIslamic has unaudited total assets of RM33.1 billion, financing and advances of RM23.2 billion, customer deposits of RM22.6 billion and shareholders' funds of RM2.3 billion. In terms of total assets, AmIslamic is the fifth largest Islamic bank in Malaysia (based on the published financial results of the domestic and foreign Islamic banks in Malaysia) as at 30 September 2013.

Since its inception, AmIslamic has not only shown growth but has also capitalised on the demand for Islamic financial services. With its universal banking licence and 20 years of experience in offering Islamic banking products and services via the AmBank Group's channels, AmIslamic continues to build its relationship with existing customers as well as cultivate new ones in providing a range of retail and commercial banking products and services which are Shariah-compliant. This is further complemented by the AmBank Group's extensive network of branches, ATMs, and e-banking centres nationwide.

In addition to its Islamic banking business activities, one of the key aspects of AmIslamic's operations is in paying its zakat contributions as part of its corporate social responsibility as well as duty as an Islamic business entity.

Dedicated branches

As a key component of its business moving forward, AmIslamic has set up 3 dedicated branches in addition to its shared branch network with AmBank. The first two dedicated branches which began operations in November 2007 are located in Bandar Baru Bangi and Putrajaya. The third branch was set up at the International Islamic University Malaysia in Gombak in June 2010. This was undertaken with the objective of enhancing its visibility and fulfilling the AMMB Group's vision in making AmIslamic the premier Islamic bank of choice in Malaysia and the region.

4.3 Australia and New Zealand Banking Group Limited ("ANZ")

On 26 April 2007, AMMB obtained the approval of its shareholders at an EGM for its proposed strategic partnership with ANZ by way of ANZ's equity participation via ANZ Funds, in the AMMB Group. As at 31 January 2014, the shareholding of ANZ Funds in AMMB is 23.78%.

ANZ has three (3) representatives on the board of directors of AMMB along with representations on the various management and board committees of AmIslamic. ANZ's equity investment provides ANZ with the opportunity to nominate senior management appointments to the AMMB Group. Current key senior management nominees by ANZ include the Chief Financial Officer, Chief Risk Officer and Chief Operations Officer.

ANZ began its operations in Australia in 1835 and is currently one of the four (4) major banking groups headquartered in Australia. It is an international banking and financial services group with its primary operations in Australia, New Zealand and the Asia Pacific. ANZ has a strong franchise in retail, commercial and institutional banking in its home markets of Australia and New Zealand.

As at 30 September 2013, ANZ had total assets of Australian Dollars (AUD) 703.0 billion and total shareholders' equity of AUD 45.6 billion on a consolidated group basis. ANZ's goal is based on its belief that the future of its home markets of Australia and New Zealand are increasingly linked to the fast growing region of Asia through trade, capital and wealth flows. By building a super-regional bank, ANZ can better serve its customers and achieve superior financial returns over the longer term. It aspires to have 25 to 30 per cent of group profit after tax sourced from Asia Pacific, Europe and America by 2017. The AMMB Group's strategic partnership with ANZ has created further market growth opportunities, given ANZ's exposure to international products, banking systems as well as cross border capabilities in Asia. By leveraging on ANZ's capabilities in risk management, retail banking and business banking, product innovation, branding, IT infrastructure, training and development of personnel, AmIslamic aims to entrench its position as a premier Islamic financial institution providing innovative products and services to its customers.

4.4 Corporate Information

4.4.1 Registered Office and Principal Place of Business

The registered office of AmIslamic is located at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur whilst its principal place of business is located at Level 45, Menara AmBank, No. 8, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

4.4.2 Share Capital and Changes in Share Capital

Share Capital

The authorised and issued and fully paid-up share capital of AmIslamic as at 31 January 2014 are as follows:

Type	No. of Shares	Par value (RM)	Total (RM)
Authorised			
Ordinary shares	2,000,000,000	1.00	2,000,000,000
Issued and fully paid-up			
Ordinary shares	462,922,000	1.00	462,922,000

4.4.3 Substantial Shareholders

As at 31 January 2014, the substantial shareholders of AmIslamic and their respective shareholding are as follows:

Substantial Shareholders	Nationality/ Country of Incorporation	No. of Shares			
		Direct interest	%	Indirect interest	%
AMMB	Malaysia	462,922,000	100	-	-
ANZ Funds	Australia	-	-	462,922,000*	23.78
ANZ	Australia	-	-	462,922,000*	23.78

* *Deemed interested by virtue of its substantial interests in AMMB.*

4.5 Information on Directors and Senior Management

4.5.1 Board

The members of the Board as at 31 January 2014 are as follows:

Name / Designation	Date of appointment	Nationality
TSAH *(Chairman, Non-Independent Non-Executive Director)*	01.08.1994	Malaysian
Tun Mohammed Hanif bin Omar *(Non-Independent Non-Executive Director)*	15.05.2006	Malaysian
Tan Sri Datuk Clifford Francis Herbert *(Independent Non-Executive Director)*	16.04.2004	Malaysian
Dato' Gan Nyap Liou @ Gan Nyap Liow *(Independent Non-Executive Director)*	15.11.2007	Malaysian
Loh Chen Peng *(Independent Non-Executive Director)*	28.08.2012	Malaysian

Name / Designation	Date of appointment	Nationality
Chin Yuen Yin *(Independent Non-Executive Director)*	25.06.2013	Malaysian
Cheah Tek Kuang *(Non-Independent Non-Executive Director)*	01.08.1994	Malaysian
Ashok Ramamurthy *(Non-Independent Non-Executive Director)*	18.11.2008	Australian

4.5.2 Directors' Shareholdings

As at 31 January 2014, none of the members of the Board have any shareholdings, direct or indirect, in AmIslamic.

4.5.3 Directors' Profiles

The directors of AmIslamic and their respective profiles as at 31 January 2014 are set out below:-

Y Bhg Tan Sri Azman Hashim

Tan Sri Azman Hashim, a Malaysian, aged 74, was appointed to the Board on 1 August 1994. Tan Sri Azman has been the Chairman of AMMB, the holding company of AmIslamic, since 1991. He is the Non-Independent Non-Executive Chairman of AMMB.

Tan Sri Azman is also the Chairman of the board of several subsidiaries of AMMB, namely AmInvestment Bank, AmBank, AmGeneral Insurance Berhad (formerly known as Kurnia Insurans (Malaysia) Berhad), AmLife Insurance Berhad, AmFamily Takaful Berhad, AmGeneral Holdings Berhad (formerly known as AmG Insurance Berhad), AmInvestment Group Berhad and AMFB Holdings Berhad.

Tan Sri Azman, a Chartered Accountant (FCPA), a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined BNM and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the board of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired AmInvestment Bank.

Tan Sri Azman is the Executive Chairman of Amcorp Group Berhad and Chairman of RCE Capital Berhad and Malaysian South-South Corporation Berhad. He serves as a member on the board of Pembangunan MasMelayu Berhad and the Asian Institute of Finance Berhad. Tan Sri Azman is also involved in several charitable organisations, i.e., as Chairman and Trustee of AmGroup Foundation and Perdana Leadership Foundation and Trustee for Yayasan Azman Hashim, Yayasan Perpaduan Nasional, Malaysian Liver Foundation, Yayasan Tuanku Najihah and Yayasan Canselor Open University Malaysia. Tan Sri Azman is also the Founder and Council Member of Azman Hashim Family (L) Foundation and Azman Hashim Charitable (L) Foundation.

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Tan Sri Azman is the Chairman of the Institute of Bankers Malaysia, Malaysian Investment Banking Association and the Malaysia Productivity Corporation, Chairman Emeritus of Pacific Basin Economic Council (PBEC) International and Co-Chairman of Malaysia - Singapore Roundtable. He is the President of Malaysia South-South Association, Malaysia - Japan Economic Association, Malaysian Prison FRIENDS Club, Non-Aligned Movement's (NAM) Business Council and Treasurer of Malaysia-Australia Foundation. He is a member of the APEC Business Advisory Council, the Trilateral Commission (Asia-Pacific Group), the Malaysian-British and Malaysia-China Business Councils and East Asia Business Council. He is also the Leader of the ASEAN-Japanese Business Meeting (Malaysia Committee, Keizai Doyukai) and is on the Board of Advisors of AIM Centre for Corporate Social Responsibility. He is the Pro-Chancellor of Open University of Malaysia, a member of the Governing Body of Asian Productivity Organisation and the International Advisory Panel of BNM International Centre for Education in Islamic Finance (INCEIF) and the Asian Banking School Sdn Bhd.

Y A Bhg Tun Mohammed Hanif bin Omar

Tun Mohammed Hanif bin Omar, a Malaysian, aged 75, was appointed to the Board on 15 May 2006.

Tun Mohammed Hanif is also a board member of AMMB and several of its subsidiaries, namely AmBank, AmInvestment Bank and AMFB Holdings Berhad. He is currently the Deputy Executive Chairman of Genting Berhad and Genting Malaysia Berhad. He has been the President of the Malaysian Institute of Management since 2001. He is also the President of the Malaysian Branch of the Royal Asiatic Society. He was the Inspector-General of the Royal Malaysia Police for 20 years until his retirement in January 1994.

Tun Mohammed Hanif received his Bachelor of Arts from the then University of Malaya, Singapore in 1959, Bachelor of Laws (Honours) from Buckingham University, United Kingdom in 1986 and Certificate of Legal Practice (Honours) from the Legal Qualifying Board in 1987.

Y Bhg Tan Sri Datuk Clifford Francis Herbert

Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 72, was appointed to the Board on 16 April 2004. He is a board member of AMMB and its subsidiaries, namely, AmInvestment Bank and AmBank.

Tan Sri Datuk Herbert is also currently a board member of Genting Malaysia Berhad and FIDE Forum.

Tan Sri Datuk Herbert joined the Malaysian Civil Service in 1964 as Assistant Secretary in the Public Services Department from 1964 to 1968. Subsequently, he served in the Ministry of Finance from 1975 to 1997, culminating as Secretary General to the Treasury. He retired from the civil service in 1997.

As Secretary General in the Ministry of Finance, he was also appointed as alternate Governor of the World Bank. From 1994 to 2000, Tan Sri Datuk Herbert was the Chairman of KL International Airport Berhad which built the Kuala Lumpur International Airport. He had been a board member of numerous statutory bodies and government related public companies among them being Kumpulan Khazanah Nasional Berhad, Malaysian Airline System Berhad, Petroliam Nasional Berhad, BNM, the SC and Chairman of Percetakan Nasional Malaysia Berhad. Additionally, Tan Sri Datuk Herbert is also involved in several non-governmental organisations.

Tan Sri Datuk Herbert holds a Masters of Public Administration from University of Pittsburgh, USA, and a Bachelor of Arts (Honours) from the University of Malaya.

Y Bhg Dato' Larry Gan Nyap Liou @ Gan Nyap Liow

Dato' Larry Gan Nyap Liou @ Gan Nyap Liow, a Malaysian, aged 59, was appointed to the Board on 15 November 2007. He is also a board member of AMMB and its subsidiary, AmBank.

Dato' Larry Gan is currently the Chairman of Cuscapi Berhad, Catcha Media Berhad, and the Chief Executive Officer/Managing Director of Formis Resources Berhad. He sits on the board of Tanjong Public Limited Company, Saujana Resort (M) Berhad, Tropicana Corporation Berhad and other private limited companies. Dato' Larry Gan is also a Director of the Minority Shareholders Watchdog Group and the Chairman of the British Malaysian Chamber of Commerce.

Dato' Larry Gan was with Accenture, a global management and technology consulting firm for 26 years until his retirement in December 2004. He held many global leadership positions including Managing Partner of Asia and Corporate Development Asia Pacific. He was the Chairman of the CEO Advisory Council and a member of the Global Management Council from 1997 to 2004.

He previously served as Chairman of the Association of Computer Industry Malaysia (PIKOM), and as a member of the Ministry of Science and Technology Think Tank, Copyright Tribunal and the Labuan International Financial Exchange Committee.

Dato' Larry Gan is a Certified Management Consultant and a Chartered Accountant.

Mr Loh Chen Peng

Mr Loh Chen Peng, a Malaysian, aged 59, was appointed to the Board on 28 August 2012.

Mr Loh sits on the board of various subsidiaries of AMMB, namely AmInvestment Bank and AmBank. He is also a board member of Berjaya Auto Berhad and Berjaya Media Berhad.

Mr Loh had previously been with AMMB's group of companies for 13 years, starting his career in AmInvestment Bank back in 1980 as a Group Accountant and held various senior management positions in the areas of corporate finance and corporate banking.

Prior to joining the AmInvestment Bank, he was with Deloitte Kassim Chan for 5 years starting with the audit arm with his last position being Head of Insolvency Department.

Subsequently, Mr Loh joined Inter Pacific Securities Sdn Bhd as its Chief Operation Officer. He was a Founder Director of Phileo Allied Bank Berhad and was principally responsible for setting up its operations.

He is a Member of the Malaysian Institute of Certified Public Accountants (MICPA).

Mr Chin Yuen Yin

Mr Chin Yuen Yin, a Malaysian, aged 66, was appointed to the Board on 25 June 2013.

Mr Chin sits on the board of various subsidiaries of AMMB, namely AmBank, AmGeneral Insurance Berhad (formerly known as Kurnia Insurans (Malaysia) Berhad) and AmLife Insurance Berhad. He is also a director in SBP (Bungalows) Homeowners Berhad.

Mr Chin has more than 40 years of experience in the banking industry and began his career with Standard Chartered Bank Malaysia where he was employed from 1970 to 1992, having held various positions in corporate banking, branch sales and services and retail banking. Mr Chin moved on to Indonesia as an Advisor to a local bank and returned to Malaysia in early 1994 to join Hong Leong Bank during which he set up the Personal Bank Division (Retail Banking Division).

Subsequently, Mr Chin joined OCBC Bank as the Head, Global Consumer Banking based in Singapore. After leaving OCBC Bank he had a stint as a Consultant with Texas Pacific Group, an American private equity company based in Fort Worth, Texas. It was in this connection that he became a Director of Bank Thai in Thailand as well as the Chairman of Retail Banking. Bank Thai was later acquired by CIMB Bank Berhad and he served as the Acting Chief Executive Officer during the transition period, pending the bank's appointment of a Thai Chief Executive Officer.

Mr Chin has a Bachelor of Economics (Honours) degree from the University of Malaya and holds a Masters in Business Administration from University of Hull. Mr Chin is also a Fellow of the Chartered Institute of Marketing.

Mr Cheah Tek Kuang

Mr Cheah Tek Kuang, a Malaysian, aged 66, was appointed to the Board on 1 August 1994. Mr Cheah is currently the Deputy Chairman of AmBank and AmInvestment Bank.

Mr Cheah joined AmInvestment Bank in 1978 and held various senior positions. In 1994, he was promoted to Managing Director, and he was the Group Managing Director of AmInvestment Bank from January 2002 to December 2004 before assuming the office of Group Managing Director in AMMB from January 2005 until his retirement in April 2012. He remains as a Non-Independent Non-Executive Director of AmInvestment Bank and AmBank.
Mr Cheah is the Chairman of Berjaya Sports Toto Berhad and his directorships in other public companies include Cagamas Holdings Berhad, IOI Corporation Berhad, UMW Oil & Gas Corporation Berhad, Danajamin Nasional Berhad and the Malaysian Institute of Art. He is a member of the Investment Panel of Retirement Fund Incorporated (Kumpulan Wang Persaraan).

Mr Cheah has a Bachelor of Economics (Honours) degree from the University of Malaya and is a Fellow of the Institute of Bankers Malaysia.

Mr Ashok Ramamurthy

Mr Ashok Ramamurthy, an Australian, aged 51, was appointed to the Board on 18 November 2008 and is currently the Chief Executive Officer of AmBank.

He is the Group Managing Director and a board member of AMMB. He also sits on the board of several subsidiaries of AMMB, namely AmInvestment Bank, AmBank and AmLife Insurance Berhad. He joined AMMB as the Chief Financial Officer ("CFO") in July 2007 and was subsequently appointed the Deputy Group Managing Director and CFO in October 2008.

Prior to his appointment as Group Managing Director of AMMB, Mr Ramamurthy worked with ANZ for approximately 23 years, across multiple geographies including New Zealand, Australia, India and Malaysia. His functional expertise is built around finance at the core, and is blended with risk management, operations and shared services, and strategy and change management. He has direct experience as the CFO and/or Chief Operating Officer in a number of ANZ businesses including Commercial Banking, Markets and Treasury, Funds Management and Insurance, Wealth Management, Banking Products and Transaction Services, and Personal/Retail Banking. He has been successful in developing and executing transformational agendas in his career.

Mr Ramamurthy has a Post Graduate Diploma in Business Administration XLRI, India (MBA equivalent) and Bachelor of Commerce (Accounting), University of Madras. He is a Fellow of the Financial Services Institute of Australasia – Fellowship from FINSIA.

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4.5.4 Profile of Key Management

Datuk Mahdi bin Murad

Datuk Mahdi bin Murad, a Malaysian, is the Managing Director and Chief Executive Officer of AmIslamic Bank Berhad.

He began his career at Sime Darby Plantations. He later found his niche in the financial industry when he assumed the position of Assistant Manager in Asia Commercial Finance and later joined First Malaysia Finance. In 1990, he then assumed the position of Manager at Arab- Malaysian Finance Berhad; now known as AmBank (M) Berhad. He continued to move up the corporate ranks and was promoted to Senior General Manager in July 1997, before being appointed as the Executive Director of AmFinance Berhad in 2002 and later the Executive Director of AmBank (M) Berhad in 2005. On the 1st of August 2009, Datuk Mahdi was entrusted a bigger role and was appointed as the MD/CEO of AmIslamic Bank Berhad.

Datuk Mahdi holds directorship in various AmBank Group companies, namely MBf Information Services Sdn. Bhd, MBf Trustees Berhad, Bougainvillea Development Sdn. Bhd, and AmProperty Holdings Sdn. Bhd. Datuk Mahdi also sits on the board and is the Chairman for Islamic Banking and Finance Institute Malaysia (IBFIM) Audit Committee; an industry-owned institute dedicated in producing executives with required talent in the Islamic finance industry. He is also the Council Member/ EXCO Member of the Association of Islamic Banking Institutions Malaysia (AIBIM).

Datuk Mahdi holds a Masters Degree in Business Administration majoring in Finance & Operations Management from University of Missouri, USA. Prior to that, he graduated from Iowa State University, USA with Science degree in Agricultural Business.

4.6 AmIslamic's Businesses

As at the date of this IM, AmIslamic's business is divided into five (5) business divisions, namely (i) Retail Banking; (ii) Business Banking; (iii) Corporate and Institutional Banking; (iv) Transaction Banking; and (v) Markets.

As at 31 December 2013, the Retail Banking Division contributed approximately 60% to AmIslamic's total financing assets.

4.6.1 Retail Banking

AmIslamic's Retail Banking services and products are offered across the following business units:

- auto financing;
- personal financing/cashline;
- mortagages and other customers financing
- credit cards;
- bancatakaful and wealth management
- deposits; and
- asset financing and small business.

As at 31 December 2013, the Retail Banking business served approximately 1.5 million customer accounts through its distribution network of branches, ATMs, EBCs, 24-hour customer contact centre, mobile banking and internet banking services.

In addition, AmIslamic and AmBank joint branches operate as full service retail banking shopfronts offering customers traditional retail banking products and services as well as bancatakaful and investment services. This service model is intended to ensure that branch personnel are simultaneously focused on providing efficient and effective service to customers whilst driving business growth with an entrepreneurial mindset. In recent years, AmIslamic has increased the number of customer facing personnel in branches and also transformed the sales zone in its branches to ensure a more conducive environment for customer sales interactions.

(a) Auto financing

As at 31 December 2013, AmIslamic had RM9.8 billion financing outstanding in the purchase of transport vehicles sector, representing approximately 41% of AmIslamic's total gross financing portfolio. The Bank is amongst the top vehicle financing providers based on the published financial results of domestic and foreign financial institutions in Malaysia.

The table below sets out AmIslamic's vehicle financing portfolio as at the dates indicated:-

	As at 31 March 2012 RM billion	**As at 31 March 2013** RM billion	**As at 31 December 2013** RM billion
Financing for purchase of transport vehicles (household section)	8.54	10.2	9.8

AmIslamic through AmBank Group has established relationships with over 3,000 new, used and reconditioned vehicle dealers in Malaysia. The AmBank Group also has strategic alliances with all of the major car manufacturers and car distributors in Malaysia so as to increase growth in, and diversify, its vehicle financing portfolio, including amongst others, Honda Malaysia Sdn. Bhd., Mercedes-Benz Malaysia, Naza Group of Companies, Perodua Sales Sdn. Bhd., Proton Edar Sdn. Bhd., the Sime Darby Automotive Group and UMW Toyota Motor Sdn. Bhd. In 2012 the Group entered into 18 promotional campaigns with, among others, Honda Malaysia Sdn. Bhd., Naza Kia Malaysia Sdn. Bhd., Perodua Sales Sdn. Bhd., Proton Edar Sdn. Bhd., Tan Chong Group and Sime Darby Auto Connexion.

In 2011 the AmBank Group also formed a strategic alliance with "MyEG" (the electronic Malaysian government services portal) to enable customers to renew their road tax at branches or over the phone using the AmBank Group's Auto Express renewal service. The AmBank Group is one of two providers of this service within the Malaysian banking industry and has 37 MyEG kiosks placed in strategically situated branches.

Auto financing can be offered on a fixed or floating rate basis, generally secured by the vehicle being purchased and typically has a term of three to seven years (with a maximum of nine years).

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In June 2004, the AmBank Group's auto financing operations and fulfilment department obtained the ISO 9001 certifications from the Department of Standards Malaysia, the United Kingdom Accreditation Service and the *Comité Francais d'Accréditation*, for auto financing processing, documentation, disbursement and customer service. In June 2007, the AmBank Group won the Excellence in Automobile Lending Award for the Asia Pacific and Persian Gulf Region at the Sixth Asian Banker Excellence in Retail Financial Services Awards, the highest accolade ever awarded to a Malaysian vehicle financier. This award recognised the Group's commitment to building business franchises that are sustainable, competitive and profitable. In 2008, the Group was selected as the Frost & Sullivan Malaysian Automotive Finance Company of the Year, recognising the Group's contribution and achievement in the Malaysian automotive financing industry.

The AmBank Group employs an automated credit scoring system as part of its ongoing efforts to improve credit risk management. In addition, it aims to continuously improve its risk management scorecards and credit scoring capabilities to offer customers differential interest rates according to their credit profile. The AmBank Group continues to reinforce its presence in the vehicle financing market through marketing initiatives, participation in roadshows and sales promotions with vehicle distributors and dealers throughout Malaysia.

As part of the efforts to improve the overall profitability of the auto financing business, in August 2007 the AmBank Group engaged a consulting firm to review the overall business model for its vehicle financing business. The review was completed in March 2008 and identified profitable and loss-making segments, as a result of which, action plans were drawn up to strengthen the profitability of the Group's auto financing business. The key recommendations included concentrating growth in the profitable segments, exiting the worst loss-making segments, improving the credit scoring model, restructuring roles and responsibilities and target setting units, executing cost targets, introducing new pricing models and decision governance structures. As at the date of this IM, these key recommendations have largely been implemented.

(b) Personal financing/Cashline

As at 31 December 2013, AmIslamic is amongst the key players in personal financing/co-operative financing, based on the published financial results of domestic and foreign financial institutions in Malaysia. The Bank's gross assets for personal financing stood at RM1.5 billion which represent 6% of the total personal financing market. AmIslamic offers principal personal financing/co-operative financing products aimed at members of co-operatives who are government employees the payment method of which is via monthly salary deductions.

(c) Mortgages and other customers financing

AmIslamic's Retail Banking Property and Home Financing portfolio consists mainly of financing for residential properties. AmIslamic has approximately RM1,016.6 million of gross residential property financing assets as at 31 December 2013 and they represent approximately 4% of AmIslamic's total financing portfolio. The table below sets out AmIslamic's property financing portfolio as at the dates indicated:-

	As at 31 March 2012 RM million	**As at 31 March 2013** RM million	**As at 31 December 2013** RM million
Residential property financing for households	594.9	823.6	1,016.6

AmIslamic provides a wide range of residential property financing which offers multiple and varied financing options including fixed or floating rate options and flexible payment options based on the Bai' Bithaman Ajil (deferred payment sale) and Musharakah Mutanaqisah (diminishing partnership concepts). AmIslamic's residential property financing normally have terms of between 20 and 25 years, with a maximum financing tenure of 30 years. These financings are typically secured by the property being purchased or refinanced and are generally term financing or cash line (or a combination of both).

AmIslamic's marketing activities in relation to mortgages and other consumer financings include product-bundling initiatives and active participation in sales launches and major property expositions, such as the Malaysia Property Expo (MAPEX, which is organised annually by the Real Estate and Housing Developers' Association in Malaysia). The Bank also has strategic alliances with the state governments of Sabah and Selangor, in Malaysia for the provision of financing for low-cost housing, as well as partnerships with selected housing developers and real estate agents.

Leveraging on AmBank's infrastructure, AmIslamic currently has five mortgage business centres in Kuala Lumpur, Penang, Johor Bahru, Kuching and Kota Kinabalu in Malaysia, as well as 79 relationship desks with personal bankers located in 187 branches throughout Malaysia.

(d) Credit cards

AmIslamic issues credit cards based on the Shariah concept of Ujrah. AmIslamic plans to continue expanding its cards customer base through cross-selling of its products and services to customers via product packaging and bundling. As at 31 December 2013, AmIslamic held 17% market share in the Islamic cards market based on BNM's monthly statistical report as at 31 December 2013.

As at 31 December 2013, AmIslamic had approximately 89,402 credit cards in circulation. The credit card business' total receivables as at 31 December 2013 amounted to RM322.1 mill.

Revenues from the credit card business consist principally of income generated by the card-issuing aspect of its business, such as fee charges on outstanding balances, late payment charges, cash advance fee, interchange fee, annual fee and excess limit fee. In addition, the Corporate Bill Payment service for utility payments, takaful tele-sales and merchandising (which specializes on holiday packages and gadgets) also generate substantial fee income to AmIslamic.

Besides that, AmIslamic also generates fee revenue (in the form of merchant discount revenue) from the full range of card acceptance facilities that is offered through merchants across Malaysia, covering branded cards issued under"MasterCard" and "Visa".

Over the last four years, BNM has imposed restrictive guidelines on the credit card industry, including the imposition of a limit for customers with an annual income of less than RM36,000 to 2 card issuers, a minimum annual income requirement of RM24,000 and mandatory income documents for new card issuance.

AmIslamic has strategic tie-ups with partner merchants such as Starbucks and Caltex, for example. AmIslamic also offers the "Signature", "World" and "Infinite" premium credit cards which are designed to cater for the affluent and high net worth customers, offering travel related privileges and complimentary golf amongst other. AmIslamic focuses heavily on cross-selling with its tailor made CARz credit card offering, catering to customer's needs with petrol cash back.

AmIslamic places heavy focus on building its receivables and card usage with strategic campaigns namely "Got 1 Got Cashback" and "Spend & Get Free Gifts" promotions, as well as campaigns designed to build financing receivables, such as the "Balance Transfer / Quick Cash with Guaranteed Gift" and "Flexi-Pay Plan" installment campaigns.

AmIslamic issues "MasterCard" and "Visa" compliant chip-based credit cards and employs the card management system CardPro, to support the card issuance and acquiring businesses.

To offer wider range of products to the retail consumers, AmIslamic is also offering unsecured personal financing. With no collateral and guarantors required, AmMoneyLine is aimed to provide personal financing facility for all important occasions – wedding, education or buying a new house, the faster and easier way.

(e) Bancatakaful and wealth management

In addition to cross-selling deposits and demand deposits, financing products such as mortgages, auto financing and micro financings, this business unit within the Retail Banking Division offers customers access to investment products such as equity unit trusts, takaful products (such as mortgage reducing term takaful, family, general and auto takaful) and other bancatakaful products.

Such investment and takaful products are substantially sourced from within the AMMB Group.

(f) Deposits

AmIslamic offers a complete range of Shariah-compliant deposit products and services including current and savings accounts, term deposits and structured deposits. AmIslamic has grown its term deposits base by maintaining relationships with its customers and a pricing strategy to assist in funding asset growth.

AmIslamic's key strategies revolve around the concepts of:

(1) **Acquisition** – understanding its key customer segments and meeting their financial needs;

(2) **Activation** – increasing transactionality and primary accounts; and

(3) **Anti-attrition** – prevention to reduce dormancy and closure.

These strategies are underpinned by the delivery of key customer proof points centred on the themes of simplicity, friendliness and convenience. AmIslamic continues to focus on initiatives which will provide long-term sustainable growth specifically in low-cost deposits.

AmIslamic offers "AmBank@Work" product which is designed to offer comprehensive banking solutions to both employer and employee, including payroll and cash management services. Upon the opening of a salary crediting deposit account, the customer is offered special fee savings, bonus and rewards, plus full access to the Group's extensive branch network and electronic banking services

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g) **Asset financing and small business**

AmIslamic's Asset Financing and Small Business ("AFSB") unit primarily provides financial solutions which are focused on equipment and working capital financing, as well as providing multi-trade facilities to SMEs. These financial solutions include industrial hire purchase solutions, financings funded by BNM, financing backed by Credit Guarantee Corporation Malaysia Berhadand cashlines.

In line with Malaysian government policy, AmIslamic also offers its "Small Business Solution" financial solutions. These solutions provide financing to small businesses by offering SME working capital financings and financing at all the AmIslamic and AmBank branches in Malaysia.

As at 31 December 2013, AmIslamic's AFSB gross financing portfolio amounted to RM810.5 million. Besides focusing on direct sales, the AmIslamic's AFSB vendor team focuses on strengthening their relationships with suppliers and vendors by way of strategic tie-ups in order to generate sales and garner business referrals.

AmIslamic's AFSB unit also provides financial solutions to customers referred by the Corporate and Institutional Banking and Transaction Banking divisions.

4.6.2 Business Banking

The Business Banking segment provides a wide range of banking products and services to corporate and commercial customers. The Business Banking segment also targets SMEs, which have been identified as having growth potential. The primary range of products and services offered by the Business Banking segment comprises working capital financing and other commercial financings(such as cashlines, revolving credit facilities, project financing, bridging financings and syndicated financing participation), trade facilities (such as letters of credit, trust receipts, guarantees, export credit refinancing, bankers' acceptances and foreign currency trade financings), factoring and cash management services.

As at 31 December 2013, the Business Banking segment accounted for 39.4% of the AmIslamic's net profits.

During the period ended 31 December 2013, financings and advances provided by the Business Banking segment totalled RM5.8 billion, an increase of 20.4 % compared with the same period last year. The segment's products and services are offered through the AmIslamic's head office in Kuala Lumpur and four Regional Business Centres ("RBCs") in Johor Bahru, Kota Kinabalu, Kuching and Penang. The Business Banking segment's RBCs are further supported by 13 Commercial Business Centres ("CBCs") strategically located throughout the country.

The CBCs provide marketing services and serve as document collection centres. In addition, the Business Banking segment utilises the Group's branch network to provide support and services to corporate customers.

4.6.3 Corporate and Institutional Banking ("CIB")

The CIB segment provides wholesale banking services for large corporate and institutional customers and offers a wide spectrum of commercial banking and investment banking products and services.

As at 31 December 2013, the CIB segment accounted for 26.5% of the AmIslamic's net profits.

During the period ended 31 December 2013, financings and advances provided by the Corporate and Institutional Banking Division totalled RM3.7 billion, an increase of 29.6% compared with the same period last year.

The CIB segment focuses on building and developing strong relationships with government-linked corporations, government and state-owned public entities, foreign and local multi-national companies, financial institutional groups, privately held conglomerates and publicly listed corporates.

The segment also works closely with other divisions within the Group to structure comprehensive financial solutions, which include financing, deposit taking, liability management solutions, transaction banking covering cash and trade and foreign exchange.

The segment concentrates on niche client groups and targeted industry sectors, such as the construction/infrastructure and oil and gas industries. The division is further supported by the four RBCs, ensuring that AmIslamic has a CIB footprint across Malaysia.

4.6.4 Transaction Banking

The Transaction Banking segment offers a full suite of trade finance and cash management solutions; and is one of the few market players in Malaysia with full online transaction capability for both its trade finance and cash management internet banking channels (AmTrade & e-AmBiz).

Its trade finance and cash management solutions are customized for business and corporate customers; aimed at making business transactions for customers cost effective and efficient. Trade finance solutions include domestic sales and purchase financing, import and export financing, structured trade and trade advisory services. The cash management services provided are designed to assist clients in managing their receivables and payables and include internet banking, web-based payroll, payment, liquidity management, collection and electronic invoice products.

The financial results of the Transaction Banking segment are accounted for in the results of the Retail Banking Division, the Business Banking segment and the CIB segment.

The Transaction Banking segment's strategy is to focus on its core cash management and trade finance product lines in order to increase current account balances under management. It also aims to offer tailor-made solutions for customers' supply chain requirements to improve working capital cycles and process efficiency.

In April 2013, Transaction Banking successfully completed implementation of its trade operational support infrastructure, a significant project aimed at enhancing customer experience by creating specialization and efficiencies between back-office and front-office functions.

4.6.5 Markets

The Markets segment operates as the gateway to the financial markets for AmIslamic.

Markets provides capabilities for the trading of Islamic money market investment and Islamic fixed income instruments across every market segment including the consumer, SME, corporate, institutional and inter-bank markets. Additionally, Markets continues to develop innovative Islamic foreign exchange ("**Islamic FX**") and derivative products to support the Malaysian Government's initiative for Malaysia to be a leading Islamic financial hub.

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4.7 Competitive Strengths

AmIslamic considers the following to be its principal competitive strengths:

4.7.1 Strategic partnership with ANZ, a major international banking and financial services group

The partnership with ANZ enables AmIslamic to leverage on the international expertise and strengths of ANZ, as ANZ brings with it its international best practices as well as exposure to international products, banking systems and cross-border capabilities. The equity participation of ANZ is expected to enable AmIslamic to compete more effectively against international banks, given the expected enhancement of its product development abilities and risk management practices.

AmIslamic believes that the following benefits will be derived by AmIslamic from the AMMB Group's strategic partnership with ANZ:

(i) Risk Management Framework: ANZ has a proven track record in transferring risk capabilities to its partners. This includes improvements of credit risk management systems, knowledge transfer on Basel II implementation and enhancement of financial discipline.

(ii) Retail and Business Banking: ANZ has experience and capabilities in deposit-raising strategies, auto financing, mortgages and branch service enhancement. ANZ’s experience with SMEs will also enable AmIslamic to leverage on ANZ’s vast corporate banking experience for business expansion purposes. ANZ’s credit card business in other Asian markets is expected to enable AmIslamic to adopt ANZ’s best practices and capture a larger share of the fast-growing Malaysian credit card market.

(iii) Branding: It is envisaged that ANZ will add significant credibility and provide a “unique selling point” for AmIslamic to position itself as a domestic Islamic bank with a significant foreign shareholding, and further strengthen its brand equity.

(iv) IT Infrastructure and other Operations: AmIslamic is expected to be able to leverage on ANZ’s international standards and IT practices for the enhancement of its existing IT infrastructure. ANZ’s best practices in the area of compliance are expected to enable AmIslamic to enhance its internal auditing and reporting systems. Further, AmIslamic is expected to also gain exposure to ANZ’s highly automated banking processes and centralised back office operations.

(v) Training and Development: With staff secondment and training, AmIslamic is expected to be able to absorb and implement ANZ’s international service standards to enhance the overall quality of its human capital.

(vi) Regional Presence and Cross-Border Transactions: The partnership is expected to also provide AmIslamic with access to ANZ’s wide international network for remittance, Transaction Banking operations and investment banking cross-border dealflow.

On 28 August 2008, with the technical expertise from ANZ, the AMMB Group has established the foreign exchange, interest rate derivatives and commodities business. The AMMB Group is leveraging on ANZ’s markets division’s sales, trading, IT, risk, product development and process skills to set the foundation for a sustainable markets business in the AMMB Group. The business aspiration is to build complete and integrated end-to-end solutions that add significant value across the AMMB Group’s businesses segments including retail banking, business banking and corporate banking.

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4.7.2 Extensive and diversified distribution network

As at 31 December 2013, AmIslamic and AmBank currently jointly operate 187 branches (including 3 dedicated Islamic banking branches), more than 800 automated teller machines (ATMs) and 167 self-service EBCs in Malaysia. Besides its network of dedicated nationwide marketing officers and personal bankers, AmIslamic also leverages on the sales force in the AMMB Group which comprises marketing, sales and financial services personnel and agents.

4.7.3 Extensive and diversified retail banking business

AmIslamic offers a diversified range of retail banking products and services. In 2013, the major focus is on growing a new product, Flexi Bai' Bithaman Ajil and Musharakah Mutanaqisah for House Financing-i, a house financing product with flexible rate features as opposed to fixed rate financing as part of AmIslamic's medium to long term strategy in gearing up the development of variable and floating rate financing products as the mainstream products over fixed rate financing products. The introduction of variable rate hire purchase scheme, branded as AmAuto Cruise, saw great success in both disbursements and market reception.

4.7.4 Leading market position in key products

AmIslamic was the fifth (5th) largest bank in Malaysia in terms of asset size as at 30 September 2013 based on the published financial results of the 16 domestic and foreign Islamic banks in Malaysia. AmIslamic is one of the largest providers of auto financing in Malaysia, with a market share of approximately 17% as at 31 December 2013, and currently has relationships with over 3,000 auto dealers in Malaysia. These relationships provide an extensive distribution network for AmIslamic's auto financing products.

4.7.5 Ability to provide and cross-sell a wide range of products and services

Being the first-to-market in the region through numerous product innovations, AmIslamic provides a wide range of Shariah-compliant commercial banking, retail banking and related financial services, which also include investment advisory as well as treasury products. Striving to be the premier Islamic bank of choice, AmIslamic continues to grow while providing our customers a complete range of innovative Shariah-compliant financial solutions. One notable product innovation by AmIslamic is the AmMomentum Select NID-i, a flexible investment strategy that monitors market momentum to determine timing and methods of investment.

4.7.6 Established and reputable brand name

The initiatives to strengthen the branding of AmIslamic come through the approach of elevating the brand of "AmIslamic" as the Islamic banking / finance products and service provider of the AMMB Group and in order to create and build a brand that is relevant and preferred for Islamic banking and finance, both locally and globally in conjunction with the International Currency Business Unit licence granted by BNM.

By leveraging on the AMMB Group's extensive international networking to carry the brand of AmIslamic, it should add significant credibility in establishing AmIslamic as a prominent brand in the local front as well as the region. Through this approach, AmIslamic should be able to cater to all our customers' Islamic financial needs by offering a complete range of Shariah-compliant products and services and also a variety of banking concepts.

Another significant branding initiative comes in the form of "dual signage" where the brand name of AmIslamic appears side by side with the AmBank brand at major locations of the AMMB Group's shared branches throughout the country. This strategy is meant to elevate the visibility of AmIslamic as part of strengthening its brand.

The AMMB Group has on 16 September 2013 repositioned itself with a new tagline "Your Bank. Malaysia's Bank. AmIslamic Bank" which will further elevate the AMMB Group brand as a modern Malaysian financial services provider that is always connecting with its customers to ensure that AmIslamic understands and is able to fulfil the customers' needs.

4.7.7 Technology

The AMMB Group has a robust and secure technology infrastructure and there are on-going investments to ensure technology currency, enhance security controls and support business growth. The AMMB Group's information security management conforms to industry standards as well as BNM's policies and guidelines.

The AMMB Group carries out comprehensive live disaster recovery readiness tests at least once a year. Recovery techniques are employed to ensure data integrity and a daily back-up of the AMMB Group's critical data is stored offsite. The AMMB Group's disaster recovery policies and procedures comply with national standards and BNM requirements.

4.8 Strategy

AMMB Group's vision is "As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us". This will be achieved through AMMB Group's mission: Connecting, Growing and Outperforming.

For FYE 2014 – 2016, AMMB Group will be guided by its vision and five (5) strategic themes.

(i) Integrate acquisitions and deliver strategy

AMMB Group's focus is on realising operational efficiencies from economies of scale from its recent acquisitions and capitalising on the expanded customer base for cross-selling opportunities and strengthening its competitive positioning to grow income in its preferred segments.

(ii) Simplify Business Model and Streamline Processes

With focus on customer centricity, AMMB Group is simplifying business structures and processes to enhance customer experience, and provide financial solutions that match customers' lifestyles and lifecycle needs. In addition, various process improvement programmes in business and support functions are underway to improve efficiency and productivity across the AMMB Group. This will enable the AMMB Group to reinvest what it saves into future growth initiatives.

(iii) Accelerate Organic Growth With Focus On Cross-Sell, Flow Business, Small Business, And Emerging Affluent Customers

In retail, the AMMB Group's focus is on building main bank relationships with preferred customer segments including growing market share by attracting new customers and via supporting SMEs to invest and expand their businesses. In non-retail, it will focus on deepening its existing relationships with customers via new product rollouts in Markets, foreign currency service propositions, and delivering on its enhanced trade and cash capabilities.

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(iv) Build Scale In Specialist Businesses With Strategic Partners

The AMMB Group's strategic partnership with ANZ in banking will continue to support development of new customer solutions and provide greater cross-border linkages for our customers. In general insurance, AMMB Group's partner IAG continues to support the integration of Kurnia and building international best practices into its business. AMMB Group is in the midst of finding a new strategic partner for the Life Assurance and Family Takaful businesses. The new partnership is expected to accelerate its planned build-out of scale by leveraging on their international expertise and skilled resources, along with AMMB Group's distribution and customer franchises.

(v) Optimise Capital And Holding Company Structures

The AMMB Group remains proactive in managing capital according to evolving regulatory requirements and evaluating business opportunities on a risk adjusted basis for optimum returns on capital.

The Islamic finance industry continues to grow and diversify amidst the challenging global economic environment. Increasingly resilient, Islamic banking is gaining even more ground in the overall Malaysian banking industry.

AmIslamic continue to live up to its aspiration to become the preferred Islamic Bank in the domestic Islamic banking industry with strong market share which clearly reflects the AmIslamic's years of in-depth expertise in Islamic financial products and services.

As opportunities abound, AmIslamic has geared itself up to be one of the leading local Islamic banks by competing in a challenging market place, with products and business developments remaining the main focus of the bank.

AmIslamic has also embarked on ongoing comprehensive and integrated marketing initiatives to position itself in the market by playing a significant role in improving the awareness level of the public in an effort to make Islamic banking products and services consumed by all.

Moving forward, AmIslamic will undertake major initiatives which include:

i. To strengthen our core capabilities and existing channels to improve our market share in Islamic banking.

ii. To continue efforts to enhance and offer tailored products to serve the needs of customers from key customer segments.

iii. To strengthen the Shariah governance and enhance the infrastructure to comply with changes in regulatory requirements.

iv. To inculcate branding and awareness of Islamic products through continuous effort in promotions, sales support and investment in our people and capabilities.

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5. FINANCIAL AND OTHER MATERIAL INFORMATION

5.1 Financial Highlights

On 19 November 2011, the Malaysian Accounting Standards Board ("**MASB**") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("**MFRS**") Framework. The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012 and requires comparative information to be restated as if the requirements of MFRSs that were effective for annual periods beginning on or after 1 January 2012 have always been applied.

Accordingly, AmIslamic's financial statements for the year ended 31 March 2013 have been prepared using the MFRS Framework in its first MFRS financial statements for the year ended 31 March 2013. To comply with MFRS 1 First-Time Adoption of Financial Reporting Standards, an entity's first MFRS financial statements shall include at least three (3) statements of financial position, two (2) income statements, two (2) statements of comprehensive income, two (2) statements of cash flows and two (2) statements of changes in equity and related notes, including comparative information. In preparing its opening MFRS statement of financial position as at 1 April 2011, AmIslamic had adjusted the amounts previously reported in the financial statements prepared in accordance with FRS to reflect the financial effects from the adoption of MFRS.

AmIslamic's MFRS statements of financial position at 1 April 2011 and 31 March 2012, and the MFRS income statements for the financial year ended 2012 have been restated as if the new policies had always been in effect.

The following financial information is based on our audited financial statements for FYE 31 March 2013 and unaudited condensed financial statements for the nine months ended 31 December 2013 are as follows:

	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Income Statement			
Income derived from investment of depositors' funds and others	1,230.6	1,487.7	1,223.9
Income derived from investment of shareholder's funds	169.6	151.5	84.3
Allowance for impairment on financing and advances	(163.2)	(136.1)	(139.2)
Provision for commitments and contingencies	(0.1)	(0.7)	(3.8)
Transfer (to)/from profit equalisation reserve	3.6	(9.4)	(9.0)
Total distributable income	1,240.5	1,493.0	1,156.2
Income attributable to the depositors	(587.7)	(745.5)	(613.9)
Total net income	652.8	747.5	542.3
Other operating expenses	(301.0)	(354.5)	(267.7)
Finance cost	(52.3)	(61.1)	(51.3)
Profit before zakat and taxation	299.5	331.9	223.3
Zakat	(1.6)	(1.6)	(1.0)
Taxation	(78.8)	(72.1)	(50.6)
Profit for the year/period	219.1	258.2	171.7
EPS (sen)			
Basic/Diluted	54.34	59.07	37.08

	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Statement of Comprehensive Income			
Profit for the year/period	219.1	258.2	171.7
Other comprehensive income/(loss):			
Net change in revaluation of financial investments available-for-sale	(3.9)	2.6	(9.8)
Income tax relating to the components of other comprehensive income/(loss)	1.0	(0.7)	2.4
Other comprehensive income/ (loss) for the year/period, net of tax	(2.9)	1.9	(7.4)
Total comprehensive income for the year/period	216.2	260.1	164.3

	1 April 2011 (Audited) RM milllion	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Statement of Financial Position				
ASSETS				
Cash and short-term funds	4,738.8	2,328.9	3,540.9	3,942.4
Deposits and placements with banks and other financial institutions	250.0	1,118.4	1,548.4	518.4
Derivative financial assets	3.3	10.9	7.9	10.3
Financial assets held-for-trading	991.1	1,522.2	1,216.4	79.3
Financial investments available-for-sale	715.9	320.1	1,197.3	2,702.0
Financial investments held-to-maturity	-	822.2	1,920.3	1,450.7
Financing and advances	14,956.2	18,491.4	21,987.3	23,183.9
Statutory deposit with Bank Negara Malaysia	-	559.0	771.0	806.5
Deferred tax asset	118.4	36.2	-	-
Other assets	124.6	319.2	315.1	358.3
Property and equipment	0.7	0.6	0.5	0.4
Intangible assets	0.3	0.1	0.1	-
TOTAL ASSETS	21,899.3	25,529.2	32,505.2	33,052.2

	1 April 2011 (Audited)	31 March 2012 (Audited)	31 March 2013 (Audited)	31 December 2013 (Unaudited)
	RM milllion	**RM milllion**	**RM million**	**RM million**
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	1,467.4	1,481.2	2,504.7	4,220.0
Recourse obligation on financing sold to Cagamas Berhad	1,700.0	1,950.1	2,073.7	2,069.8
Derivative financial liabilities	3.3	10.9	7.9	10.3
Deposits from customers	15,249.8	18,272.0	23,211.2	22,645.4
Term funding	550.0	550.0	550.0	550.0
Bills and acceptances payable	879.5	518.4	722.8	5.4
Subordinated Sukuk Musharakah	400.0	800.0	1,000.0	900.0
Deferred tax liability	-	-	16.0	11.8
Other liabilities	249.3	229.7	290.4	346.1
Provision for zakat	0.6	1.3	1.6	2.2
TOTAL LIABILITIES	20,499.9	23,813.6	30,378.3	30,761.0
Share capital	403.0	428.0	462.9	462.9
Reserves	996.4	1,287.6	1,664.0	1,828.3
Equity attributable to equity holder of the Bank	1,399.4	1,715.6	2,126.9	2,291.2
TOTAL LIABILITIES AND EQUITY	21,899.3	25,529.2	32,505.2	33,052.2
COMMITMENTS AND CONTINGENCIES	6,006.2	6,138.3	8,475.5	7,790.7
Net assets per share (RM)	3.47	4.01	4.59	4.95

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Core financial ratios of the Bank can be summarised as follows:

	FYE 31 March 2012 (Unaudited)	FYE 31 March 2013 (Unaudited)	31 December 2013 (Unaudited)
Financial Ratios	**%**	**%**	**%**
Return on assets	0.9	0.9	0.7*
Return on equity	14.1	13.4	10.4*
Net financing margin	2.9	2.7	2.5*
Net financing to deposits	101.2	94.7	102.4
Cost to income	39.6	42.6	41.6

	FYE 31 March 2012 (Audited)	FYE 31 March 2013 (Audited)	31 December 2013 (Unaudited)
Financial Ratios	**%**	**%**	**%**
Financing loss coverage ratio (excluding collateral)	200.5	188.1	143.7
Gross impaired financing and advances ratio	1.3	1.2	1.5
Core capital ratio	9.0	NA	NA
Risk-weighted capital ratio	15.0	NA	NA
Common Equity Tier	NA	9.5	9.604
Tier 1 capital ratio	NA	9.5	9.604
Total capital ratio	NA	14.6	14.612

* *annualised basis*

The Financial Ratios used are defined as:

(a) "**Return on Assets**" means profit for the financial year/period as a percentage of the average of beginning and year/period end total assets.

(b) "**Return on Equity**" means profit for the financial year/period as a percentage of the average of beginning and year/period end equity attributable to equity holder of the Bank.

(c) "**Net Financing Margin**" means net financing income, as a percentage of the average of beginning and year/period end profit-earning assets (comprising cash and short term funds, deposits and placements with banks and other financial institutions, financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and financing and advances).

(d) "**Net Financing to Deposits Ratio**" means net financing and advances as a percentage of deposits from customers.

(e) "**Cost to Income**" means operating expenses as a percentage of total net income (including net financing income and other operating income).

(f) "**Financing Loss Coverage Ratio (excluding collateral)**" means total financing loss allowances as a percentage of gross impaired financing and advances.

(g) "**Gross Impaired Financing and Advances Ratio**" means gross impaired financing and advances as a percentage of gross financing and advances.

(h) "**Core Capital Ratio**" means the ratio of Tier 1 capital to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

(i) "**Risk Weighted Capital Ratio**" means the ratio of total capital base to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

(j) "**Common Equity Tier 1**" means the ratio of common equity Tier 1 capital to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

(k) "**Tier 1 Capital Ratio**" means the ratio of Tier 1 capital to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

(l) "**Total Capital Ratio**" means the ratio of total capital to total risk-weighted assets. For more information, see "Capital Adequacy Ratio".

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5.2 Capitalisation and Indebtedness

The following table sets out the capitalization and indebtedness of AmIslamic based on the audited financial statements for the FYE 31 March 2013 and the unaudited condensed financial statement for the nine-months ended 31 December 2013:-

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Short-term and long-term liabilities				
Deposits and placements of banks and other financial institutions	1,467.4	1,481.2	2,504.7	4,220.0
Recourse obligation on financing sold to Cagamas Berhad	1,700.0	1,950.0	2,073.7	2,069.8
Derivative financial liabilities	3.3	10.9	7.9	10.3
Deposits from customers	15,249.8	18,272.0	23,211.2	22,645.4
Term funding	550.0	550.0	550.0	550.0
Bills and acceptances payable	879.5	518.4	722.8	5.4
Subordinated Sukuk Musharakah	400.0	800.0	1,000.0	900.0
Deferred tax liability	-	-	16.0	11.8
Other liabilities	249.3	229.8	290.4	346.1
Provision for zakat	0.6	1.3	1.6	2.2
Total Liabilities	20,499.9	23,813.6	30,378.3	30,761.0
Equity				
Share capital	403.0	428.0	462.9	462.9
Reserves				
Share premium	534.1	609.1	724.2	724.2
Statutory reserve	304.3	359.7	424.3	424.3
Profit equalization reserve	-	-	1.2	2.1
Available-for-sale reserve	(6.3)	(9.2)	(7.2)	(14.6)
Retained Earnings	164.3	328.0	521.5	692.3
Equity attributable to equity holder of the Bank	1,399.4	1,715.6	2,126.9	2,291.2
Total Liabilities and Equity	21,899.3	25,529.2	32,505.2	33,052.2
Commitments and Contingencies	6,006.2	6,138.3	8,475.5	7,790.7

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5.3 Funding

The Bank funds most of its operations from customer and interbank deposits, capitalising mainly on customer deposits. Total deposits balances have increased by 5% as at 31 December 2013 compared to same period last year. The overall strategy is to enlarge the distribution footprint and branch network plays a pivotal role in deposit gathering.

The Bank's liquidity risk management is in compliance with the New Liquidity Framework as prescribed by BNM.

5.3.1 Customer Deposits

The following table illustrates the profile of AmIslamic's customer deposits by type as at the dates indicated:

Profile of Customer Deposits by Type

	1 April 2011 (Audited) RM million	**31 March 2012 (Audited) RM million**	**31 March 2013 (Audited) RM million**	**31 December 2013 (Unaudited) RM million**
Non-Mudharabah				
Demand deposits	1,189.1	2,874.2	4,865.4	3,438.6
Savings deposits	1,335.3	1,542.0	1,738.4	1,806.5
Negotiable instruments of Deposits	13.1	25.2	20.5	21.1
Term deposits	-	167.2	1,020.3	1,908.7
	2,537.5	4,608.6	7,644.6	7,174.9
Mudharabah				
Demand deposits	11.3	19.5	30.6	32.7
Savings deposits	4.6	5.9	5.5	5.9
General investment deposits	12,585.1	13,453.9	15,396.1	15,377.7
Structured deposits	111.3	184.1	134.4	54.2
	12,712.3	13,663.4	15,566.6	15,470.5
Total	**15,249.8**	**18,272.0**	**23,211.2**	**22,645.4**

The following table illustrates the maturity structure of negotiable instruments of deposits, term deposits, general investment deposits, and structured deposits as at the dates indicated:

Maturity Structure

	1 April 2011 (Audited) RM million	**31 March 2012 (Audited) RM million**	**31 March 2013 (Audited) RM million**	**31 December 2013 (Unaudited) RM million**
Due within six months	11,585.1	12,566.7	14,593.1	14,958.1
Over six months to one year	720.2	806.2	1,659.4	2,204.8
Over one year to three years	190.7	404.0	306.7	163.3
Over three years to five years	213.5	53.5	12.1	35.4
Total	**12,709.5**	**13,830.4**	**16,571.3**	**17,361.6**

5.3.2 Interbank Deposits

The Bank is an active interbank participant. It also acts as a Principal Dealer in BNM money market tender operations. Interbank financing are normally used to fund short term mismatches in the Bank's maturity profiles or for on-financing and arbitrage opportunities, where there are opportunities to do so. The Bank seeks to maintain financing from the interbank market within manageable levels so as to avoid dependence on financing from the interbank market. The Bank is currently a net interbank financier.

The Bank also issues Islamic Negotiable Instruments to raise short term funds.

5.3.3 Other Funding Sources

Sale of credit facilities to Cagamas Berhad

The Bank is able to secure longer-term sources of funds of three to seven years tenures by selling consumer financings to Cagamas Berhad (the Malaysian national mortgage corporation) with recourse to the Bank. The Bank continues to service such financings, retaining the fixed or floating profit collected on the financings, and pays a fixed or floating rate of profit to Cagamas Berhad as selected by the Bank at the time of sale.

Senior Sukuk Musharakah

The Bank has established a Senior Sukuk Issuance Programme with a programme limit of RM3.0 billion based on the shariah principles of Musharakah which enables it to tap the Malaysian debt capital markets to meet its long-term funding requirements. The programme also facilitates the Bank's liquidity risk management activities. As at 31 December 2013, the amount of Senior Sukuk outstanding under the programme was RM550 million.

Subordinated Sukuk Musharakah

The Bank implemented a new Subordinated Sukuk Musharakah programme on 30 September 2011, based on the Shariah principles of Musharakah. The purpose of the programme is to increase the Bank's Tier 2 capital and to provide funding for general working capital requirements. The programme has a size of RM2.0 billion and an availabily period of ten (10) years. As at 31 December 2013, the amount of Subordinated Sukuk Musharakah issued under this programme was RM0.9 billion.

5.3.4 Contingency Funding Plan

The Bank has put in place a contingency funding plan to identify early warning signals of possible liquidity problems. The contingency funding plan also sets out in detail the responsibilities of the relevant departments in the event of a liquidity crisis. The plan is designed to ensure orderly execution of procedures in such an event, in order to restore the liquidity position of and confidence in the organization.

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5.4 Capital Adequacy

Our historical capital adequacy ratios as at the dates indicated:

	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Common Equity Tier 1 ("CET1") Capital		
Ordinary shares	462.9	462.9
Share premium	724.2	724.2
Retained earnings	521.3	652.7
Unrealised losses on available-for-sale ("AFS") financial instruments	(7.2)	(14.6)
Statutory reserve	424.3	424.3
Less : Regulatory adjustments applied on CET1 capital		
- Intangible assets	(0.1)	-
CET1 capital	**2,125.4**	**2,249.5**
Additional Tier 1 ("T1") capital		
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	**-**	**-**
Less : Regulatory adjustments applied on T1 capital	**-**	**-**
T1 capital	**2,125.4**	**2,249.5**
Tier 2 ("T2") capital		
Tier 2 capital instruments (subject to gradual phase-out treatment)	900.0	900.0
Collective allowance and regulatory reserves	255.7	273.1
Less : Regulatory adjustments applied on T2 capital	-	-
Tier 2 capital	**1,155.7**	**1,173.1**
Total Capital	**3,281.1**	**3,422.6**
Capital Ratios:		
Common Equity Tier 1	9.5%	9.604%
Tier 1 Capital Ratio	9.5%	9.604%
Total Capital Ratio	14.6%	14.612%

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The following is a breakdown of the risk weighted assets ("**RWA**") of AmIslamic in the various categories of risk weights as at the dates indicated:

	31 March 2013 (Audited) RM million	**31 December 2013 (Unaudited) RM million**
Credit RWA	20,954.1	22,314.6
Less : Credit RWA absorbed by Restricted Profit Sharing Investment Account	(500.9)	(465.5)
Total Credit RWA	20,453.2	21,849.1
Market RWA	583.1	107.1
Operational RWA	1,406.2	1,466.5
Total Risk Weighted Assets	22,442.5	23,422.7

	31 March 2012 (Audited) RM million
Tier 1 Capital	
Paid-up ordinary share capital	428.0
Share premium	609.1
Statutory reserve	359.7
Retained earnings	328.0
	1,724.8
Less: Deferred tax asset	(33.1)
Total Tier 1 capital	1,691.7
Tier 2 Capital	
Subordinated Sukuk Musharakah	800.0
Collective allowance	328.3
Total Tier 2 capital	1,128.3
Capital Base	2,820.0

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The following is a breakdown of the risk weighted assets ('RWA") of AmIslamic in the various categories of risk weights as at the dates indicated:

	31 March 2012 (Audited) RM million
Credit risk	17,095.9
Market risk	384.0
Operational risk	1,327.8
Total risk weighted assets	18,807.7
Capital Ratios:	
Core capital	9.0%
Risk-weighted capital	15.0%

5.5 Capital Commitments

The Bank has no capital commitments as at 31 December 2013.

5.6 Asset Quality

5.6.1 Financing and Advances Portfolio

Financing and advances by type

The following table sets out the breakdown of AmIslamic's financing portfolio by product type as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
At amortised cost:				
Cash lines	376.2	522.8	718.7	788.1
Term financing	4,349.1	6,046.3	6,557.4	6,742.3
Revolving credit	1,589.6	1,095.9	2,037.2	2,865.9
Housing financing	461.6	598.2	826.5	1,014.7
Hire purchase receivables	7,324.0	9,264.5	10,884.0	10,822.5
Bills receivables	-	-	0.5	2.9
Credit card receivables	303.8	316.7	328.3	322.1
Trust receipts	89.7	63.4	49.4	82.4
Claims on customers under acceptance credit	957.6	1,060.4	1,090.2	1,066.9
Gross financing and advances	**15,451.6**	**18,968.2**	**22,492.2**	**23,707.8**
Allowance for impairment on financing and advances:				
- Collective allowance	(469.9)	(460.4)	(490.4)	(519.4)
- Individual allowance	(25.5)	(16.4)	(14.5)	(4.5)
Net financing and advances	**14,956.2**	**18,491.4**	**21,987.3**	**23,183.9**

Financing and advances by sector

The following table sets out the breakdown of AmIslamic's gross financing portfolio by sector as at the dates indicated:

	1 April 2011 (Audited) RM million	**31 March 2012 (Audited) RM million**	**31 March 2013 (Audited) RM million**	**31 December 2013 (Unaudited) RM million**
Agriculture	186.6	254.3	539.4	663.3
Mining and quarrying	45.9	43.3	38.3	39.9
Manufacturing	1,525.1	2,075.4	2,339.5	2,211.8
Electricity, gas and water	253.7	130.9	129.9	131.5
Construction	806.4	464.4	1,377.5	1,713.6
Wholesale and retail trade and hotel and restaurants	496.8	622.7	782.5	687.5
Transport, storage and communication	738.3	836.6	610.3	949.5
Finance and insurance	134.9	78.7	13.6	48.4
Real estate	612.0	1,099.0	1,884.8	2,283.4
Business activities	361.2	333.5	564.1	765.5
Education and health	463.9	661.0	746.9	309.7
Household of which:	9,765.7	11,365.3	13,161.7	13,243.9
- purchase of residential properties	453.7	594.9	823.6	1,016.6
- purchase of transport vehicles	6,882.5	8,537.9	10,214.4	9,806.0
- others	2,429.5	2,232.5	2,123.7	2,421.3
Others	61.1	1,003.1	303.7	659.8
Gross financing and advances	**15,451.6**	**18,968.2**	**22,492.2**	**23,707.8**

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5.6.2 Gross Financing and Advances Maturity Profile

The following table sets out the breakdown of AmIslamic's gross financing portfolio by remaining maturity as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Maturing within one year	3,090.1	2,830.3	4,138.9	4,560.6
Over one year to three years	1,375.0	1,806.9	2,639.8	2,528.6
Over three years to five years	2,434.7	2,810.2	3,108.6	3,650.7
Over five years	8,551.8	11,520.8	12,604.9	12,967.9
Gross financing and advances	**15,451.6**	**18,968.2**	**22,492.2**	**23,707.8**

5.6.3 Impairment

Definition of Past Due and Impaired Financing

All financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (principal and/or profit) due under the contractual terms is received late or missed.

A financing is classified as impaired under the following circumstances:

(a) where the principal or profit or both[1] is past due or the amount outstanding is in excess of the approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the financing exhibits weaknesses that render a classification appropriate according to the Bank's Credit Risk Rating Framework, which requires it to be categorized under the "unlikely to pay" category under the Bank's Watch-list Policy.

(c) for financing with payment schedules on a quarterly basis or longer intervals it will be classified as impaired as soon as default[2] occurs unless it does not exhibit any weakness that would render it to be classified according to the Bank's Credit Risk Rating Framework. Notwithstanding that, these financings are to be classified as impaired when the principal or profit or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("**R/R**") facilities, these financing are categorised as "unlikely to pay" and classified as impaired. Impaired R/R facilities remain impaired until the customer shall have been assessed to have complied satisfactorily with the revised payment terms

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[1] For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly payment due before the next billing date.
[2] "Default" is defined for financing with payment schedules on a quarterly basis or longer as 1 day past due + 30 days

Profile of Impaired Financing

AmIslamic's total impaired financing stood at RM364.6 million as at 31 December 2013, representing a ratio of gross impaired financing to total gross financing and advances of 1.5%.

Set out below are AmIslamic's total impaired financing and impaired financing ratios as at the dates indicated:

	31 March 2012 (Audited) RM million	**31 March 2013 (Audited) RM million**	**31 December 2013 (Unaudited) RM million**
Balance at beginning of financial year	320.4	237.7	268.4
Impaired during the year /period	245.6	296.0	398.7
Reclassified as non-impaired	(59.9)	(52.0)	(46.5)
Recoveries	(38.1)	(32.7)	(52.1)
Amount written off	(230.3)	(180.6)	(203.9)
Balance at end of financial year/period	237.7	268.4	364.6
Gross impaired financing and advances as % of gross financing and advances	1.3%	1.2%	1.5%
Financing loss coverage (excluding collateral values)	200.5%	188.1%	143.7%

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Impaired financing by sector

The table below sets out AmIslamic's impaired financing by sector as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Agriculture	0.4	0.5	0.4	2.2
Mining and quarrying	0.1	0.1	-	0.2
Manufacturing	28.4	24.0	16.7	28.8
Electricity, gas and water	-	0.1	0.1	0.1
Construction	5.2	1.7	2.0	10.2
Wholesale and retail trade and hotel and restaurants	23.6	3.7	7.6	9.1
Transport, storage and communication	1.7	0.5	0.2	5.9
Finance and insurance	-	-	-	0.5
Real estate	1.6	-	9.1	8.1
Business activities	1.4	0.2	4.4	2.0
Education and health	1.8	14.1	13.0	9.7
Household of which:	256.1	192.8	214.9	287.3
- purchase of residential properties	20.9	23.1	31.3	36.1
- purchase of transport vehicles	98.5	123.5	149.5	222.2
- others	136.7	46.2	34.1	29.0
Others	0.1	-	-	0.5
Impaired financing and advances	**320.4**	**237.7**	**268.4**	**364.6**

Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

(a) **Trigger management**
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) **Valuation of assets**
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

Financings and advances, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective provisions are computed after making the necessary adjustments to reflect current economic conditions.

5.6.4 Portfolio of Securities

Banking institutions in Malaysia are required to classify their securities portfolio holdings into three categories: financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity. The Bank has the following accounting policies in connection with its securities portfolio:

The holdings of the securities portfolio of the Bank are classified based on the following categories and valuation methods:

(a) Financial assets at fair value through profit or loss category comprises two sub-categories: financial assets held-for-trading and those designated by management as at fair value through profit or loss on inception.

Financial assets are classified as held-for-trading if they are acquired principally for the purpose of sale in the near term.

Financial assets may be designated at fair value through profit or loss when the following criteria are met. Designation is determined on an instrument by instrument basis:

- the application of the fair value option eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets on a different basis; or
- the financial assets are part of a portfolio of financial instruments which is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately.

Financial assets at fair value through profit or loss are carried at fair value and any gain or loss arising from a change in their fair values is recognised in the income statement.

(b) Financial investments available-for-sale

Financial investments available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The financial investments available-for-sale are measured at fair value. Any gain or loss arising from a change in fair value is recognised directly in equity through the statement of changes in equity until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

(c) Financial investments held-to-maturity

Financial investments held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. The financial investments held-to-maturity are measured at amortised cost based on the effective yield method, less impairment.

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The financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity of AmIslamic as at the dates indicated:

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Financial assets held-for-trading				
At fair value:				
Money Market Instruments:				
Malaysian Islamic Treasury bills	18.3	4.7	-	-
Government Investment Issues	549.8	288.3	278.1	-
Bank Negara Monetary Notes	179.2	929.4	374.8	-
Sukuk Bank Negara Malaysia Ijarah	1.5	-	-	-
	748.8	1,222.4	652.9	-
Unquoted Securities*:*				
In Malaysia				
Private debt securities	232.3	279.5	502.7	79.3
Outside Malaysia				
Private debt securities	10.0	20.3	60.8	-
	991.1	**1,522.2**	**1,216.4**	**79.3**
Financial investments available-for-sale				
At fair value:				
Money Market Instruments:				
Bank Negara Monetary Notes	-	-	-	558.5
Government Investment Issues	190.1	-	-	198.5
Islamic Negotiable instruments of deposit	348.5	-	746.6	1,443.0
	538.6	-	746.6	2,200.0
Quoted Securities*:*				
In Malaysia				
Unit trusts	10.0	30.0	-	-
Unquoted Securities*:*				
In Malaysia				
Private debt securities	167.3	280.0	425.2	502.0
Outside Malaysia				
Private debt securities	-	10.1	25.5	-
	715.9	**320.1**	**1,197.3**	**2,702.0**

	1 April 2011 (Audited) RM million	31 March 2012 (Audited) RM million	31 March 2013 (Audited) RM million	31 December 2013 (Unaudited) RM million
Financial investments held-to-maturity				
At amortised cost:				
Money Market Instruments:				
Bank Negara Monetary Notes	-	-	697.4	118.9
Unquoted Securities:				
In Malaysia				
Private debt securities	-	822.2	1,222.9	1,331.8
	-	**822.2**	**1,920.3**	**1,450.7**

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6. RISK MANAGEMENT FRAMEWORK

The Risk Management Framework takes its lead from the Board's Approved Risk Appetite Framework which provides the catalyst to setting the risk/reward profile required by the Board, together with the related business strategies, limit framework and policies required to enable successful execution.

The Risk Appetite Framework is approved annually by the Board taking into account the Bank's desired external rating and targeted profitability/return on equity and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine-tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty, value-at-risk, capital-at-risk, earnings-at-risk, stop loss, stable funding ratio and liquidity. Each business unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the business units will execute their business plans in compliance with the Risk Appetite Framework.

Risk Management Governance

The Board is ultimately responsible for the management of risks within the Bank. The Risk Management Committee of Directors is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board has also established the Group CEOs Committee to assist it in managing the risks and businesses of the Bank. This committee addresses all classes of risk within its Board delegated mandate: balance sheet risk, credit risk, legal risk, operational risk, market risk, Shariah risk, compliance risk, regulatory compliance risk, reputational risk, product risk and business and IT project risk.

In July 2013, the Group Product Committee ("**GPC**") was re-established as a sub-committee of the Group CEOs Committee. The GPC is to oversee activities in managing products for the AMMB Group and to advise and report to the Group CEOs Committee on product-related matters.

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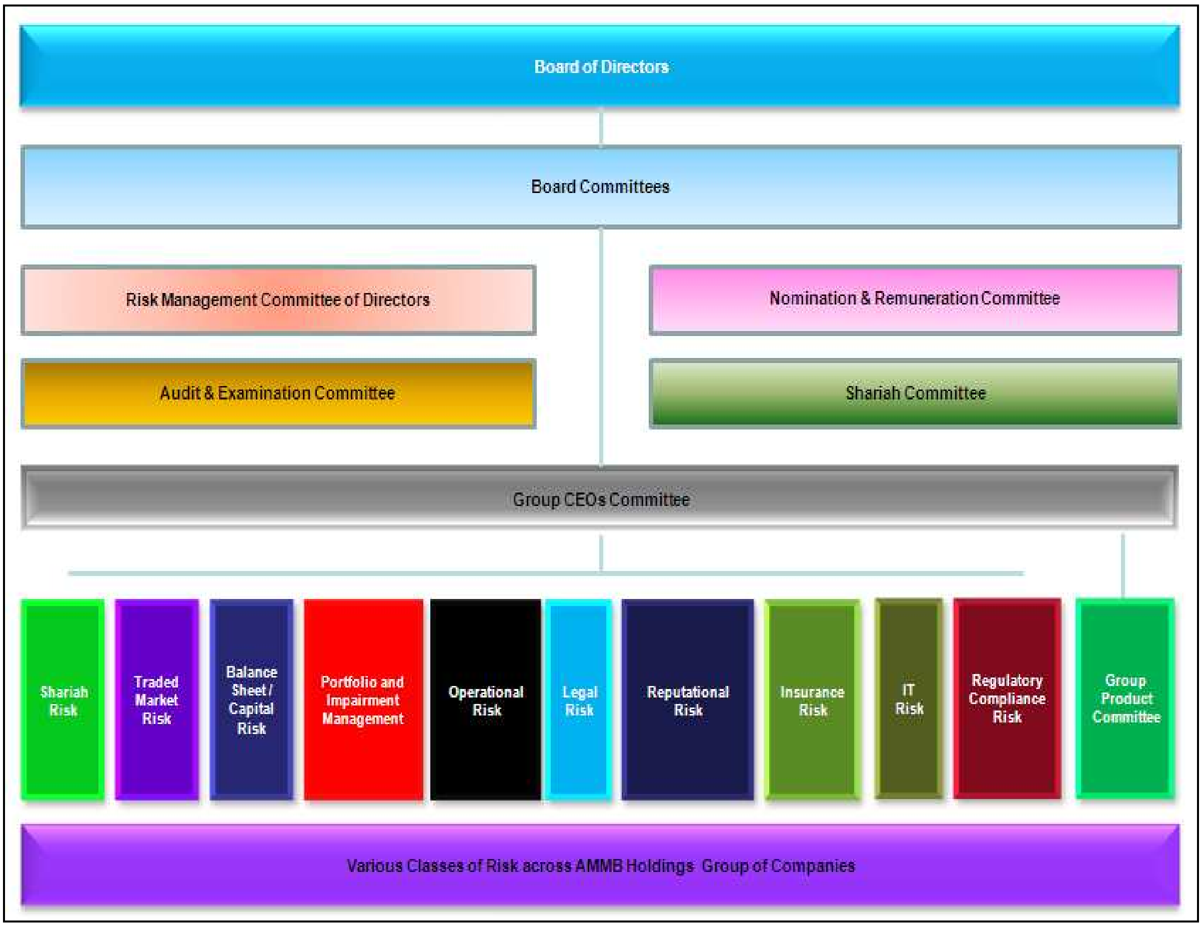
The following chart sets out the organisational structure of the Group CEOs Committee and an overview of the Group CEOs Committee's roles and responsibilities.



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7. INDUSTRY OVERVIEW

7.1 Overview of the Malaysian Economy in the Fourth Quarter 2013

7.1.1 The Malaysian economy expanded by 5.1% in the fourth quarter of 2013

Global economic activity improved in the fourth quarter amid the gradual recovery in the major economies. Despite lingering fiscal uncertainties, the US economy registered stronger growth as consumption and investment improved. In the euro area, modest improvements in exports supported growth, but structural and fiscal issues weighed down domestic demand. Growth across Asia continued as moderating domestic demand was offset by better export performance. Similarly, the Malaysian economy expanded by 5.1% in the fourth quarter of 2013 (3Q 2013: 5.0%), supported by private sector demand and improvement in exports. On the supply side, the major economic sectors grew further, supported by both domestic and trade activities. On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 2.1% (3Q 2013: 1.7%). For the year 2013, the Malaysian economy grew by 4.7%.

Private consumption growth remained high in the fourth quarter, although the pace of expansion moderated (7.3%; 3Q 2013: 8.2%). Household spending continued to be supported by stable employment conditions and sustained wage growth, especially in the domestic-oriented sectors. Growth in public consumption moderated to 5.1% (3Q 2013: 7.8%), reflecting lower Government spending on emoluments.

Gross fixed capital formation grew by 5.8% (3Q 2013: 8.6%), led by robust private sector capital spending amidst a contraction in public investment growth. Growth in private investment improved to 16.5% (3Q 2013: 15.2%), on account of higher capital spending in the services and manufacturing sectors. Public investment declined by 2.7% (3Q 2013: -1.3%), reflecting moderating capital spending by the public enterprises amid a smaller contraction in Federal Government development expenditure.

On the supply side, growth was supported by the major economic sectors. The services sector grew in tandem with the improvement in trade and manufacturing activities. The manufacturing sector expanded further, supported by higher growth in both export- and domestic-oriented industries. The construction sector growth remained firm, underpinned by the activity in the non-residential and residential sub-sectors. However, the commodities sector weakened, due to lower production of rubber, palm oil and crude oil.

The headline inflation rate, as measured by the annual change in the Consumer Price Index (CPI), increased to 3.0% in the fourth quarter (3Q 2013: 2.2%). This largely reflected the upward adjustment to prices of petroleum products and sugar, and the increase in excise duty on tobacco. Supply disruptions following adverse weather conditions also led to the higher food prices.

The trade surplus widened to RM27.4 billion in the fourth quarter (3Q 2013: RM18.6 billion). Both gross exports and imports grew at a faster pace largely reflecting the improvement in the global economy and the sustained expansion of domestic demand respectively. The financial account recorded a net outflow of RM9.7 billion in the fourth quarter (3Q 2013: net outflow of RM11.5 billion), as net inflows of direct investment were offset by outflows of other investments. The overall balance of payments registered a small deficit of RM2.9 billion in the fourth quarter (3Q 2013: surplus of RM11.8 billion).

The international reserves of Bank Negara Malaysia amounted to RM441.7 billion (equivalent to USD134.9 billion) as at 31 December 2013. This reserves level has taken into account the quarterly foreign exchange revaluation adjustments. As at 30 January 2014, the reserves position amounted to RM436.0 billion (equivalent to USD133.1 billion), sufficient to finance 9.4 months of retained imports and is 3.4 times the short-term external debt.

(Source: Quarterly Bulletin, Fourth Quarter 2013, BNM)

7.1.2 Interest rates remained stable

The Overnight Policy Rate (OPR) was maintained at 3.00% during the fourth quarter of 2013. At the prevailing level of the OPR, monetary conditions remain supportive of economic activity. Retail deposit rates were stable during the quarter. The average quoted fixed deposit (FD) rates of commercial banks were relatively unchanged. The average base lending rate (BLR) of commercial banks remained unchanged at 6.53%. The weighted average lending rate (ALR) on loans outstanding continued its gradual moderating trend (end-December 2013: 5.36%; end-September 2013: 5.40%), reflecting the maturity of loans that were contracted during the period of higher borrowing costs prior to the OPR reductions in 2008 and 2009, and the addition of new loans at relatively lower rates.

The monetary aggregates continued to experience positive growth during the fourth quarter. M1, or narrow money, increased by RM17.9 billion. On an annual basis, M1 expanded by 13.0% as at end-December (end-September 2013: 12.9%). M3, or broad money, increased by RM25.4 billion on a quarter-on-quarter basis to record an annual growth rate of 8.1% as at end-December (end-September 2013: 7.4%). The expansion of M3 during the quarter was mainly driven by higher credit extended to the private sector by the banking system. M3 was also lifted by a modest increase in the net foreign assets of the banking system.

Total gross financing raised by the private sector through the banking system and the capital market increased to RM302.8 billion in the fourth quarter (3Q 2013: RM260.6 billion). Outstanding banking system loans and PDS expanded at an annual growth rate of 9.9% as at end-December (end-September 2013: 8.8%). Meanwhile, net funds raised in the capital market increased to RM33.7 billion in the fourth quarter (3Q 13: RM17.8 billion).

Movements of the ringgit and other regional currencies in the fourth quarter were driven mainly by external developments. The anticipation and eventual announcement of a scale-back of monetary injections by the Fed resulted in outflows of funds from regional financial markets. Overall, the ringgit depreciated by 0.7% against the US dollar during the quarter. The ringgit also depreciated against the pound sterling (-2.6%) and euro (-2.8%), but appreciated against the Japanese yen (6.3%). The ringgit exhibited a mixed performance against regional currencies.

Between 1 January and 10 February, the ringgit depreciated against the US dollar by 1.5%. The ringgit also depreciated against the Japanese yen (-3.8%), pound sterling (-1.1%) and euro (-0.2%), and several regional currencies.

(Source: Quarterly Bulletin, Fourth Quarter 2013, BNM)

7.1.3 Financial stability continued to be preserved

The domestic financial system remained resilient throughout the fourth quarter, despite continued volatility in global and domestic financial markets, and a challenging operating environment. The assessment of risks to financial stability revealed that financial intermediation continued to be well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

The banking system continued to be well-capitalised. The common equity tier 1 (CET1) capital ratio, tier 1 capital ratio and total capital ratio were well above the minimum regulatory levels, at 12%, 12.8 % and 14.3% respectively. The capital buffer of the banks in excess of the minimum total capital requirement stood at more than RM77 billion. Similarly, the capital adequacy ratio of the insurance sector remained strong at 245.9% (3Q 2013: 236.7%), with an excess capital buffer of RM23.5 billion.

(Source: Quarterly Bulletin, Fourth Quarter 2013, BNM)

7.1.4 Global recovery and resilient domestic demand will continue to support growth

Going forward, the global economy is expected to be on a path of moderate recovery. The sustained improvements in the advanced economies will be a positive impulse for international trade. However, ongoing uncertainties surrounding monetary and fiscal policy adjustments in the advanced economies remain a risk to growth. Growth in the Asian economies is expected to be supported by improving external conditions amid moderating domestic demand.

For the Malaysian economy, domestic demand will remain supportive of growth. While domestic demand is expected to moderate following the ongoing fiscal consolidation, the external sector is expected to benefit from the improving global conditions. The growth momentum is therefore expected to remain on a steady trajectory.

(Source: Quarterly Bulletin, Fourth Quarter 2013, BNM)

7.2 Islamic Finance Industry Outperforms in 2013

Despite the global economic and financial challenges, Islamic finance has once again demonstrated its resilience by continuing to grow at double-digit growth rates across all sectors of banking, sukuk, funds and takaful to reach an estimated USD1.8tln in assets as at end-2013, reflecting an impressive y-o-y growth of 18.6%. The global Islamic financial industry has sustained its tremendous growth momentum in 2013 to reach an estimated USD1.8tln in assets as at end-December 2013, witnessing double-digit growth rates across all sectors of the Islamic financial industry. Following 2013's profound performance, the growth of total Islamic financial assets has managed to achieve a CAGR of 17.07% during 2009-2013. Spearheading this impressive growth has been the Islamic banking sector which continues to dominate the global portfolio of Islamic financial assets with a 79.8% contribution to total assets in 2013. The amounts of new sukuk issuances in 2013 once again surpassed the USD100bln mark, although the volume of issuances fell 8.77% short of the 2012's record amount. The funds and takaful sectors also posted double digit growth rates of 10.2% and 15.5% respectively in 2013, although in recent years, both sectors have been experiencing lower y-o-y growth rates.

Global Islamic Banking "2013 Review"

The Islamic banking sector is tipped to be the fastest growing segment for the year 2013 with forecasts indicating Islamic banking assets has surpassed USD1.4tln as at end-Dec 2013. Based on these estimates, the Islamic banking sector records a y-o-y growth of just over 19%, slightly edging out the sukuk outstanding growth rate for 2013. Driving the tremendous growth in Islamic banking assets during 2013 are jurisdictions in MENA and Asia particularly Saudi Arabia, Malaysia, United Arab Emirates, Kuwait, Qatar, Indonesia, Pakistan and Turkey where Islamic banking institutions have seen remarkable growth rates surpassing conventional banks in recent years. In terms of key markets, Iran, Saudi Arabia and Malaysia remain the top three jurisdictions for Islamic banking assets in 2013.

Malaysia Islamic Banking Market Snapshot – 2013

The Malaysian Islamic banking sector continues to outperform the conventional banking sector with average annual asset growth rate of 18.6% during 2008-2012, in comparison to the conventional banking growth of 9.3% during the same period. During 11M13, the Islamic banking assets have already grown at a rate of 14.5% based on latest statistics available. Excluding the Development Financial Instituions (DFIs), the Islamic banking assets in Malaysia are over USD132bln as at end Nov-13. On a global level, Malaysian Islamic banking assets (including DFIs) represent 13% share of the total global Islamic banking assets, behind only to Iran and Saudi Arabia. Regionally, Malaysian Islamic banking assets represent over 85% of the total Islamic banking industry in Southeast Asia.

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Global Sukuk Market "2013 Review"

The global sukuk industry once again surpassed the USD100bln mark in terms of new issuances during the year 2013. Having witnessed a slowdown in the second half of 2013, particularly in 3Q, the global sukuk issuances closed with a total of USD119.71bln in issuances, falling 8.77% short of the record issuances amount of USD131.2bln in 2012. The slowdown in global sukuk issuances were largely driven by the indication of a cut-back in the US monthly stimulus program by the Federal Reserve (Fed) in May-2013. This announcement by the Fed had a profound effect on the global bond market which saw prices of fixed-income instruments (including sukuk) to fall sharply as fears spread that the Fed's reduction in bond purchases would move investors out of the safe asset to higher yielding assets on an improving US economy. In particular, the hard hit was the corporate sukuk market in the 3Q immediately after Fed's announcement, which fell to their lowest level in two years with issuances at a mere USD2.68bln as compared to USD8.1bln and USD7.4bln issuances in 1Q13 and 2Q13 respectively. Nonetheless, sovereign sukuk issuances sustained the momentum throughout 2013 steering the global sukuk outstanding level to expand by 17.8% y-o-y to close at USD270.2bln as at end-2013.

Malaysia Sukuk Market Snapshot – 2013

Malaysia's sukuk market is recognised as the most vibrant and active in the world. During 2013, Malaysia maintained its top position as the largest sukuk issuer with a 69% share of total issuances in 2013 amounting to almost USD82.4bln. By currency, Malaysian Ringgit sustained its domination representing 67% of total sukuk issuances for the year 2013 worth USD80.4bln. By structure, Murabahah is the most popular instrument in Malaysia representing 75% or USD61.8bln of total Malaysian sukuk issuances.

Global Islamic Funds Industry "2013 Review"

The global Islamic funds sector witnessed a 10.2% y-o-y expansion in assets under management (AuM) to close at an estimated USD73.7bln as at 9th December 2013. Post the global financial crisis, the Islamic funds sector had witnessed subdued growth on the back of falling prices and stagnant volume in the global equity markets. However, improved global economic outlook and growing demand for Shariah-compliant investment avenues contributed towards the year 2013 y-o-y growth in Islamic funds AuM which comes at a rate higher than the CAGR of 7.86% for the years 2009-2013. The number of funds in this sector have also grown four-folds from approximately 285 funds in 2004 to an estimated 1,053 funds as at end-2013.

Malaysia Islamic Funds Market Snapshot – 2013

In terms of number of funds by domicile, Malaysia retains the top position in 2013 with nearly 28% of the total number of Islamic funds domiciled in Malaysia as at 9th December 2013. In terms of Islamic funds assets by domicile, Malaysia represents the second largest Islamic funds markets having total Islamic funds AuM of USD16.3bln or 22% of the total industry AuM as at 9th December 2013. In terms of geographical focus of Islamic funds assets, Malaysia represents the largest individual country focus market with almost 17% of Islamic funds having geographical focus on Malaysia.

Global Takaful Industry "2013 Review"

The global takaful industry experienced a strong y-o-y growth rate of over 15% to reach an estimated USD19.87bln in gross takaful contributions as at end-2013. Nonetheless, in spite of the impressive double digit growth rates in recent years, the global takaful industry remains a small segment representing a 1.13% share of the global Islamic financial industry as estimated at end-2013. The stagnancy in the share of the takaful segment in the global Islamic finance industry during the last few years is a result of comparatively faster growth in other Islamic financial sectors such as banking and sukuk. Notwithstanding this, the growth in the other Islamic financial sectors are bound to spur expansion in the takaful sector as a holistic Shariah-compliant system entails use of Islamic financial products including takaful. Therefore, with the double digit growth rates of Islamic financing of various projects through Islamic banking and capital markets, takaful sector also has potentials to expand by providing the necessary coverage for the projects utilising Islamic financing.

Malaysia Takaful Market Snapshot – 2013

Malaysia is the second largest takaful market (excluding Iran) in terms of gross takaful contributions, estimated at over USD2.2bln as at end-2013. The takaful market in Malaysia, which is served by 11 takaful operators, has maintained its growth momentum in recent years at a CAGR of 18.69% (2009-2012), mainly on account of an increasing awareness among the demographics regarding the benefits of insurance products that have helped boost demand for the sector's products in the country.

(Source: Islamic Finance Industry Outperfoms in 2013 dated 15 January 2014, Malaysia International Islamic Financial Centre, Bank Negara Malaysia)

7.3 2014 Prospects

The global Islamic finance industry has managed to sustain its impressive double-digit growth rates in 2013 despite various challenging economic conditions such as the emerging markets funds outflows in the light of tapering in US quantitative easing programme, the US public sector shutdown over its budget deficit fiscal cliff, as well as slow recovery in the Eurozone. Moving forward, the Islamic financial industry is expected to continue its robust performance in 2014 particularly with more jurisdictions penetrating into the Islamic financial industry.

By the end of the year 2014, the Islamic financial industry is expected to surpass the USD2tln mark. Islamic banks financing growth remains robust and positive, supported by aggressive government spending on infrastructure projects and domestic consumption. Mega infrastructure projects in GCC countries and Asia are poised for Islamic banks to tap into these investment opportunities. Sukuk market will also benefit from these trends. The sukuk segment is expected to experience an increase in momentum in 2014 as there are a number of jurisdictions and entities looking to tap into the global pool of Shariah compliant funds through sukuk for their various economic, business and infrastructural spending needs. Particularly for sovereign sukuk issuances, 2014 will witness a number of debut issuances including from the United Kingdom, South Africa, Oman and Senegal among others.The new participations in the Islamic financial system, e.g. Oman, Philippines and China, and potential expansion in niche markets to the likes of Sri Lanka, Maldives, Singapore, United Kingdom, Hong Kong, Azerbaijan, Kazakhstan and Afghanistan are bound to spur growth in all sectors of the Islamic financial industry in 2014. Notably, United Kingdom's efforts to issue sovereign sukuk and to list an Islamic index in the London Stock Exchange are likely to encourage other European nations to follow suit including France, Ireland and Germany, among others. Luxembourg is already known to soon realise the launch of EU's first Islamic bank in 2014 known as Eurisbank. From the demand side, the rise in the number of HNWIs (having investable assets over USD1mln) as well as general increase in the affluence of the population in key Islamic finance markets represents further potential for the Islamic financial industry as whole to expand its market base.

The development of sukuk and money markets are also expected to contribute to the growth of Islamic funds industry. Furthermore, the global Islamic funds industry is expected to benefit from the steady global economic recovery which will bolster investor confidence and performance of underlying invested assets. Growing number of new Islamic financial institutions e.g. Islamic pension funds, takaful companies and Islamic trusts (or awqaf), as seen in recent years, woud naturally create greater demand for Islamic investments including funds. Attracting institutional investors, therefore, is of the essence for active progression of the Islamic funds sector. The global takaful industry is expected to have surpassed the USD20bln mark with gross takaful contributions forecasted to range between USD22bln and USD23bln as at end-December. Moving forward, the growth opportunities for the global takaful industry in 2014 and beyond are bright on the backs of several economic, financial and socio-demographic trends.

These prospects, coupled with growing preferences for Shariah-compliant financial solutions and instrumental support by various multilateral orgnisations and regulatory bodies, are among the key drivers of the Islamic finance industry in 2014.

(Source: Islamic Finance Industry Outperfoms in 2013 dated 15 January 2014, Malaysia International Islamic Financial Centre, Bank Negara Malaysia)

8. OTHER INFORMATION

8.1 Material Contracts

There are no material contracts (including contracts not reduced to writing), not being contracts entered into in the ordinary course of business which have been entered into by AmIslamic during the past two (2) years preceding 31 January 2014.

8.2 Material Litigation

As at 31 January 2014:

(a) in respect of material litigation, claims and arbitration arising from the ordinary course of business, there are none apart from those which:

(i) the financial impact thereof has already been accounted for in the last audited financial statements of AmIslamic; and

(ii) if not accounted for as alluded to in the preceding sub-paragraph (i), AmIslamic is of the view that there is no material adverse impact on the business financial condition, results of operations or prospects of AmIslamic arising from such litigation, claims and arbitration.

Further, AmIslamic does not know of any threatened proceedings against AmIslamic that are likely to have a material adverse effect on its business, financial condition, results of operations or prospects; and

(b) in respect of material litigation, claims and arbitration arising outside the ordinary course of business:

(i) AmIslamic is not engaged in any such material litigation, claims and arbitration either as plaintiff or defendant; and

(ii) the Board does not know of any such proceedings threatened against AmIslamic that are likely to have a material adverse effect on AmIslamic's business or financial condition.

8.3 Commitments and Contingent Liabilities

In the normal course of business, AmIslamic makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against AmIslamic's assets.

Please refer to audited financial statements for the financial year ended 31 March 2013 and interim financial statements for the financial period 1 April 2013 to 31 December 2013 for contingent liabilities of AmIslamic.

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APPENDIX I

AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

ERNST & YOUNG

AMISLAMIC BANK BERHAD
(295576-U)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2013

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

CONTENTS

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and the audited financial statements of the Bank for the financial year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The Bank is a licensed Islamic banking institution providing Islamic retail and commercial banking products and services in accordance with Shariah principles. There have been no significant changes in the nature of the activities of the Bank during the financial year.

FINANCIAL RESULTS

	RM'000
Profit for the financial year	258,189

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

In the opinion of the Directors, the results of the Bank during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than the changes in accounting policies as disclosed in Note 2 to the financial statements.

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

DIVIDENDS

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

BUSINESS PLAN AND STRATEGY

For financial year 2014, the AMMB Holdings and its subsidiary companies ("the AMMB Group") will be guided by five strategic themes to achieve our Vision – ***As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.***

Firstly, **integrate acquisitions and deliver synergies**. With the acquisitions of Kurnia in General Insurance and MBF Cards in Retail Banking, the AMMB Group is now the leading general insurer in Malaysia and Top 3 in merchant acquiring business. Our focus will be on realising operational efficiencies from economies of scale and capitalising on the expanded customer base for cross-selling opportunities to grow non-interest/profit income.

Secondly, **simplify business model and streamline processes**. The AMMB Group has reorganised its business model to be around customers, a move away from the traditional product silos. Plans are in place to simplify business structures and processes to enhance customer experience (for example, consistent and seamless experience) as well as to better provide financial solutions that matches customer's lifestyle and lifecycle needs. To achieve this, the AMMB Group will continue to strategically invest in human capital and technology uplift while maintaining top tier cost-to-income ratio.

Thirdly, **accelerate organic growth with focus on cross-sell, flow business, small business, and emerging affluent customers**.

The AMMB Group plans to leverage closer partnerships with existing customers to increase share-of-wallet through cross-selling while increasing market share in targeted segments through attracting new customers.

In retail, a refreshed marketing approach will be supported by enhanced analytical capabilities to partner customers in meeting their financial goals. The AMMB Group's focus is on building long lasting main bank relationships in preferred customer segments.

BUSINESS PLAN AND STRATEGY (CONTD.)

In non-retail, we will deepen existing relationships with our Corporate and Institutional, Business and Investment Banking customers by improving our coverage and providing comprehensive financial solutions leveraging opportunities in domestic private investments. We will support small businesses by providing them capital to invest and expand their businesses. In Transaction Banking, we will improve our foreign currency service proposition and encourage CASA stickiness by expanding business with high transaction value clients. In Markets, we will speed up product rollout, increase flow volumes and increase utilization of derivatives across clients.

Fourthly, **build scale in specialist businesses with strategic partners**. Our strategic partnership with Australia and New Zealand Banking Group Ltd ("ANZ") in banking will continue to enhance development of new products as well as cross-border opportunities through expanded distribution capabilities. In general insurance, our partnership with Insurance Australia Group ("IAG") will support in driving the integration of Kurnia and continue to support the implementation of international best practices. We are in the midst of finding a new strategic partner for the Life Assurance and Family Takaful businesses. The new partnership is expected to bring scale and technical expertise, while the AMMB Group provides a universal banking platform for the businesses to leverage.

Fifthly, optimise capital and holding company structures. The AMMB Group remains proactive in managing capital according to evolving regulatory requirements and evaluating business opportunities on a risk adjusted basis for optimum returns on capital.

The Islamic finance industry continues to grow and diversify amidst the challenging global economic environment. Increasingly resilient, Islamic banking is gaining even more ground on the overall Malaysian banking industry.

At the Bank, we continue to live up to our aspiration in becoming the preferred Islamic Bank in the domestic Islamic banking industry with strong market share which clearly reflects the Bank's years of in-depth expertise in Islamic financial products and services.

The Bank continues to show that it remains as the core component of the AMMB Group's business by posting a strong growth of 17.9% in its net profit to RM258.2 million with a pre tax profit of RM331.9 million. Our customers deposits increased by 27.0% from the previous year whilst total assets is RM32.5 billion as at 31 March 2013. Total net financing was reported at RM22.0 billion, which accounted for 67.6% of total assets, due to the pivotal demand for financing mainly from retail segments as well as other businesses. The Bank's total deposits have increased by 30.2% and stood at RM25.7 billion for the year ended 31 March 2013 due to the competitive rates offered to our customers.

BUSINESS PLAN AND STRATEGY (CONTD.)

As opportunities were aplenty, the Bank has geared itself up to be one of the leading local Islamic banks by competing in a challenging market place, with products and business developments remaining the main focus of the Bank. Amongst the new products and initiatives launched by the Bank during the financial year were:

i. AmCommerce Financing-i Scheme – a convenient financing programme packaged with guarantee by Credit Guarantee Corporation Malaysia Berhad (CGC) under Enhancer-i Scheme. This programme is open to all Shariah compliant small and medium enterprises to boost their business by providing financing for working capital requirement / business expansion.

ii. AmPetrol Advance – a convenient way for businesses to obtain working capital to purchase fuel or stock for convenience shops. The package is a collaboration between AMMB Group and Petrol Dealers Association of Malaysia.

iii. Appointed as the Transaction Agent to facilitate the commodity trading via the Suq Al-Sila’ trading platform on Bursa Malaysia (Bursa Suq Al-Sila’) for the Gulf Investment Corporation amounting to RM325 million, by the Sole Lead Manager, AmInvestment Bank Berhad.

The Bank has also embarked on ongoing comprehensive and integrated marketing initiatives to position itself in the market by playing a significant role in improving the awareness level of the public in an effort to make Islamic banking’s products and services can be consumed by all. We have conducted our annual campaign as well as participated in various national and international forums and events which are listed as follows:

i. Conducted It’s Gold! Let’s Celebrate! Campaign with the objectives to increase the customer base for all retail products namely Deposits, Credit Cards and Personal Financing.

ii. Participated in national events namely 9th Kuala Lumpur Islamic Finance Forum (KLIFF) 2012 and Small & Medium Industries Development Exhibition (SMIDEX) 2012 and Minggu Perusahaan Kecil and Sederhana (PKS).

iii. Participated in international events which were the Global Islamic Finance Forum (GIFF) 2012 and Islamic Finance News (IFN) Asia Issuers & Investors Forum 2012.

BUSINESS PLAN AND STRATEGY (CONTD.)

Apart from all the marketing promotions conducted above, the Bank has further strengthened the governance and enhanced the infrastructure of its conducts to elevate the level of consumers' acceptance, awareness and transparency of our products and services. This is in line with the several guidelines and standards issued by Bank Negara Malaysia including the Islamic Financial Services Act (IFSA) which shall commence in May 2013.

Due to the diverse business nature of the AMMB Group and its widespread operations, the Bank continuously strives to inculcate and embed Corporate Social Responsibility (CSR) into its value chain and have continued to expand. We also have fulfilled our obligations as a business organisation through our business zakat distribution for financial year ended ("FYE") 31 March 2012. Total zakat funds of RM1,313,553; an increase of 50% from FYE2011 were distributed to 14 Zakat Collection Centres (PPZ) as well as 16 homes and charity organisations across the country. The Bank also continues with its Students Adoption Programme under AmKasih, the AMMB Group's CSR umbrella programme, with Yayasan Pelajaran MARA.

The Bank has always played its role in building upon the Malaysian Government's thrust to transform Malaysia into a global hub for Islamic Financial Services and is geared towards becoming a preferred Islamic Bank in Malaysia and also the region. Hence, we were most gratified that our efforts were recognised with the Best Corporate Bank in Asia Award at the 2012 Islamic Business & Financial Awards organised by CPI Financial, the most important annual event for the global Islamic financial community.

Moving forward to Financial Year 2014, AmIslamic Bank will undertake major initiatives which include:

i. to strengthen our core capabilities and existing channels to improve our market share in the Islamic banking

ii. to continue efforts to enhance and offer tailored products to serve the needs of customers from key customer segments

iii. to strengthen the Shariah Governance and enhance the infrastructure to comply with changes in the regulatory requirements

iv. to inculcate branding and awareness of Islamic products through continuous effort in promotions, sales support and investment in our people and capability.

OUTLOOK FOR NEXT FINANCIAL YEAR

Malaysia’s economic growth in 2013 is expected to be sustained by private consumption and expansion in investments. The external environment remains challenging as the economic recovery of major trading partners remain uncertain.

Domestic private investment is expected to play a significant role as the government consolidates its fiscal position. With a smooth transition post elections, the government is expected to maintain its focus on sustaining growth momentum and facilitating long-term economic transformation plans. Monetary policy is expected to be accommodative, ensuring sustainable economic growth in 2013.

ISSUE OF SHARES

During the financial year, the Bank increased its issued and paid-up ordinary share capital from RM428,038,000 to RM462,922,000 by way of issuance of 34,884,000 ordinary shares of RM1.00 each at an issue price of RM4.30 per ordinary share to strengthen its capital adequacy ratios in preparation for the implementation of Basel III capital requirements.

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

SHARE OPTIONS

No options have been granted by the Bank to any parties during the financial year to take up unissued shares of the Bank.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Bank. As at the end of the financial year, there were no unissued shares of the Bank under options.

BAD AND DOUBTFUL FINANCING

Before the income statement, statement of comprehensive income and statement of financial position of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and have satisfied themselves that all known bad financing had been written off and adequate allowance had been made for doubtful financing.

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

CURRENT ASSETS

Before the income statement, statement of comprehensive income and statement of financial position of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Bank, have been written down to their estimated realisable values.

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

VALUATION METHODS

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

CONTINGENT AND OTHER LIABILITIES

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

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

(b) any contingent liability of the Bank which has arisen since the end of the financial year, other than those incurred in the normal course of business.

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

CHANGE OF CIRCUMSTANCES

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

DIRECTORS

The Directors of the Bank who served on the Board since the date of the last report and at the date of this report are:

Tan Sri Azman Hashim
Tun Mohammed Hanif bin Omar
Tan Sri Datuk Clifford Francis Herbert
Dato' Gan Nyap Liou @ Gan Nyap Liow
Dato' Dr. Mahani binti Zainal Abidin
Loh Chen Peng (appointed on 28 August 2012)
Christopher Robin Page (appointed on 20 June 2012)
Cheah Tek Kuang
Ashok Ramamurthy

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in shares and options over shares in the holding company during the financial year were as follows:

DIRECT INTERESTS

In the holding company,
AMMB Holdings Berhad ("AMMB")

Shares

	No. of ordinary shares of RM1.00 each ("shares")			
	Balance at 1.4.2012	**Bought/ Vested/ Exercised**	**Sold**	**Balance at 31.3.2013**
Cheah Tek Kuang	136,000	564,800	572,000	128,800
Ashok Ramamurthy	100,000	198,250	-	298,250

Scheme Shares *

		No. of shares pursuant to AMMB Executives' Share Scheme			
	Balance at 1.4.2012	**Granted**	**Vested**	**Forfeited^**	**Balance at 31.3.2013**
Cheah Tek Kuang	492,400	223,400	283,500	8,300	424,000
Ashok Ramamurthy	344,400	135,000	198,250	6,600	274,550

DIRECT INTERESTS (CONTD.)

Shares Under Options *

	No. of shares pursuant to AMMB Executives' Share Scheme				
	Balance at 1.4.2012	**Granted**	**Vested**	**Forfeited^**	**Balance at 31.3.2013**
Cheah Tek Kuang	558,200	-	281,300	49,600	227,300
Ashok Ramamurthy	446,700	-	225,100	39,700	181,900

Shares Under Options * [In Vested Account]

	No. of shares pursuant to AMMB Executives' Share Scheme			
	Balance at 1.4.2012	**Vested**	**Exercised**	**Balance at 31.3.2013**
Cheah Tek Kuang	-	281,300	281,300	-
Ashok Ramamurthy	-	225,100	-	225,100

Notes:

* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of service condition and the performance targets of the AMMB Group, and all other conditions as set out in the By-Laws of AMMB Executives' Share Scheme.

^ Forfeited due to non-vesting of Long Term Incentive award pursuant to the By-Laws of the AMMB Executives' Share Scheme.

INDIRECT INTERESTS

In the holding company,
AMMB

Shares

		No. of ordinary shares of RM1.00 each			
	Name of Company	**Balance at 1.4.2012**	**Bought**	**Sold**	**Balance at 31.3.2013**
Tan Sri Azman Hashim	Amcorp Group Berhad	505,780,554	1,839,701	13,500,000	494,120,255

INDIRECT INTERESTS (CONTD.)

By virtue of Tan Sri Azman Hashim's shareholding in the holding company, AMMB Holdings Berhad, he is deemed to have interests in the shares of the Bank and its related corporations to the extent the holding company has an interest.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank 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 Directors as shown in Note 31 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest except for related party transactions as shown in Note 36 to the financial statements.

Neither during nor at the end of the financial year, did there subsist any arrangements to which the Bank is a party to any arrangements whose object is to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the scheme shares and options granted pursuant to the Executives' Share Scheme of AMMB, the holding company.

CORPORATE GOVERNANCE

(a) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and recommendations in corporate governance are applied consistently in the Bank. The Board complies with the recommendations in corporate governance as set out in the Malaysian Code on Corporate Governance 2012.

CORPORATE GOVERNANCE (CONTD.)

(a) BOARD RESPONSIBILITY AND OVERSIGHT (CONTD.)

The Board supervises the management of the Bank's businesses, policies and affairs with the goal of enhancing shareholder's value. The Board meets nine (9) times in the year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholders' meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises nine (9) Directors with wide skills and experience, four (4) of whom are Independent Non-Executive Directors. The Directors participate fully in decision-making on key issues regarding the Bank. The Independent Non-Executive Directors ensure strategies proposed by the management are fully discussed and examined, as well as taking into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Chief Executive Officer of the Bank. The Senior Management team of the Bank are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(b) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to the Board Committees. The Committees together with the Committees established at Group level (AMMB Holdings Berhad) which were created to assist the Board in certain areas of deliberations, are:

1. Nomination Committee*
2. Remuneration Committee*
3. Group Nomination and Remuneration Committee (at Group level)
4. Audit and Examination Committee
5. Risk Management Committee

* Dissolved on 4 March 2013 with the establishment of Group Nomination and Remuneration Committee at Group level (AMMB Holdings Berhad).

CORPORATE GOVERNANCE (CONTD.)

(b) COMMITTEES OF THE BOARD (CONTD.)

The roles and responsibilities of each Committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

The attendance of Board members at the meetings of the Board and the various Board Committees is set out below:-

Number of meetings attended in Financial Year 2013 ("FY2013")						
	Board of Directors	Nomination Committee	Remuneration Committee	Group Nomination and Remuneration Committee	Audit and Examination Committee	Risk Management Committee
Tan Sri Azman Hashim	9 (Chairman)	6	3	N/A	N/A	N/A
Tun Mohammed Hanif bin Omar	8	6	N/A	1	N/A	N/A
Tan Sri Datuk Clifford Francis Herbert	7	6 (Chairman)	3 (Chairman)	0 (Chairman)	8	8 (Chairman)
Dato' Gan Nyap Liou @ Gan Nyap Liow	8	N/A	N/A	- [a]	8 (Chairman)	9
Dato' Dr Mahani binti Zainal Abidin	7	N/A	N/A	N/A	5[b]	7
Loh Chen Peng (appointed on 28.8.2012)	5	N/A	N/A	N/A	3 [c]	- [d]
Christopher Robin Page (appointed on 20.6.2012)	7	N/A	N/A	N/A	N/A	N/A
Cheah Tek Kuang	9	6	3	N/A	N/A	N/A
Ashok Ramamurthy	9	6	3	N/A	N/A	N/A
Number of meetings held in FY2013	9	6	3	1	8	9

a Appointed as member on 19.3.2013

b Resigned as member on 28.8.2012

c Appointed as member on 28.8.2012

d Appointed as member on 26.3.2013

Notes:

1. All attendances reflect the number of meetings attended during the Directors' tenure of service.
2. N/A represents non-Committee member.

CORPORATE GOVERNANCE (CONTD.)

(b) COMMITTEES OF THE BOARD (CONTD.)

Group Nomination and Remuneration Committee

The Committee was established at Group level (AMMB) following the consolidation of the Group Nomination and Group Remuneration Committees. The Committee comprises seven members, all of whom are Non-Executive Directors. The Committee continues with the roles of the previous Group Nomination and Group Remuneration Committees and had taken over the functions of the Nomination and Remuneration Committees of the Bank which had dissolved on 4 March 2013. The Committee is responsible for:

- regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Bank with regard to any changes that are deemed necessary

- recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board

- on an annual basis, assessing the effectiveness of the Board as a whole and the Committee as well as the contribution of the Chairman and each Director to the effectiveness of the Board

- recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff, benchmarked against the industry. Remuneration is determined at levels, which enable the AMMB Group to attract and retain the Directors, Chief Executive Officers and Senior Management staff with the relevant experience and expertise needed to assist in managing the AMMB Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

The Nomination and Remuneration Committees met 6 times and 3 times respectively during the financial year 2013. The Committee met once since its establishment during the financial year 2013.

CORPORATE GOVERNANCE (CONTD.)

(b) COMMITTEES OF THE BOARD (CONTD.)

Audit and Examination Committee

The Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Bank's assets and shareholder's investments.

The AEC met during the financial year to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The financial statements were reviewed by the AEC prior to their submission to the Board of the Bank for adoption.

In addition, the AEC has reviewed the procedures set up by the Bank to identify and report, and where necessary, seeks approval for related party transactions and, with the assistance of the internal auditors, reviewed related party transactions.

The Committee met eight (8) times during the financial year 2013.

Risk Management Committee

Risk management is an integral part of the Bank's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level and also approves the engagement of new products or activities after considering the risk bearing capacity and readiness of the Bank.

CORPORATE GOVERNANCE (CONTD.)

(b) COMMITTEES OF THE BOARD (CONTD.)

Risk Management Committee (Contd.)

The Risk Management Committee exercises oversight on behalf of the Board to ensure adequate overall management of credit, market, liquidity, operational, legal and capital risks impacting the Bank.

The Committee is independent from management and comprises three (3) members, all of whom are Independent Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced, the risk management process is in place and functioning and reviews high-level risk exposures to ensure that they are within the overall interests of the Bank. It also assesses the Bank's ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Bank. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodology, and formulation of risk strategies.

The Committee met nine (9) times during the financial year 2013.

Internal Audit and Internal Control Activities

The Head of the Group Internal Audit Department reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Bank. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meetings.

CORPORATE GOVERNANCE (CONTD.)

(b) COMMITTEES OF THE BOARD (CONTD.)

Internal Audit and Internal Control Activities (Contd.)

The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Chief Internal Auditor and the external auditors also attend the AEC meetings by invitation and the AEC holds separate meetings with the Chief Internal Auditor and external auditors whenever necessary.

The scope of internal audit covers review of adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations, lending practices and information technology, including the various application systems in production, data centres and network security.

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all significant areas of audit identified in the Bank. The structured audit risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk based audit plan is reviewed annually, taking into account the changing financial significance of the business and risk environment.

Group Internal Audit also performs investigations and special reviews, and participates actively in major system development activities and project committees to advise on risk management and internal control measures.

MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Bank that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Bank, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued giving sufficient time before the meeting to enable the Directors to be prepared and to obtain further explanations, where necessary, and provide input on Bank policies.

HOLDING COMPANY

The Directors regard AMMB Holdings Berhad which is incorporated in Malaysia, as the holding company.

RATING BY EXTERNAL AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date accorded	Rating classification	Ratings
RAM Rating Services	January 2013	Long-term financial institution rating	AA3/Positive
		Short-term financial institution rating	P1

SHARIAH COMMITTEE

Shariah Committee comprises five (5) members and is responsible and accountable on matters related to Shariah. This includes:

i. advising Board of Directors and Management of the Bank on Shariah matters;
ii. endorsing and validating products and services, and the operations in relation to Islamic Banking; and
iii. providing advice and guidance on management of zakat and charity funds.

Shariah Committee members also sit in Shariah Oversight Committee, a sub-committee to the Shariah Committee performing an oversight function to assess work carried out by Shariah review, Shariah audit, Shariah regulatory review and Shariah risk management. Shariah Oversight Committee is also responsible to provide guidance and advice on matters pertaining to Shariah non-compliance incidents.

SHARIAH COMMITTEE (CONTD.)

Shariah Committee met ten (10) times and Shariah Oversight Committee met four (4) times during the financial year 2013.

The attendance of Shariah Committee members at the meetings of Shariah Committee and Shariah Oversight Committee is set out below:-

Number of Meetings Attended in Financial Year Ended 31 March 2013

	Shariah Committee	Shariah Oversight Committee
Assoc. Prof. Dr. Amir Husin Mohd Nor	10 (Chairman)	4 (Chairman)
Assoc. Prof. Datin Dr. Noor Naemah Abdul Rahman	10	4
Dr. Adnan Yusoff	7	3
Asst. Prof. Dr. Tajul Aris Ahmad Bustami	8	4
Dr. Asmak Ab Rahman	8	3
Number of meetings held in financial year 2013	10	4

COMPLIANCE WITH BANK NEGARA MALAYSIA'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Licensed Islamic Banks and the Guidelines on Classification and Impairment Provisions for Loans/Financing.

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.

TAN SRI AZMAN HASHIM
Chairman

ASHOK RAMAMURTHY
Director

Kuala Lumpur, Malaysia
Date: 15 May 2013

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

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

We, **TAN SRI AZMAN HASHIM** and **ASHOK RAMAMURTHY**, being two of the Directors of **AMISLAMIC BANK BERHAD**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 27 to 181 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 Bank as at 31 March 2013 and of its financial perfomance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

TAN SRI AZMAN HASHIM
Chairman

ASHOK RAMAMURTHY
Director

Kuala Lumpur, Malaysia
Date: 15 May 2013

Company No. 295576–U

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

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

I, **MANDY JEAN SIMPSON**, being the Officer primarily responsible for the financial management of **AMISLAMIC BANK BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 27 to 181 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
abovenamed **MANDY JEAN SIMPSON**
at Kuala Lumpur in the Wilayah Persekutuan
on 15 May 2013

MANDY JEAN SIMPSON

Before me,

PESURUHJAYA SUMPAH
No. W 633
MURALITHERAN
ART PILLAI
MALAYSIA

COMMISSIONER FOR OATHS

Tkt. 20, AmBank Building
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

Lodged on behalf by:
Address: 22nd Floor, Bangunan AmBank Group,
No. 55 Jalan Raja Chulan,
50200 Kuala Lumpur
Telephone Number: 03-20362633

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

SHARIAH COMMITTEE'S REPORT TO THE MEMBER OF AMISLAMIC BANK BERHAD

In the Name of Allah, The Compassionate, The Most Merciful

All Praise is due to Allah, the Cherisher of the World, and the Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions.

In compliance with the letters of appointment, we are required to submit the following report.

We, the members of the Shariah Committee ("the Committee") of AmIslamic Bank Berhad (the "Bank"), do hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year ended 31 March 2013.

We have also conducted our review to form an opinion as to whether the Bank 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 Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We have assessed the work carried out by Shariah review and Shariah audit which included examining, on a test basis, each type of transaction, the relevant documentation and procedures adopted by the Bank.

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 has complied with the Shariah principles.

To the best of our knowledge based on the information provided to us, we are of the opinion that:

a) The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 March 2013, that we have reviewed are in compliance with the Shariah principles;

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

b) 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;

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

We, the members of the Shariah Committee of the Bank, do hereby confirm that the operations of the Bank for the financial year ended 31 March 2013 have been conducted in conformity with the Shariah principles.

We beg Allah the Almighty to grant us all the success and straightforwardness and Allah knows best.

On behalf of the Shariah Committee

ASSOC. PROF. DR. AMIR HUSIN MOHD NOR
Chairman of the Committee

ASSOC. PROF. DATIN DR. NOOR NAEMAH ABDUL RAHMAN
Member of the Committee

Kuala Lumpur, Malaysia
Date: 15 May 2013

Company No. 295576–U

Independent auditors' report to the member of
AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AmIslamic Bank Berhad, which comprise statement of financial position as at 31 March 2013, and income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 27 to 181.

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 also 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Independent auditors' report to the member of
AmIslamic Bank Berhad (Contd.)
(Incorporated in Malaysia)

Auditors' responsibility (Contd.)

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 Bank as at 31 March 2013 and of its financial performance and cash flows for the financial 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 that in our opinion the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 15 May 2013

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
ASSETS				
Cash and short-term funds	5	3,540,872	2,328,883	4,738,758
Deposits and placements with banks and other financial institutions	6	1,548,383	1,118,383	250,000
Derivative financial assets	7	7,924	10,925	3,258
Financial assets held-for-trading	8	1,216,381	1,522,183	991,136
Financial investments available-for-sale	9	1,197,335	320,117	715,937
Financial investments held-to-maturity	10	1,920,361	822,222	-
Financing and advances	11	21,987,307	18,491,422	14,956,173
Statutory deposit with Bank Negara Malaysia	12	771,000	559,000	-
Deferred tax asset	13	-	36,158	118,406
Other assets	14	315,118	319,223	124,657
Property and equipment	15	479	582	654
Intangible assets	16	50	120	278
TOTAL ASSETS		32,505,210	25,529,218	21,899,257
LIABILITIES AND EQUITY				
Deposits and placements of banks and other financial institutions	17	2,504,721	1,481,153	1,467,399
Recourse obligation on financing sold to Cagamas Berhad	18	2,073,691	1,950,055	1,700,034
Derivative financial liabilities	7	7,893	10,896	3,254
Deposits from customers	19	23,211,242	18,272,010	15,249,812
Term funding	20	550,000	550,000	550,000
Bills and acceptances payable	21	722,821	518,422	879,522
Subordinated Sukuk Musharakah	22	1,000,000	800,000	400,000
Deferred tax liability	13	15,945	-	-
Other liabilities	23	290,319	229,780	249,261
Provision for zakat		1,639	1,323	559
TOTAL LIABILITIES		30,378,271	23,813,639	20,499,841
Share capital	24	462,922	428,038	403,038
Reserves	25	1,664,017	1,287,541	996,378
Equity attributable to equity holder of the Bank		2,126,939	1,715,579	1,399,416
TOTAL LIABILITIES AND EQUITY		32,505,210	25,529,218	21,899,257
COMMITMENTS AND CONTINGENCIES	40	8,475,511	6,138,281	6,006,192
NET ASSETS PER SHARE (RM)		4.59	4.01	3.47

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

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Note	31 March 2013 RM'000	31 March 2012 RM'000
Income derived from investment of depositors' funds and others	26	1,487,668	1,230,621
Income derived from investment of shareholder's funds	27	151,495	169,651
Allowance for impairment on financing and advances	28	(136,087)	(163,213)
Impairment writeback on other assets	14(a)	-	18
Provision for commitments and contingencies	23(b)	(699)	(146)
Transfer (to)/from profit equalisation reserve	23(a)	(9,429)	3,560
Total distributable income		1,492,948	1,240,491
Income attributable to the depositors	29	(745,463)	(587,670)
Total net income		747,485	652,821
Other operating expenses	30	(354,449)	(300,977)
Finance cost	33	(61,120)	(52,364)
Profit before zakat and taxation		**331,916**	**299,480**
Zakat		(1,630)	(1,639)
Taxation	34	(72,097)	(78,763)
Profit for the financial year		**258,189**	**219,078**
Earnings per share (sen):			
Basic/Diluted	35	59.07	54.34

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

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	31 March 2013 RM'000	31 March 2012 RM'000
Profit for the financial year	258,189	219,078
Other comprehensive income/(loss):		
Net change in revaluation of financial investments available-for-sale	2,609	(3,852)
Income tax relating to the components of other comprehensive income/(loss)	(652)	963
Other comprehensive income/(loss) for the financial year, net of tax	1,957	(2,889)
Total comprehensive income for the financial year	260,146	216,189

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Attributable to Equity Holder of the Bank				
		Non-distributable		Distributable	
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Earnings RM'000	Total RM'000
At 1 April 2011	403,038	534,068	297,992	164,318	1,399,416
Profit for the financial year	-	-	-	219,078	219,078
Other comprehensive loss	-	-	(2,889)	-	(2,889)
Total comprehensive income/(loss) for the financial year	-	-	(2,889)	219,078	216,189
Issuance of ordinary shares	25,000	75,000	-	-	100,000
Transfer to statutory reserve	-	-	55,400	(55,400)	-
Transfer of AMMB Executive Share Scheme ("ESS") shares recharged - difference on purchase price of shares vested	-	-	-	(26)	(26)
At 31 March 2012	428,038	609,068	350,503	327,970	1,715,579
At 1 April 2012	428,038	609,068	350,503	327,970	1,715,579
Profit for the financial year	-	-	-	258,189	258,189
Other comprehensive income	-	-	1,957	-	1,957
Total comprehensive income for the financial year	-	-	1,957	258,189	260,146
Issuance of ordinary shares	34,884	115,117	-	-	150,001
Transfer to statutory reserve	-	-	64,550	(64,550)	-
Transfer to profit equalisation reserve of the Bank	-	-	1,495	-	1,495
Net utilisation of profit equalisation reserve for the financial year	-	-	(182)	182	-
Transfer of AMMB ESS shares recharged - difference on purchase price of shares vested	-	-	-	(282)	(282)
At 31 March 2013	462,922	724,185	418,323	521,509	2,126,939

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

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	31 March 2013 RM'000	31 March 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat and taxation	331,916	299,480
Adjustments for:		
Accretion of discount less amortisation of premium	(51,076)	(20,101)
Allowance for impairment on financing and advances	209,135	211,792
Amortisation of intangible assets	83	165
Depreciation of property and equipment	153	188
Impairment writeback on other assets	-	(18)
Net (gain)/loss on disposal of financial assets held-for-trading	14,327	(20,765)
Net gain on disposal of financial investments available-for-sale	(1,582)	(5,269)
Net gain on revaluation of financial assets held-for-trading	(17,086)	(2,610)
Net gain on revaluation of derivatives	(2)	(25)
Net loss on early redemption of negotiable instruments of deposits	13,103	-
Provision for commitments and contingencies	699	146
Shares/options granted under Executives' Share Scheme	975	756
Transfer from/(to) profit equalisation reserve	9,429	(3,560)
Operating profit before working capital changes	510,074	460,179
(Increase)/decrease in operating assets:		
Deposits and placements with banks and other financial institutions	(443,103)	(868,383)
Financial assets held-for-trading	339,661	(492,339)
Financing and advances	(3,705,020)	(3,747,041)
Statutory deposit with Bank Negara Malaysia	(212,000)	(559,000)
Other assets	18,270	(179,361)

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013 (CONTD.)

	31 March 2013 RM'000	31 March 2012 RM'000
Increase/(decrease) in operating liabilities:		
Deposits and placements of banks and other financial institutions	1,023,568	13,754
Deposits from customers	4,939,232	3,022,198
Bills and acceptances payable	204,399	(361,100)
Other liabilities	51,906	33,022
Recourse obligation on financing sold to Cagamas Bhd	123,636	250,021
Cash generated from/(used in) operations	2,850,623	(2,428,050)
Zakat paid	(1,314)	(875)
Tax paid	(36,068)	(60,610)
Net cash generated from/(used in) operating activities	2,813,241	(2,489,535)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/disposal of financial investments available-for-sale	(856,832)	402,036
Purchase of financial investments held-to-maturity	(1,094,358)	(822,253)
Purchase of intangible assets	(13)	(7)
Purchase of property and equipment	(50)	(116)
Net cash used in investing activities	(1,951,253)	(420,340)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	150,001	100,000
Proceeds received from Subordinated Sukuk Musharakah	200,000	800,000
Repayment of Subordinated Sukuk Musharakah	-	(400,000)
Net cash generated from financing activities	350,001	500,000
Net increase/(decrease) in cash and cash equivalents	1,211,989	(2,409,875)
Cash and cash equivalents at beginning of financial year	2,328,883	4,738,758
Cash and cash equivalents at end of financial year (Note 5)	3,540,872	2,328,883

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

AMISLAMIC BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2013

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is a licensed Islamic banking institution providing Islamic retail and commercial banking products and services in accordance with Shariah principles. There have been no significant changes in the nature of the activities of the Bank 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 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur. The principal place of business for the Retail and Business Banking Divisions are located at Menara AmBank, Jalan Yap Kwan Seng, 50450 Kuala Lumpur and Menara Dion, Jalan Sultan Ismail, 50250 Kuala Lumpur, respectively.

The financial statements of the Bank have been approved and authorised for issue by the Board of Directors on 30 April 2013.

2. CHANGES IN ACCOUNTING POLICIES

2.1 Transition to Malaysian Financial Reporting Standards Framework

The Bank has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 April 2012. For all periods up to and including the financial year ended 31 March 2012, the Bank prepared its financial statements in accordance with Financial Reporting Standards (“FRS”) issued by the MASB as modified by Bank Negara Malaysia’s (“BNM”) Guidelines.

The MFRS Framework has converged with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) except that, in the former; (a) FRS 201_{2004} Property Development Activities will continue to be the extant standard for accounting for property development activities and not IC interpretation 15, Agreements for the Construction of Real Estate; and (b) there is no equivalent standard to MFRS 141, Agriculture.

2. CHANGES IN ACCOUNTING POLICIES (CONTD.)

2.1 Transition to Malaysian Financial Reporting Standards Framework (Contd.)

The Bank has applied MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards in its transition to the MFRS Framework.

In preparing its opening MFRS statement of financial position as at 1 April 2011, the Bank has adjusted the amounts previously reported in the financial statements prepared in accordance with FRS to reflect the financial effects from the adoption of MFRS.

Up until the financial year ended 31 March 2012, the Bank's collective assessment allowance for financing and advances was determined based on the transitional provision prescribed in Bank Negara Malaysia's ("BNM") Guidelines on Classification and Impairment Provisions for Loans/ Financing, modified to reflect the Bank's historical loss experience.

This transitional provision has since been removed so as to align to the requirements of MFRS 139, Financial Instruments: Recognition and Measurement.

Computation of the collective allowance for financing and advances based on MFRS 139 is as described in Note 3.4g(i). This change in accounting policy has been applied retrospectively and the effects on the Bank's financial position, financial performance and cash flows are set out in Note 47.4 to 47.6.

2.2 BNM Guidelines on Profit Equalisation Reserve

Profit Equalisation Reserve ("PER") is the amount appropriated out of the total gross income in order to maintain a certain level of return to Investment Account Holders ("IAH") in conformity with Bank Negara Malaysia's "The Framework of the Rate of Return" (BNM/GP2-i). PER is appropriated from and written back to the total gross income in deriving the net distributable gross income. This amount appropriated is shared by the IAH and the Bank. The PER is deducted at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. PER is maintained up to the maximum of 30% of the total capital fund.

2. CHANGES IN ACCOUNTING POLICIES (CONTD.)

2.2 BNM Guidelines on Profit Equalisation Reserve (Contd.)

With the issuance of BNM's Revised Guidelines on PER in May 2011, the PER is accounted for as follows:

- The creation of PER establishes an obligation to manage distribution to the IAH from Shariah perspective. The PER of the IAH is classified as liability and recognised at cost. The subsequent apportionments of profit to the IAH are recognised in profit or loss. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH; and

- The PER of the Bank is allocated from retained profits and classified as separate reserve in equity and is non-distributable. Subsequent apportionment from and distributions to retained profits are treated as transfer between reserves.

2.3 New and amended standards and interpretations

2.3a Standards issued but not yet effective

The following are MFRSs and IC Interpretations issued by MASB that will be effective for the Bank in future years. The Bank intends to adopt the relevant standards when they become effective.

(i) Standards effective for financial year ending 31 March 2014:

- MFRS 13, Fair Value Measurement
- Amendments to MFRS 7, Disclosures: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income
- Amendments to MFRSs and IC Interpretations contained in the document entitled "Annual Improvements 2009–2011 Cycle"

2. CHANGES IN ACCOUNTING POLICIES (CONTD.)

2.3 New and amended standards and interpretations

2.3a Standards issued but not yet effective

(ii) Standards effective for financial year ending 31 March 2015:

- Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities

(iii) Standards effective for financial year ending 31 March 2016:

- MFRS 9, Financial Instruments

(iv) Effect of adoption of standards issued but not yet effective

A discussion of the significant MFRSs that have been issued but not yet effective is set out below. The Bank is assessing the financial effects of their adoption.

a. MFRS 13, Fair Value Measurement – MFRS 13 sets out a framework for measuring fair value and the disclosure requirements about fair value to address the inconsistencies in the requirements for measuring fair value across different accounting standards. MFRS 13 defines fair value as a market-based measurement, not an entity specific measurement.

b. MFRS 132 and MFRS 7, Offsetting Financial Assets and Financial Liabilities – The amendments to MFRS 132 clarify the meaning of "currently has a legally enforceable right to set-off". The amendments to MFRS 7 require the disclosure of information about rights to set-off and related arrangements (for example, collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with MFRS 132 and for financial assets that are subject to an enforceable master netting arrangement or similar arrangement regardless whether they are set off.

2. CHANGES IN ACCOUNTING POLICIES (CONTD.)

2.3 New and amended standards and interpretations (Contd.)

2.3a Standards issued but not yet effective (contd.)

(iv) Effect of adoption of standards issued but not yet effective (contd.)

c. MFRS 101, Presentation of Items of Other Comprehensive Income – The amendments 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, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Bank's financial position or performance.

d. Annual Improvements 2009-2011 Cycle – These improvements will not have an impact on the Bank, but include:

   MFRS 1, First-time Adoption of International Financial Reporting Standards: This improvement clarifies that an entity that stopped applying MFRS in the past and chooses, or is required, to apply MFRS, has the option to re-apply MFRS 1. If MFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying MFRS.

   MFRS 101, Presentation of Financial Statements: This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

   MFRS 116, Property Plant and Equipment: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

   MFRS 132, Financial Instruments, Presentation: This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with MFRS 112 Income Taxes.

2. CHANGES IN ACCOUNTING POLICIES (CONTD.)

2.3 New and amended standards and interpretations (Contd.)

2.3a Standards issued but not yet effective (contd.)

(iv) Effect of adoption of standards issued but not yet effective (contd.)

MFRS 134, Interim Financial Reporting: The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

e. MFRS 9, Financial Instruments – MFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 (equivalent to MFRS 139) and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. In subsequent phases, the IASB will address impairment and hedge accounting. The adoption of the first phase of MFRS 9 will primarily have an effect on the classification and measurement of the Bank's financial assets.

3. ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments that have been measured at fair value.

3.2 Statement of compliance

The financial statements of the Bank have been prepared in accordance with MFRS, IFRS and the requirements of the Companies Act, 1965 in Malaysia.

3.3 Presentation of financial statements

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

The statement of financial position is presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (“current”) and more than 12 months after the reporting date (“non-current”) is presented in Note 41.

3.4 Summary of significant accounting policies

3.4a Foreign currency translation

(i) Functional and presentation currency

The Bank’s financial statements are presented in Ringgit Malaysia, which is also the Bank’s functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Bank at its respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4a Foreign currency translation (Contd.)

(ii) Transactions and balances (Contd.)

All differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Bank's net investment of a foreign operation (if any). These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on changes in fair value of the item (that is, translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3.4b Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4b Property and equipment (Contd.)

Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation of other property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. The annual depreciation rates for the various classes of property and equipment are as follows:

Leasehold improvements	20%
Motor vehicles	20%
Computer equipment	20%
Office equipment, furniture and fittings	20% - 50%

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.4c Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Bank as a lessee

Finance leases that transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of profit on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4c Leases (Contd.)

(i) Bank as a lessee (Contd.)

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

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

(ii) Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.4d (i) Intangible assets, other than goodwill arising from business combination

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 accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4d (i) Intangible assets, other than goodwill arising from business combination (Contd.)

Intangible assets with finite lives are amortised over the useful economic life and 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 is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(ii) Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual software project are recognised as an intangible asset when the Bank can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete and its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4d (ii) Research and development costs (Contd.)

Following initial recognition of the software development expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised on a straight-line basis over the period of expected benefit of 3 to 7 years. During the period of development, the asset is tested for impairment annually.

3.4e Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the trade date, that is, the date that the Bank becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management’s intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(iii) Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as described below:

a. Financial assets or financial liabilities at fair value through profit or loss – held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss.

Included in this classification are debt securities, equities and short positions.

b. Financial assets and financial liabilities designated at fair value through profit or loss: fair value option

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- 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 basis.

- 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.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(iii) Subsequent measurement (Contd.)

b. Financial assets and financial liabilities designated at fair value through profit or loss: fair value option (Contd.)

- the financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in profit or loss.

c. Financial investments available-for-sale

Financial investments available-for-sale include equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Bank has not designated any financing and advance as available-for-sale.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(iii) Subsequent measurement (Contd.)

c. Financial investments available-for-sale (Contd.)

After initial measurement, financial investments available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the "Available-for-sale reserve" until the investment is derecognised, at which time the cumulative gain or loss is recognised in "Other operating income", or the investment is determined to be impaired, when the cumulative loss is reclassified from the "Available-for-sale reserve" to the income statement in "Impairment losses on financial investments. Profit earned whilst holding financial investments available-for-sale is reported as Finance income and hibah using the EPR method. Dividends earned whilst holding available-for-sale financial investments are recognised in the income statement as "Other operating income" when the right to the payment has been established.

The Bank evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Bank is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Bank may elect to reclassify these financial assets. Reclassification to financing and receivables is permitted when the financial assets meet the definition of financing and receivables and the Bank has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(iii) Subsequent measurement (Contd.)

c. Financial investments available-for-sale (Contd.)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EPR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EPR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Unquoted shares in organisations which are set up for specific socio-economic reasons and equity instruments received as a result of financing and advances restructuring or financing and advances conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as financial investments available-for-sale.

d. Financial investments held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity financial investments when the Bank has the positive intention and ability to hold them to maturity. After initial measurement, financial investments held-to-maturity are measured at amortised cost using the EPR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in “Finance income and hibah” in the income statement. The losses arising from impairment are recognised in the income statement in “Impairment losses on financial investments”.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(iii) Subsequent measurement (Contd.)

d. Financial investments held-to-maturity (Contd.)

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity financial investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

e. Financing and receivables

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the EPR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EPR. The EPR amortisation is included in “Finance income and hibah” in the income statement. The losses arising from impairment are recognised in the income statement in “Allowance for impairment on financing and advances” for financing and advances or “Impairment losses on other assets” for receivables.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(iii) Subsequent measurement (Contd.)

f. Financial liabilities at amortised cost

Financial liabilities issued by the Bank, that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, term funding, debt capital and other borrowings are subsequently measured at amortised cost using the EPR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EPR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(iv) “Day 1” profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Bank immediately recognises the difference between the transaction price and fair value (a “Day 1” profit or loss) in “Other operating income”. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

(v) Reclassification of financial assets

The Bank may reclassify a non–derivative trading asset out of the “Held-for-trading” category and “Available-for-sale” category under rare circumstances and into the “Financing and advances” category if it meets the definition of financing and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. If a financial asset is reclassified, and if the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EPR from the date of the change in estimate.

For a financial asset reclassified out of the “Available-for-sale” category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EPR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EPR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(v) Reclassification of financial assets (Contd.)

Reclassification, where permitted, is at the election of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

(vi) Derecognition of financial assets and financial liabilities

a. Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired.
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either:

    - the Bank has transferred substantially all the risks and rewards of the asset, or
    - the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an 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 asset, the asset is recognised to the extent of the Bank’s continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4e Financial instruments – initial recognition and subsequent measurement (Contd.)

(vi) Derecognition of financial assets and financial liabilities (Contd.)

b. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where 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. The difference between the carrying value of the original financial liability and the new financial liability is recognised in profit or loss.

3.4f Determination of fair value

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, option pricing models, credit models and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 44.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4g Impairment of financial assets

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

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

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, financing and advances to customers as well as financial investments held-to-maturity), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4g Impairment of financial assets (Contd.)

(i) Financial assets carried at amortised cost (Contd.)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Profit income continues to be accrued on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. The profit income is recorded as part of "Finance income and hibah". Financing and advances together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Allowance for impairment on financing and advances" to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original EPR. If a financing has a variable profit rate, the discount rate for measuring any impairment loss is the current EPR. If the Bank has reclassified trading assets to financing and advances, the discount rate for measuring any impairment loss is the new EPR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4g Impairment of financial assets (Contd.)

(i) Financial assets carried at amortised cost (Contd.)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past–due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Financial investments available-for-sale

For financial investments available-for-sale, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4g Impairment of financial assets (Contd.)

(ii) Financial investments available-for-sale (Contd.)

In the case of debt instruments classified as available-for-sale, the Bank assesses 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. Future profit income is based on the reduced carrying amount and is accrued using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss. The profit income is recorded as part of "Finance income and hibah". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Bank treats "significant" generally as 20% and "prolonged" generally as greater than six 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 the income statement – is removed from equity and recognised in the income statement. 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.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4g Impairment of financial assets (Contd.)

(iii) Renegotiated financing

Where possible, the Bank seeks to restructure financing rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new financing conditions. Once the terms have been renegotiated, any impairment is measured using the original EPR as calculated before the modification of terms and the financing is no longer considered past due. Management continually reviews renegotiated financing to ensure that all criteria are met and that future payments are likely to occur. The financing continues to be subject to an individual or collective impairment assessment, calculated using the financing's original EPR.

(iv) Collateral valuation

The Bank seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The fair value of collateral is generally assessed, at a minimum, at inception and based on the Bank's quarterly reporting schedule, however, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Bank uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, housing price indices, audited financial statements, and other independent sources. (See Note 43.2 for further analysis of collateral).

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4g Impairment of financial assets (Contd.)

(v) Collateral repossessed

The Bank's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Bank's policy.

3.4h Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

3.4i Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash–generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4i Impairment of non-financial assets (contd.)

For assets excluding goodwill, 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. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

Asset of the Bank which has specific characteristics for impairment testing is intangible assets. Intangible assets with finite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.4j Cash and cash equivalents

Cash and short-term funds in the statement of financial position comprise cash and bank balances with banks and other financial institutions, and short-term deposits maturing within one month.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

3.4k Provisions

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

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

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4l Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. The Bank does not recognise a contingent liability but discloses its existence in the financial statements.

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

3.4m Profit equalisation reserve

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

3.4n Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the statement of financial position (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement. The premium received is recognised in the income statement in “Guarantee fees” on a straight-line basis over the life of the guarantee.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4o Recognition of income and expenses

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

(i) Profit income and similar income and expense

For all financial instruments measured at amortised cost, profit-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, profit income or expense is recorded using the EPR, 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, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EPR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EPR and the change in carrying amount is recorded in profit or loss. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EPR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, profit income continues to be recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4o Recognition of income and expenses (Contd.)

(ii) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers.

a. Fee income earned from services that are provided over a certain period of time

- Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

- Financing commitment fees for financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EPR on the financing. When it is unlikely that a financing will be drawn down, the financing commitment fees are recognised over the commitment period on a straight-line basis.

(iii) Net investment and trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities "held-for-trading" and are disclosed under Other operating income.

(iv) Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Income generated from customer loyalty programmes is recognised in profit or loss.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4p 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 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, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution pension plan

As required by law, the Bank makes contributions to the Employee Provident Fund in Malaysia. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Bank has no further payment obligations.

(iii) Termination benefits

Termination benefits are payable whenever an employee’s employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4p Employee benefits (Contd.)

(iv) Share-based payment transactions

The holding company, AMMB Holdings Berhad ("AMMB") operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of AMMB are granted to eligible directors and employees of the AMMB Group based on certain financial and performance criteria and such conditions as it may deem fit.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the AMMB Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in "Personnel costs" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in "Personnel costs" is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4q Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for its intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of finance and other costs that an entity incurs in connection with the borrowing of funds.

3.4r Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

3.4s Income taxes

(i) Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity.

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4s Income taxes (Contd.)

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4s Income taxes (Contd.)

(ii) Deferred tax (Contd.)

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

3. ACCOUNTING POLICIES (CONTD.)

3.4 Summary of significant accounting policies (Contd.)

3.4s Income taxes (Contd.)

(ii) Deferred tax (Contd.)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

3.4t Segment reporting

The Bank’s segmental reporting is based on the following operating segments: retail banking, business banking, corporate and institutional banking, markets with minor segments aggregated under group functions and others.

3.4u Share capital and share issuance expenses

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

4.1 Impairment losses on financing and advances (Note 11 and 28)

The Bank reviews its individually significant financing and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Financing and advances that have been assessed individually and found not to be impaired and all individually insignificant financing and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the financing portfolio (such as levels of arrears, credit utilisation, financing to collateral ratios), and judgments on cover model risks (for example errors for design/development process, data quality, data extraction and transformation) and macro risks (such as covering economic, portfolio and procedural issues).

4.2 Impairment losses on financial investments available-for-sale

The Bank reviews its debt securities classified as financial investments available-for-sale at each reporting date to assess whether they are impaired.

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTD.)

4.3 Deferred tax assets (Note 13 and 34)

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. 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.

4.4. Fair value of financial instruments (Note 44)

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of financial models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more detail in Note 44.

5. CASH AND SHORT-TERM FUNDS

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Cash and bank balances	8,122	11,883	7,718
Deposits and placements maturing within one month:			
Licensed banks	851,750	1,165,000	550,000
Bank Negara Malaysia	2,681,000	1,152,000	4,181,040
	3,540,872	2,328,883	4,738,758

6. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Licensed banks	150,000	750,000	250,000
Bank Negara Malaysia	1,250,000	250,000	-
Other financial institutions	148,383	118,383	-
	1,548,383	1,118,383	250,000

7 DERIVATIVE FINANCIAL ASSETS/LIABILITIES

The table below shows the Bank's derivative financial instruments as at the reporting date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at the reporting date are analysed below:

	Contract/ Notional Amount RM'000	Fair Value Assets RM'000	Fair Value Liabilities RM'000
Trading derivatives			
31 March 2013			
Foreign exchange related contracts			
One year or less	623,738	5,470	5,440
Equity and commodity related contracts			
One year or less	159,844	419	419
Over one year to three years	420,532	2,035	2,034
Total	1,204,114	7,924	7,893
31 March 2012			
Foreign exchange related contracts			
One year or less	310,584	4,895	4,869
Equity and commodity related contracts			
One year or less	78,630	-	-
Over one year to three years	295,982	6,030	6,027
Total	685,196	10,925	10,896
1 April 2011			
Equity and commodity related contracts			
Over one year to three years	222,526	3,258	3,254
Total	222,526	3,258	3,254

8. FINANCIAL ASSETS HELD-FOR-TRADING

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At fair value:			
Money Market Instruments:			
Malaysian Islamic Treasury bills	-	4,715	18,302
Government Investment Issues	278,127	288,275	549,823
Bank Negara Monetary Notes	374,810	929,449	179,241
Sukuk Bank Negara Malaysia Ijarah	-	-	1,469
	652,937	1,222,439	748,835
Unquoted Securities:			
In Malaysia:			
Private debt securities	502,660	279,440	232,327
Outside Malaysia:			
Private debt securities	60,784	20,304	9,974
	1,216,381	1,522,183	991,136

9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At fair value:			
Money Market Instruments:			
Government Investment Issues	-	-	190,141
Negotiable instruments of deposit	746,570	-	348,470
	746,570	-	538,611
Quoted Securities in Malaysia:			
Unit trusts	-	30,000	10,000
Unquoted Securities:			
In Malaysia:			
Private debt securities	425,210	279,965	167,326
Outside Malaysia:			
Private debt securities	25,555	10,152	-
	1,197,335	320,117	715,937

10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At amortised cost:			
Money Market Instruments:			
Bank Negara Monetary Notes	697,390	-	-
Unquoted Securities:			
In Malaysia:			
Private debt securities	1,222,971	822,222	-
	1,920,361	822,222	-

11. FINANCING AND ADVANCES

		31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
At amortised cost:				
Cash lines		718,718	522,780	376,204
Term financing		6,557,431	6,046,290	4,349,114
Revolving credit		2,037,140	1,095,887	1,589,565
Housing financing		826,510	598,260	461,631
Hire purchase receivables		10,884,005	9,264,472	7,323,963
Bill receivables		468	-	-
Credit card receivables		328,326	316,677	303,753
Trust receipts		49,329	63,366	89,747
Claims on customers under acceptance credits		1,090,241	1,060,425	957,590
Gross financing and advances *		22,492,168	18,968,157	15,451,567
Allowance for impairment on financing and advances				
- Collective allowance	Note 11 (j)	(490,410)	(460,411)	(469,947)
- Individual allowance	Note 11 (j)	(14,451)	(16,324)	(25,447)
Net financing and advances		21,987,307	18,491,422	14,956,173

* Included in financing and advances are exposures to the Restricted Profit Sharing Investment Accounts ("RPSIA"), an arrangement between the Bank and AmBank (M) Berhad ("AmBank") whereby the profit is shared based on pre-agreed ratio. AmBank is exposed to the risks and rewards on the RPSIA financing and it shall account for all allowance for impairment arising from the RPSIA financing.

11. FINANCING AND ADVANCES (CONTD.)

(a) Gross financing and advances analysed by contract are as follows:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Bai' Bithaman Ajil	4,931,567	4,371,717	2,364,361
Ijarah/Al-Ijarah Thumma Al-Bai'	10,969,715	9,264,469	7,323,963
Musyarakah	7,934	663	-
Murabahah	1,254,362	1,207,148	1,271,257
Other Islamic contracts	5,328,590	4,124,160	4,491,986
	22,492,168	18,968,157	15,451,567

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

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Domestic non-bank financial institutions	13,597	78,669	134,867
Domestic business enterprises			
- Small medium enterprises	2,799,718	2,089,792	1,431,397
- Others	6,125,067	4,365,672	3,824,101
Government and statutory bodies	381,005	1,059,717	260,385
Individuals	13,154,413	11,358,577	9,793,585
Other domestic entities	10,044	9,016	1,783
Foreign entities	8,324	6,714	5,449
	22,492,168	18,968,157	15,451,567

(c) All financing and advances reside in Malaysia.

11. FINANCING AND ADVANCES (CONTD.)

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

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Fixed rate			
- Housing financing	235,394	263,341	292,844
- Hire purchase receivables	9,497,105	7,733,494	6,895,721
- Other financing	5,108,570	6,103,734	5,010,842
Variable rate			
- Base financing rate plus	3,369,148	2,974,390	934,352
- Cost plus	4,281,951	1,893,198	2,317,808
	22,492,168	18,968,157	15,451,567

(e) Gross financing and advances analysed by sector are as follows:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Agriculture	539,450	254,252	186,591
Mining and quarrying	38,274	43,316	45,928
Manufacturing	2,339,470	2,075,445	1,525,128
Electricity, gas and water	129,920	130,884	253,706
Construction	1,377,520	464,438	806,341
Wholesale and retail trade and hotel and restaurants	782,493	622,716	496,811
Transport, storage and communication	610,273	836,582	738,309
Finance and insurance	13,597	78,669	134,867
Real estate	1,884,837	1,099,035	611,979
Business activities	564,052	333,451	361,187
Education and health	746,870	661,014	463,941
Household of which:	13,161,741	11,365,288	9,765,682
- Purchase of residential properties	823,587	594,931	453,697
- Purchase of transport vehicles	10,214,396	8,537,897	6,882,486
- Others	2,123,758	2,232,460	2,429,499
Others	303,671	1,003,067	61,097
	22,492,168	18,968,157	15,451,567

11. FINANCING AND ADVANCES (CONTD.)

(f) Gross financing and advances analysed by residual contractual maturity are as follows:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Maturing within one year	4,138,935	2,830,306	3,090,124
Over one year to three years	2,639,831	1,806,838	1,374,951
Over three years to five years	3,108,537	2,810,192	2,434,710
Over five years	12,604,865	11,520,821	8,551,782
	22,492,168	18,968,157	15,451,567

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

	31 March 2013 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	237,724	320,418
Impaired during the year	296,001	245,594
Reclassified as non-impaired	(51,999)	(59,847)
Recoveries	(32,716)	(38,106)
Amount written off	(180,567)	(230,335)
Balance at end of financial year	268,443	237,724
Gross impaired financing and advances as % of gross financing and advances	1.2%	1.3%
Financing loss coverage (excluding collateral values)	188.1%	200.5%

(h) All impaired financing and advances reside in Malaysia.

11. FINANCING AND ADVANCES (CONTD.)

(i) Impaired financing and advances analysed by sector are as follows:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Agriculture	359	471	429
Mining and quarrying	22	83	106
Manufacturing	16,725	23,994	28,397
Electricity, gas and water	106	78	1
Construction	1,997	1,743	5,201
Wholesale and retail trade and hotel and restaurants	7,599	3,708	23,584
Transport, storage and communication	211	511	1,714
Real estate	9,124	-	1,567
Business activities	4,375	262	1,381
Education and health	13,017	14,065	1,834
Household of which:	214,908	192,809	256,119
- Purchase of residential properties	31,339	23,142	20,923
- Purchase of transport vehicles	149,502	123,484	98,508
- Others	34,067	46,183	136,688
Others	-	-	85
	268,443	237,724	320,418

11. FINANCING AND ADVANCES (CONTD.)

(j) Movements in allowances for impaired financing and advances are as follows:

	31 March 2013 RM'000	31 March 2012 RM'000
Collective allowance		
Balance at beginning of financial year	460,411	469,947
Allowance made during the year, net (Note 28)	195,964	205,859
Transferred to AmBank *	(1,871)	-
Amount written off	(164,094)	(215,395)
Balance at end of financial year	490,410	460,411
Collective allowances as % of gross financing and advances (excluding RPSIA financing) less individual allowance	2.2%	2.4%
Individual allowance		
Balance at beginning of financial year	16,324	25,447
Allowance made during the year, net (Note 28)	13,171	5,933
Amount written off	(15,044)	(15,056)
Balance at end of financial year	14,451	16,324

* As at 31 March 2013, the gross exposure and the collective allowance relating to the RPSIA financing are RM500.9 million and RM2.1 million respectively. The collective allowance is recognised in the financial statements of AmBank.

There was no individual allowance provided on the RPSIA financing.

12. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

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

13. DEFERRED TAX ASSET/(LIABILITY)

	31 March 2013 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	36,158	118,406
Recognised in other comprehensive income	(652)	963
Recognised in profit or loss (Note 34)	(51,451)	(83,211)
Balance at end of financial year	(15,945)	36,158

The components and movements of deferred tax asset/(liability) during the financial year are as follows:

31 March 2013	Balance at beginning of financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of financial year RM'000
Collective allowance for impaired financing and advances	51,465	(51,465)	-	-
Excess of capital allowance over depreciation	(66)	17	-	(49)
Deferred charges	(18,642)	(2,374)	-	(21,016)
Other temporary differences	(493)	2,780	-	2,287
Profit equalisation reserve	823	(409)	-	414
Available-for-sale reserve	3,071	-	(652)	2,419
	36,158	(51,451)	(652)	(15,945)

13. DEFERRED TAX ASSET/(LIABILITY) (CONTD.)

	Balance at beginning of financial year RM'000	Recognised in profit or loss RM'000	Recognised in other comprehensive income RM'000	Balance at end of financial year RM'000
31 March 2012				
Collective allowance for impaired financing and advances	142,254	(90,789)	-	51,465
Excess of capital allowance over depreciation	(109)	43	-	(66)
Deferred charges	(12,607)	(6,035)	-	(18,642)
Other temporary differences	(14,953)	14,460	-	(493)
Profit equalisation reserve	1,713	(890)	-	823
Available-for-sale reserve	2,108	-	963	3,071
	118,406	(83,211)	963	36,158

14. OTHER ASSETS

	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Other receivables, deposits and prepayments,net of allowance for impairment of RM Nil in 2013 and 2012 (1 April 2011: RM36,000)	(a)	40,534	206,334	51,365
Amount due from originators	(b)	123,610	-	-
Profit receivable		35,517	22,351	14,132
Tax recoverable		31,391	15,969	-
Deferred charges		84,066	74,569	59,160
		315,118	319,223	124,657

(a) The movement in allowance for impairment of other receivables, deposits and prepayments is as follows:

	31 March 2013 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	-	36
Write back to income statement	-	(18)
Amount written off	-	(18)
Balance at end of financial year	-	-

(b) Amount due from originators represents personal financing acquired from originators for onward sale to Cagamas Berhad as mentioned in Note 18.

15. PROPERTY AND EQUIPMENT

	Leasehold improvements RM'000	Office equipment, furniture and fittings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At 1 April 2011	323	90	397	455	1,265
Additions	-	6	31	-	37
Transfer from related company	-	-	-	145	145
At 31 March 2012	323	96	428	600	1,447
Additions	14	5	31	-	50
At 31 March 2013	337	101	459	600	1,497
Accumulated depreciation					
At 1 April 2011	210	83	276	42	611
Depreciation for the financial year	47	6	70	65	188
Transfer from related company	-	-	-	66	66
At 31 March 2012	257	89	346	173	865
Depreciation for the financial year	24	5	40	84	153
At 31 March 2013	281	94	386	257	1,018
Carrying amount					
At 1 April 2011	113	7	121	413	654
At 31 March 2012	66	7	82	427	582
At 31 March 2013	56	7	73	343	479

16. INTANGIBLE ASSETS

The carrying amount of intangible assets are as follows:

	31 March 2013 RM'000	31 March 2012 RM'000
Computer software		
Cost		
Balance at beginning of financial year	871	864
Additions	13	7
Balance at end of financial year	884	871
Accumulated amortisation		
Balance at beginning of financial year	751	586
Amortisation for the financial year	83	165
Balance at end of financial year	834	751

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Carrying amount	50	120	278

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Non-Mudharabah			
Licensed Islamic banks	50,000	-	-
Licensed banks	341,234	806,330	811,398
Licensed investment banks	191,757	173,843	129,806
Other financial institutions	272,429	123,491	142,647
Bank Negara Malaysia	35,133	17,749	15,216
	890,553	1,121,413	1,099,067
Mudharabah			
Licensed bank	500,397	-	-
Other financial institutions	1,113,771	359,740	368,332
	1,614,168	359,740	368,332
Total	2,504,721	1,481,153	1,467,399

17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTD.)

The Mudharabah deposits from a licensed bank refers to the RPSIA placed by AmBank on 28 December 2012 for tenure of 490 days. These deposits are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, that is, investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratio. Losses shall be borne solely by the investor.

18. RECOURSE OBLIGATION ON FINANCING SOLD TO CAGAMAS BERHAD

Recourse obligation on financing sold to Cagamas Berhad represents the proceeds received from the Bank's financing sold directly or those acquired from the originators (as disclosed in Note 14) to Cagamas Berhad with recourse. Under this arrangement, 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 prudential criteria with recourse to the Bank. Under the back-to-back arrangement with the originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the originators.

19. DEPOSITS FROM CUSTOMERS

(i) By type of deposit:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Non-Mudharabah			
Demand deposits	4,865,376	2,874,233	1,189,093
Savings deposits	1,738,366	1,541,959	1,335,281
Negotiable instruments of deposits	20,560	25,184	13,168
Term deposits	1,020,285	167,181	-
	7,644,587	4,608,557	2,537,542
Mudharabah			
Demand deposits	30,621	19,512	11,286
Savings deposits	5,586	5,945	4,617
General investment deposits	15,396,062	13,453,942	12,585,105
Structured deposits	134,386	184,054	111,262
	15,566,655	13,663,453	12,712,270
Total	23,211,242	18,272,010	15,249,812

Included in deposits from customers are deposits of RM243,455,000 (31 March 2012: RM245,052,000; 1 April 2011: RM180,370,000) held as collateral for financing and advances.

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

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Government and statutory bodies	4,410,332	4,128,278	5,881,071
Business enterprises	12,404,273	9,645,362	6,528,508
Individuals	5,771,131	3,835,521	2,532,936
Others	625,506	662,849	307,297
	23,211,242	18,272,010	15,249,812

(iii) The maturity structure of negotiable instruments of deposits, term deposits, general investment deposits and structured deposits are as follows:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Due within six months	14,593,080	12,566,627	11,585,122
Over six months to one year	1,659,410	806,224	720,194
Over one year to three years	306,670	404,005	190,703
Over three years to five years	12,133	53,505	213,516
	16,571,293	13,830,361	12,709,535

20. TERM FUNDING

	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Senior Sukuk	(a)	550,000	550,000	550,000
		550,000	550,000	550,000

(a) On 20 September 2010, the Bank issued RM550 million Senior Sukuk under its programme of up to RM3 billion in nominal value. The Senior Sukuk bears profit rate at 4.3% per annum and has a tenure of seven years. The RM3 billion Senior Sukuk Musharakah Programme was reaffirmed a rating of AA3/Stable by Rating Agency Malaysia ("RAM").

21. BILLS AND ACCEPTANCES PAYABLE

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

22. SUBORDINATED SUKUK MUSHARAKAH

(a) On 21 December 2006, the Bank issued RM400 million Subordinated Sukuk Musharakah in one lump sum in the format of a 10-year Non-Call 5-year. Subject to the prior approval of BNM, the Bank may exercise its call option and redeem in whole (but not in part) the Subordinated Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

The Subordinated Sukuk Musharakah bears an expected profit rate of 4.8% per annum for the first 5 years, and commencing from the beginning of the 6th year from the issue date and at the beginning of every subsequent year thereafter, the expected profit rate shall be stepped up by 0.5% per annum to legal maturity date.

The Subordinated Sukuk Musharakah, which has been awarded a long term rating of A1 by RAM, is not listed on Bursa Securities Malaysia Berhad or on any other stock exchange but is traded and prescribed under the Scripless Securities Trading System maintained by BNM.

The Subordinated Sukuk Musharakah qualifies as Tier 2 Capital of the Bank. On 21 December 2011, the Bank early redeemed the RM400 million Subordinated Sukuk Musharakah.

22. SUBORDINATED SUKUK MUSHARAKAH (CONTD.)

(b) On 30 September 2011, the Bank implemented a new Subordinated Sukuk Musharakah programme ("Sukuk Musharakah") of RM2 billion. The purpose of the programme is to increase the Bank's Tier 2 Capital. The Sukuk Musharakah is for a period of ten years. The Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

On the same date, RM600 million ("First Tranche") of the Sukuk Musharakah was issued, which carries a profit rate of 4.4% per annum, and is payable on a semi-annual basis.

On 31 January 2012, RM200 million ("Second Tranche") of the Sukuk Musharakah was issued, which carries a profit rate of 4.4% per annum, and is payable on a semi-annual basis.

On 24 December 2012, RM200 million ("Third Tranche") of the Sukuk Musharakah was issued, which carries a profit rate of 4.5% per annum, and is payable on a semi-annual basis.

The Sukuk Musharakah qualify as Tier 2 Capital under BNM's capital adequacy framework. Effective 1 January 2013, the Sukuk Musharakah qualify as Tier 2 Capital as a capital instrument eligible for gradual phase-out treatment under the transitional arrangements of the Basel III accord.

23. OTHER LIABILITIES

	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Profit payable		143,880	115,460	94,193
Other creditors and accruals		107,692	74,013	60,638
Lease deposits and advance rentals		9,563	11,635	12,898
Profit equalisation reserve	(a)	1,659	3,294	6,854
Amount due to related companies		1,486	38	284
Provision for commitments and contingencies	(b)	26,039	25,340	25,279
Deferred income		-	-	26
Provision for taxation		-	-	49,089
		290,319	229,780	249,261

23. OTHER LIABILITIES (CONTD.)

(a) The movement in profit equalisation reserve ("PER") is as follows:

	31 March 2013 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	3,294	6,854
Transfer to non distributable PER (Note 25a)	(1,495)	-
Provision/(write back) during the financial year	9,429	(3,560)
Utilisation during the financial year	(9,569)	-
Balance at end of financial year	1,659	3,294

(b) The movement in provision for commitments and contingencies is as follows:

	31 March 2013 RM'000	31 March 2012 RM'000
Balance at beginning of financial year	25,340	25,279
Provision made during the financial year	699	146
Settlement	-	(85)
Balance at end of financial year	26,039	25,340

24. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each		Amount	
	31 March 2013 '000	31 March 2012 '000	31 March 2013 RM'000	31 March 2012 RM'000
Authorised:				
At beginning/end of financial year	2,000,000	2,000,000	2,000,000	2,000,000
Issued and fully paid:				
At beginning of financial year	428,038	403,038	428,038	403,038
Issuance of ordinary shares	34,884	25,000	34,884	25,000
At end of financial year	462,922	428,038	462,922	428,038

During the financial year, the Bank increased its issued and paid-up ordinary share capital from RM428,038,000 to RM462,922,000 by way of issuance of 34,884,000 ordinary shares of RM1.00 each at an issue price of RM4.30 per ordinary share.

25. RESERVES

	Note	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Non-distributable reserves:				
Share premium		724,185	609,068	534,068
Other reserves	(a)	418,323	350,503	297,992
Total non-distributable reserves		1,142,508	959,571	832,060
Distributable reserve:				
Retained earnings	(b)	521,509	327,970	164,318
Total reserves		1,664,017	1,287,541	996,378

25. RESERVES (CONTD.)

(a) The other reserves and their movements are analysed as follows:

	Profit equalisation reserve RM'000 (i)	Statutory reserve RM'000 (ii)	Available-for-sale reserve RM'000 (iii)	Total RM'000
At 1 April 2011	-	304,316	(6,324)	297,992
Other comprehensive loss:				
Net gain on fair value changes	-	-	1,417	1,417
Transfer to profit or loss upon disposal	-	-	(5,269)	(5,269)
Deferred tax	-	-	963	963
	-	-	(2,889)	(2,889)
Transaction with owner:				
Transferred from retained earnings	-	55,400	-	55,400
At 31 March 2012	-	359,716	(9,213)	350,503
At 1 April 2012	-	359,716	(9,213)	350,503
Other comprehensive income:				
Net gain on fair value changes	-	-	4,191	4,191
Transfer to profit or loss upon disposal	-	-	(1,582)	(1,582)
Deferred tax	-	-	(652)	(652)
	-	-	1,957	1,957
Transaction with owner:				
Transferred from retained earnings	-	64,550	-	64,550
Transfer in under previous guideline (Note 23a)	1,495	-	-	1,495
Net utilisation for the financial year	(182)	-	-	(182)
At 31 March 2013	1,313	424,266	(7,256)	418,323

Note:

(i) The profit equalisation reserve of the Bank is classified as a separate reserve in equity in accordance with BNM Revised Guidelines on Profit Equalisation Reserve issued in May 2011.

(ii) The statutory reserve is maintained in compliance with the provisions of Islamic Banking Act, 1983 and is not distributable as cash dividends.

(iii) Available-for-sale reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.

25. RESERVES (CONTD.)

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

The Bank had fully utilised the tax credit under Section 108 of the Income Tax Act, 1967 to distribute cash dividend payments. The Bank may distribute dividends out of its entire retained earnings under the single tier system.

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Note	31 March 2013 RM'000	31 March 2012 RM'000
Income derived from investment of:			
General investment deposits	(a)	1,017,352	781,340
Specific investment deposits	(b)	7,398	-
Other deposits	(c)	462,918	449,281
		1,487,668	1,230,621

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTD.)

(a) Income derived from investment of general investment deposits

	31 March 2013 RM'000	31 March 2012 RM'000
Finance income and hibah:		
Financing and advances		
- Financing income	914,620	618,009
- Financing income on impaired financing	187	142
Financial assets held-for-trading	42,411	30,297
Financial investments held-to-maturity	9,651	5,492
Deposits and placements with banks and other financial institutions	-	81,598
Total finance income and hibah	966,869	735,538
Other operating income:		
Fee and commission income:		
- Brokerage fees, commission and rebates	72	50
- Fees on financing, advances and securities	34,637	19,586
- Guarantee fees	5,607	4,742
- Remittances	3,835	49
- Service charges and fees	3,526	2,904
- Underwriting commission	288	183
- Others	3,372	1,116
Net (loss)/gain from sale of financial assets held-for-trading	(11,412)	13,184
Net gain on revaluation of financial assets held-for-trading	13,088	1,657
Net foreign exchange gain	7,686	2,322
Net loss on early redemption of negotiable instruments of deposits	(10,189)	-
Others	(27)	9
Total other operating income	50,483	45,802
Total	1,017,352	781,340

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTD.)

(b) Income derived from investment of specific investment deposits

	31 March 2013 RM'000	31 March 2012 RM'000
<u>Finance income and hibah:</u>		
Financing and advances		
- Financing income	7,398	-
Total finance income and hibah	7,398	-

(c) Income derived from investment of other deposits

	31 March 2013 RM'000	31 March 2012 RM'000
<u>Finance income and hibah:</u>		
Financing and advances		
- Financing income	261,616	355,363
- Financing income on impaired financing	53	82
Financial assets held-for-trading	19,156	17,420
Financial investments held-to-maturity	33,995	3,158
Deposits and placements with banks and other financial institutions	133,054	46,920
Total finance income and hibah	447,874	422,943

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTD.)

(c) Income derived from investment of other deposits (Contd.)

Other operating income:		
Fee and commission income:		
- Brokerage fees, commission and rebates	21	29
- Fees on financing, advances and securities	9,907	11,262
- Guarantee fees	1,604	2,727
- Remittances	1,097	28
- Service charges and fees	1,008	1,670
- Underwriting commission	82	105
- Others	965	642
Net (loss)/gain from sale of financial assets held-for-trading	(2,915)	7,581
Net gain on revaluation of financial assets held-for-trading	3,998	953
Net foreign exchange gain	2,199	1,335
Net loss on early redemption of negotiable instruments of deposits	(2,914)	-
Others	(8)	6
Total other operating income	15,044	26,338
Total	462,918	449,281

27. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	31 March 2013 RM'000	31 March 2012 RM'000
Finance income and hibah:		
Financing and advances		
- Financing income	106,144	128,282
Financial investments available-for-sale	31,754	21,699
Total finance income and hibah	137,898	149,981
Other operating income:		
Fee and commission income:		
- Bancassurance commission	4,456	2,274
- Brokerage fees, commission and rebates	20	23
- Fees on financing, advances and securities	2	3
- Remittances	188	2,923
- Service charges and fees	5,570	5,518
- Others	1,779	3,660
Net gain from sale of financial investments available-for-sale	1,582	5,269
Total other operating income	13,597	19,670
Total	151,495	169,651

28. ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	31 March 2013 RM'000	31 March 2012 RM'000
Allowance for impaired financing and advances:		
Individual allowance, net [Note 11(j)]	13,171	5,933
Collective allowance [Note 11(j)]	195,964	205,859
Impaired financing and advances recovered, net	(73,048)	(48,579)
	136,087	163,213

29. INCOME ATTRIBUTABLE TO THE DEPOSITORS

	31 March 2013 RM'000	31 March 2012 RM'000
Deposits from customers		
- Mudharabah fund	505,507	414,161
- Non-Mudharabah fund	69,222	42,133
	574,729	456,294
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	31,491	10,948
- Non-Mudharabah fund	53,642	43,766
	85,133	54,714
Others	85,601	76,662
	745,463	587,670

30. OTHER OPERATING EXPENSES

	31 March 2013 RM'000	31 March 2012 RM'000
Personnel costs:		
- Salaries, allowances and bonuses	8,376	7,259
- Shares and options granted under Executives' Share Scheme	975	756
- Pension costs - defined contribution plan	1,336	1,164
- Social security cost	42	39
- Others	1,028	714
	11,757	9,932
Establishment costs:		
- Amortisation of intangible assets	83	165
- Cleaning, maintenance and security	35	34
- Computerisation costs	58	23
- Depreciation of property and equipment	153	188
- Rental of premises	599	624
- Rental and maintenance of fixed assets	322	115
- Others	33	34
	1,283	1,183
Marketing and communication expenses:		
- Communication, advertising and marketing expenses	5,112	5,169
- Others	141	190
	5,253	5,359
Administration and general expenses:		
- Professional services	3,240	4,825
- Others	272	1,009
	3,512	5,834
Service transfer pricing expenses	332,644	278,669
	354,449	300,977

30. OTHER OPERATING EXPENSES (CONTD.)

The above expenditure includes the following statutory disclosures:

	31 March 2013 RM'000	31 March 2012 RM'000
Auditors' remuneration		
- Audit	160	135
- Assurance related	101	85

Personnel costs include salaries, bonuses, contributions to Employees Provident Fund ("EPF"), a substantial shareholder of the holding company, and all other staff related expenses.

31. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION

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

31 March 2013	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Key Management Personnel:						
Chief Executive Officer						
Datuk Mahdi Bin Morad	600	-	350	563	106	1,619
	600	-	350	563	106	1,619
Non-Executive Directors:						
Tan Sri Azman Hashim	-	-	-	162	-	162
Tun Mohammed Hanif bin Omar	-	60	-	49	-	109
Tan Sri Datuk Clifford Francis Herbert	-	60	-	61	-	121
Dato' Gan Nyap Liou @ Gan Nyap Liow	-	60	-	45	-	105
Dato' Dr. Mahani binti Zainal Abidin	-	60	-	34	-	94
Loh Chen Peng	-	-	-	1	-	1
Cheah Tek Kuang #	-	-	-	38	-	38
Ashok Ramamurthy #	-	-	-	-	-	-
	-	240	-	390	-	630
Total remuneration	600	240	350	953	106	2,249

\# Directors' fees for directors who are executives of the subsidiaries of AMMB Holdings Berhad are paid to their respective companies.

31. CHIEF EXECUTIVE OFFICER'S AND DIRECTORS' REMUNERATION (CONTD.)

31 March 2012	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits-in-kind RM'000	Total RM'000
Key Management Personnel:						
Chief Executive Officer						
Datuk Mahdi Bin Morad	600	-	312	229	78	1,219
	600	-	312	229	78	1,219
Non-Executive Directors:						
Tan Sri Azman Hashim	-	-	-	159	-	159
Tun Mohammed Hanif bin Omar	-	60	-	51	-	111
Tan Sri Datuk Clifford Francis Herbert	-	60	-	51	-	111
Dato' Gan Nyap Liou @ Gan Nyap Liow	-	60	-	32	-	92
Dato' Dr. Mahani binti Zainal Abidin	-	60	-	14	-	74
Cheah Tek Kuang #	-	-	-	33	-	33
Ashok Ramamurthy #	-	-	-	-	-	-
	-	240	-	340	-	580
Total remuneration	600	240	312	569	78	1,799

Directors' fees for directors who are executives of the subsidiaries of AMMB Holdings Berhad are paid to their respective companies.

32. SHARIAH COMMITTEE'S MEMBERS' REMUNERATION

Shariah committee's members' remuneration charged to the income statement for the financial year was RM143,000 (2012: RM121,000).

33. FINANCE COST

Finance cost is mainly in respect of income attributable to investors of the Subordinated Sukuk Musharakah and Senior Sukuk.

34. TAXATION

Taxation consists of the following:

	31 March 2013 RM'000	31 March 2012 RM'000
Current tax :		
Estimated tax payable	70,564	107,039
Over provision in prior financial years	(49,918)	(111,487)
	20,646	(4,448)
Deferred tax (Note 13) :		
Origination and reversal of temporary differences	1,685	(32,077)
Under provision in prior financial years	49,766	115,288
	51,451	83,211
Taxation	72,097	78,763

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

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

34. TAXATION (CONTD.)

	31 March 2013 RM'000	31 March 2012 RM'000
Profit before zakat and taxation	331,916	299,480
Taxation at Malaysian statutory tax rate of 25% (2012: 25%)	82,979	74,870
Expenses not deductible for tax purposes	(29)	224
Income not subject to tax	(9,865)	(132)
Deferred tax asset recognised on income subject to tax remission	(836)	-
Over provision of current tax in prior years	(49,918)	(111,487)
Under provision of deferred tax in prior years	49,766	115,288
Taxation for the year	72,097	78,763

35. EARNINGS PER SHARE

Basic/Diluted

Basic earnings per share is calculated by dividing the net profit attributable to the equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial year.

Diluted earnings per share is calculated by dividing the net profit attributable to the equity holder of the Bank by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The Bank does not have any dilutive potential ordinary shares.

	31 March 2013	31 March 2012
Net profit attributable to equity holder of the Bank (RM'000)	258,189	219,078
Number of ordinary shares at beginning of financial year ('000)	428,038	403,038
Effect of issuance of shares ('000)	9,079	137
Weighted average number of ordinary shares in issue ('000)	437,117	403,175
Basic/Diluted Earnings per share (sen)	59.07	54.34

36. RELATED PARTY TRANSACTIONS

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

The related parties of the Bank are:

(i) Related companies

These are subsidiaries of the holding company.

(ii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, either directly or indirectly. The key management personnel of the Bank includes the Chief Executive Officer and Non-Executive Directors of the Bank.

(iii) Companies in which certain Directors have substantial financial interest

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Bank.

(iv) Companies which have significant influence over the Bank

These are entities who are substantial shareholders of the holding company of the Bank.

36. RELATED PARTY TRANSACTIONS (CONTD.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Bank had the following transactions with related parties during the financial year:

	Related companies		Key management personnel		Companies in which certain Directors have substantial financial interest	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Income						
Profit on deposits	4	26	-	-	-	-
Net loss on early redemption of negotiable instruments of deposits	13,103	-	-	-	-	-
	13,107	26	-	-	-	-
Expenses						
Airline ticketing service	-	-	-	-	81	92
Europay, Mastercard, Visa card personalisation, fulfilment services and card embossment	-	-	-	-	22	-
Food and beverage	-	-	-	-	-	1
Gift and flower arrangement	-	-	-	-	10	19
Information service provider	-	-	-	-	298	283
Insurance premium	-	-	-	-	173	63
Management fees	-	-	-	-	-	-
Profit on deposits	45,620	43,469	194	86	-	-
Purchase of computer hardware, software and related consultancy services	-	-	-	-	15	-
Rental of premises/car park/booth, management fee and maintenance	-	-	-	-	599	691
Service transfer pricing expense	332,644	278,669	-	-	-	-
Training and consultancy	-	-	-	-	1	1
	378,264	322,138	194	86	1,199	1,150

36. RELATED PARTY TRANSACTIONS (CONTD.)

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

	Related companies		Key management personnel		Companies in which certain Directors have substantial financial interest	
	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000	31 March 2013 RM'000	31 March 2012 RM'000
Amount due from:						
Deposits and placements	1,750	-	-	-	-	-
Derivative financial assets	7,310	10,913	-	-	-	-
Financing and advances	-	-	82	3	-	-
Other receivables	25,059	193,249	-	-	-	-
	34,119	204,162	82	3	-	-
Amount due to:						
Deposits and placements	1,129,639	1,103,627	3,982	4,349	-	-
Derivative financial liabilities	609	5	-	-	-	-
Other payables	1,486	38	-	-	-	-
Profit payable	1,733	745		-	-	-
	1,133,467	1,104,415	3,982	4,349	-	-
Commitments and contingencies:						
Contingent liabilities	300	-	-	-	-	-
Contract/Notional amount for derivatives	569,690	270,047	-	-	-	-
	569,990	270,047	-	-	-	-

36. RELATED PARTY TRANSACTIONS (CONTD.)

(c) The transactions between the Bank and related parties took place at terms agreed between the parties during the year.

(d) Key management personnel compensation

The remuneration of Directors, who are also the key management personnel, during the year is disclosed in Note 31.

37. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	31 March 2013	31 March 2012
Outstanding credit exposures with connected parties (RM'000)	686,036	273,267
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	2.9	1.4
Percentage of outstanding credit exposures with connected parties which is impaired or in default (%)	0.5	0.1

37. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONTD.)

The disclosure on Credit Transaction and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

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

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties disclosed includes the extension of credit facility 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.

37. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONTD.)

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not 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.

38. CAPITAL COMMITMENTS

The Bank has no capital commitments as at 31 March 2013 and 31 March 2012.

39. OPERATING LEASE COMMITMENTS

The Bank has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. The future minimum lease payments under non-cancellable operating leases, net of sub-leases are as follows:

	31 March 2013 RM'000	**31 March 2012 RM'000**
Within one year	944	1,069
Between one and five years	776	550
More than five years	-	509
	1,720	2,128

The minimum lease rentals are not adjusted for operating expenses which the Bank is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than rental expenses for the financial year.

40. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Bank's assets.

The notional amounts of the commitments and contingencies of the Bank are as follows:

	31 March 2013 RM'000	31 March 2012 RM'000	1 April 2011 RM'000
Contingent Liabilities			
Direct credit substitutes	121,738	134,712	247,796
Transaction related contingent items	580,655	487,700	413,461
Short-term self liquidating trade-related contingencies	58,850	79,444	148,770
Obligations under underwriting agreements	80,000	100,000	192,500
Others	-	-	14,804
	841,243	801,856	1,017,331
Commitments			
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,896,985	3,085,277	2,636,090
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,066,005	957,923	1,520,857
Unutilised credit card lines	467,164	482,204	464,251
Forward asset purchases	-	125,825	145,137
	6,430,154	4,651,229	4,766,335
Derivative Financial Instruments			
Foreign exchange related contracts:			
- One year or less	623,738	310,584	-
Equity and commodity related contracts:			
- One year or less	159,844	78,630	-
- Over one year to five years	420,532	295,982	222,526
	1,204,114	685,196	222,526
Total	8,475,511	6,138,281	6,006,192

41. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows assets and liabilities analysed according to when they are expected to be recovered or settled.

31 March 2013	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
ASSETS			
Cash and short-term funds	3,540,872	-	3,540,872
Deposits and placements with banks and other financial institutions	1,430,000	118,383	1,548,383
Derivative financial assets	5,889	2,035	7,924
Financial assets held-for-trading	1,216,381	-	1,216,381
Financial investments available-for-sale	746,570	450,765	1,197,335
Financial investments held-to-maturity	697,390	1,222,971	1,920,361
Financing and advances	4,046,032	17,941,275	21,987,307
Statutory deposit with Bank Negara Malaysia	-	771,000	771,000
Other assets	89,947	225,171	315,118
Property and equipment	-	479	479
Intangible assets	-	50	50
TOTAL ASSETS	11,773,081	20,732,129	32,505,210
LIABILITIES			
Deposits and placements of banks and other financial institutions	1,463,528	1,041,193	2,504,721
Recourse obligation on financing sold to Cagamas Berhad	-	2,073,691	2,073,691
Derivative financial liabilities	5,858	2,035	7,893
Deposits from customers	22,892,439	318,803	23,211,242
Term funding	-	550,000	550,000
Bills and acceptances payable	722,821	-	722,821
Subordinated Sukuk Musharakah	-	1,000,000	1,000,000
Deferred tax liability	-	15,945	15,945
Other liabilities	239,523	50,796	290,319
Provision for zakat	1,639	-	1,639
TOTAL LIABILITIES	25,325,808	5,052,463	30,378,271

41. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
31 March 2012			
ASSETS			
Cash and short-term funds	2,328,883	-	2,328,883
Deposits and placements with banks and other financial institutions	1,000,000	118,383	1,118,383
Derivative financial assets	4,895	6,030	10,925
Financial assets held-for-trading	1,522,183	-	1,522,183
Financial investments available-for-sale	30,000	290,117	320,117
Financial investments held-to-maturity	-	822,222	822,222
Financing and advances	2,759,171	15,732,251	18,491,422
Statutory deposit with Bank Negara Malaysia	-	559,000	559,000
Deferred tax asset	-	36,158	36,158
Other assets	250,678	68,545	319,223
Property and equipment	-	582	582
Intangible assets	-	120	120
TOTAL ASSETS	7,895,810	17,633,408	25,529,218
LIABILITIES			
Deposits and placements of banks and other financial institutions	544,003	937,150	1,481,153
Recourse obligation on financing sold to Cagamas Berhad	-	1,950,055	1,950,055
Derivative financial liabilities	4,869	6,027	10,896
Deposits from customers	17,814,500	457,510	18,272,010
Term funding	-	550,000	550,000
Bills and acceptances payable	518,422	-	518,422
Subordinated Sukuk Musharakah	-	800,000	800,000
Other liabilities	201,211	28,569	229,780
Provision for zakat	1,323	-	1,323
TOTAL LIABILITIES	19,084,328	4,729,311	23,813,639

41. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTD.)

	Up to 12 months RM'000	Over 12 months RM'000	Total RM'000
1 April 2011			
ASSETS			
Cash and short-term funds	4,738,758	-	4,738,758
Deposits and placements with banks and other financial institutions	250,000	-	250,000
Derivative financial assets	-	3,258	3,258
Financial assets held-for-trading	991,136	-	991,136
Financial investments available-for-sale	358,470	357,467	715,937
Financing and advances	2,991,051	11,965,122	14,956,173
Deferred tax asset	-	118,406	118,406
Other assets	72,386	52,271	124,657
Property and equipment	-	654	654
Intangible assets	-	278	278
TOTAL ASSETS	9,401,801	12,497,456	21,899,257
LIABILITIES			
Deposits and placements of banks and other financial institutions	682,414	784,985	1,467,399
Recourse obligation on financing sold to Cagamas Berhad	-	1,700,034	1,700,034
Derivative financial liabilities	-	3,254	3,254
Deposits from customers	14,845,593	404,219	15,249,812
Term funding	-	550,000	550,000
Bills and acceptances payable	879,522	-	879,522
Subordinated Sukuk Musharakah	-	400,000	400,000
Other liabilities	217,807	31,454	249,261
Provision for zakat	559	-	559
TOTAL LIABILITIES	16,625,895	3,873,946	20,499,841

42. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Bank to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Bank’s risk, performance and capital.

The Bank uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to simulate the amount of capital required to support them. In addition, the models enable the Bank to gain a deeper understanding of its risk profile, for example, by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Bank’s internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Bank and how these events could be mitigated. The Bank’s target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

42. CAPITAL MANAGEMENT (CONTD.)

The Bank's assessment of risk appetite is closely integrated with its strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Bank's business activities.

The Bank uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Bank's management disciplines.

The capital that the Bank is required to hold is determined by its statement of financial position, commitments and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Bank's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Bank operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Assets and Liabilities Committee ("GALCO"), which is responsible for managing the Bank's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Bank's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

42. CAPITAL MANAGEMENT (CONTD.)

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For the current financial year ended 31 March 2013 ("FY 2013"), these ranges are 7.3 per cent to 9.3 per cent for the Common Equity Tier 1 capital ratio, 9.3 per cent to 11.3 per cent for the Tier 1 capital ratio, and 13.3 per cent to 15.3 per cent for the Total Capital ratio. The Bank has been operating within these ranges.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the on-going assessment of the demand for capital and the updating of the Bank's capital plan.

Appropriate policies are also in place governing the transfer of capital within the Bank. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between parent company, AMMB and its group entities when due.

(a) Capital adequacy ratios

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

	2013
Common Equity Tier 1	9.5%
Tier 1 Capital Ratio	9.5%
Total Capital Ratio	14.6%

42. CAPITAL MANAGEMENT (CONTD.)

The Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. With effect from 1 January 2013, the capital adequacy ratios are computed in accordance with BNM's guidelines on Capital Adequacy Framework (Capital Components) issued on 28 November 2012, which is based on the Basel III capital accord. The minimum regulatory capital adequacy requirements for 2013 are as follows:

Common Equity Tier 1 ("CET 1")	3.5%
Tier 1 Capital Ratio	4.5%
Total Capital Ratio	8.0%

For 31 March 2012, the capital adequacy ratios below are computed in accordance with Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework (RWCAF - Basel II). The comparative capital adequacy ratios are based on the Basel II accord and have not been restated based on Basel III accord as the Basel III is implemented on a prospective basis with effect from 1 January 2013. The minimum regulatory capital adequacy requirement is 8% for the risk weighted capital ratio.

	2012
Core capital ratio	9.0%
Risk weighted capital ratio	15.0%

42. CAPITAL MANAGEMENT (CONTD.)

(b) The components of Common Equity Tier 1, Additional Tier 1, Tier 2, Total Capital and Risk Weighted Assets ("RWA") of the Bank as at 31 March 2013 are as follows:

	31 March 2013 RM'000
Common Equity Tier 1 ("CET1") Capital	
Ordinary shares	462,922
Share premium	724,185
Retained earnings	521,327
Unrealised losses on available-for-sale ("AFS") financial instruments	(7,256)
Statutory reserve	424,266
Less : Regulatory adjustments applied on CET1 capital	
- Intangible assets	(50)
CET1 capital	2,125,394
Additional Tier 1 ("T1") capital	
Additional Tier 1 capital instruments (subject to gradual phase-out treatment)	-
Less : Regulatory adjustments applied on T1 capital	-
T1 capital	2,125,394
Tier 2 ("T2") capital	
Tier 2 capital instruments (subject to gradual phase-out treatment)	900,000
Collective allowance and regulatory reserves	255,665
Less : Regulatory adjustments applied on T2 capital	-
Tier 2 capital	1,155,665
Total Capital	3,281,059
Credit RWA	20,954,069
Less : Credit RWA absorbed by Profit Sharing Investment Account	(500,866)
Total Credit RWA	20,453,203
Market RWA	583,120
Operational RWA	1,406,226
Total Risk Weighted Assets	22,442,549

42. CAPITAL MANAGEMENT (CONTD.)

The components of Tier 1 and Tier 2 capital of the Bank as at 31 March 2012 (incorporating restatement arising from adoption of MFRS) are as follows:

	31 March 2012 RM'000
Tier 1 Capital	
Paid-up ordinary share capital	428,038
Share premium	609,068
Statutory reserve	359,716
Retained earnings	327,970
	1,724,792
Less: Deferred tax asset	(33,087)
Total Tier 1 Capital	1,691,705
Tier 2 Capital	
Subordinated Sukuk Musharakah	800,000
Collective allowance *	328,333
Total Tier 2 Capital	1,128,333
Capital Base	2,820,038

* Excludes collective allowance on impaired financing restricted from Tier 2 capital of the Bank of RM92,469,000.

The breakdown of the risk-weighted assets in various categories of risk are as follows:

	31 March 2012 RM'000
Credit risk	17,095,915
Market risk	384,044
Operational risk	1,327,826
Total Risk Weighted Assets	18,807,785

43. RISK MANAGEMENT

43.1 GENERAL RISK MANAGEMENT

Risk Management Framework

The Risk Management Framework takes its lead from the Board of Directors' ("Board") Approved Risk Appetite Framework which provides the catalyst to setting the risk/reward profile required by the Board of Directors, together with the related business strategies, limit framework and policies required to enable successful execution.

The Risk Appetite Framework is approved annually by the Board taking into account the Bank's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each business unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the business units will execute their business plans in compliance with the Risk Appetite Framework.

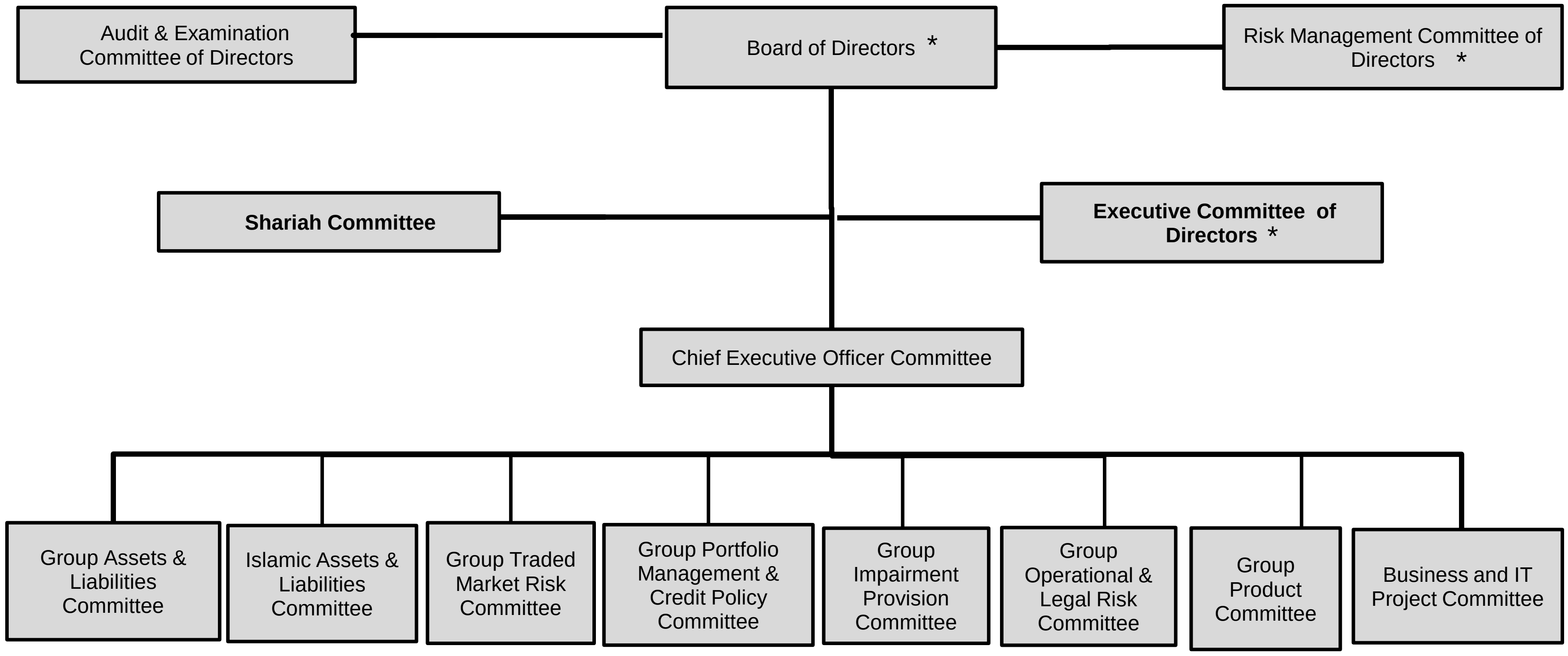
Risk Management Governance

The Board is ultimately responsible for the management of risks within the Bank. The Risk Management Committee of Directors is formed to assist the Board in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board of Directors has also established various management committees to assist it in managing the risks and businesses of the Bank. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities.

43. RISK MANAGEMENT (CONTD.)

43.1 GENERAL RISK MANAGEMENT (CONTD.)



** At entity level*

43. RISK MANAGEMENT (CONTD.)

43.1 GENERAL RISK MANAGEMENT (CONTD.)

Committee	Roles and Responsibilities
Risk Management Committee of Directors (“RMCD”)	- Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal, regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. - Report and advise the Board on risk issues.
Audit & Examination Committee of Directors (“AEC”)	- Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Bank. - Provide assistance to Board in ensuring the Islamic Banking operations of the Bank are Shariah compliant.
Shariah Committee	- Responsible and accountable on matters related to Shariah, which includes advising our Board and management on Shariah matters and endorsing and validating products and services and the relevant documentations in relation to Islamic Banking operations of the AMMB Group. - The Shariah Oversight Committee, which is a sub-committee to the Shariah committee performs an oversight function for the key Shariah functions; Shariah review, Shariah audit and Shariah Risk Management.
Executive Committee of Directors (“EXCO”)	- Responsible to consider and approve credit facilities and commitments that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. - Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee (“CEO Committee”)	- Responsible for overall day-to-day operations of the Bank such as oversee management’s activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. - Report and advise the Board on risk issues.

43. RISK MANAGEMENT (CONTD.)

43.1 GENERAL RISK MANAGEMENT (CONTD.)

Committee		Roles and Responsibilities
Group Assets and Liabilities Committee (Conventional and Islamic) (“GALCO”)	-	Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing is effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	-	Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing is effective and fair and capital is managed.
Group Traded Market Risk Committee (“GTMRC”)	-	Responsible for the development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with the internal and regulatory requirements throughout the Bank.
Group Portfolio Management and Credit Policy Committee (“GPMCP”)	-	Responsible for the development of credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with the internal and regulatory requirements throughout the Bank.
Group Impairment Provision Committee ("GIPC")	-	Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with Board approved policies and MFRS 139 and MFRS 137 standards and establish adequate management governance for the determination of provisions.

43. RISK MANAGEMENT (CONTD.)

43.1 GENERAL RISK MANAGEMENT (CONTD.)

Committee	Roles and Responsibilities
Group Operational and Legal Risk Committee (“GOLRC”)	- Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.
Group Product Committee (“GPC”)	- Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new products and product launching strategies, approve proposals for product variation and reactivation of dormant products, and review post implementation activities and product performance.
Business and IT Project Committee (“BITPC”)	- Responsible to review and approve (or where required recommend for approval) requests relating to the Bank's major Business and Information Technology ("IT") investments. - To ensure all projects are aligned to the Business and IT plans, appropriate prioritisation of Business and IT projects, and the allocation of resources. - Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Bank.

Effective April 2013, Board approved the consolidation of the Executive Risk Management Committees ("ERMCs") into one single committee namely, Group CEOs Committee in order to streamline and centralise the management of risk.

43. RISK MANAGEMENT (CONTD.)

43.1 GENERAL RISK MANAGEMENT (CONTD.)

Strategic Risk

Strategic risk is the risk of not achieving the Bank's corporate strategic goals. The Group's overall strategic planning reflects the Bank's vision and mission, taking into consideration the Bank's internal capabilities and external factors.

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/initiatives.

Reputational Risk

The Bank recognises that maintaining its reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and business partners and the conduct of our business activities.

The Bank seeks to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/ Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/ Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral and tailored facility structures
Monitoring/ Review	• Monitor and report portfolio mix • Review customer under Watchlist • Undertake post mortem review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Bank's transactions and/or positions as well as Shariah compliance risk.

The primary objective of credit risk management is to maintain accurate risk recognition – identification and measurement, to ensure that credit risk exposure is in line with the Bank's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the customer or counterparty using credit rating model. The model consists of quantitative and qualitative scores that are then translated into rating grades. The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank’s credit exposures.

For retail credits, credit-scoring systems to better differentiate the quality of customers are being used to complement the credit assessment and approval processes.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

To support credit risk management, our rating models for major portfolios have been upgraded to facilitate:

- improvement in the accuracy of individual obligor risk ratings
- enhancement to pricing models;
- loss provision calculation;
- stress testing; and
- enhancement to portfolio management.

Financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board. The Bank's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Bank's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- concentration threshold/ review trigger:
  - single counterparty credit;
  - industry sector; and
  - country
- asset writing strategies for industry sectors and portfolio composition (by Risk Grade and Security Indicator);
- setting financing to value limits for asset backed financing (that is property exposures and other collateral);
- watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- setting Benchmark Returns which serve as a guide to the minimum returns the Bank requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO. Portfolio credit risk is reported to the relevant management and board committees.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

The GPMCP/Group CEOs Committee regularly meet to review the quality and diversification of the Bank's financing portfolio, approve new and amended credit risk policy, review watchlist reports and post-mortem review of financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairment, flow rates of financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Bank applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

Credit Risk Exposure and Concentration

The Bank's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. The Bank applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognised in the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following table shows the maximum exposure to credit risk for the components of the statement of financial position and commitments and contingent liabilities, including derivatives, by industry and by geography, before taking account of any collateral held or other credit enhancements.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis

31 March 2013	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade and Hotel and Restaurants	Transport, Storage and Communication	Finance and Insurance	Subtotal
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	857,387	857,387
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	298,383	298,383
Derivative financial assets	-	-	4	-	-	-	-	7,920	7,924
Financial assets held-for-trading									
- Money market securities	-	-	-	-	-	-	-	-	-
- Unquoted private debt securities	20,454	-	5,130	148,389	56,235	-	45,008	186,398	461,614
	20,454	-	5,130	148,389	56,235	-	45,008	186,398	461,614
Financial investments available-for-sale									
- Money market securities	-	-	-	-	-	-	-	746,570	746,570
- Unquoted private debt securities	-	32,539	35,536	56,662	12,222	-	15,325	221,474	373,758
	-	32,539	35,536	56,662	12,222	-	15,325	968,044	1,120,328
Financial investments held-to-maturity									
- Money market securities	-	-	-	-	-	-	-	-	-
- Unquoted private debt securities	-	-	-	-	822,075	-	45,000	-	867,075
	-	-	-	-	822,075	-	45,000	-	867,075
Financing and advances									
- Hire purchase	8,037	374	8,618	757	27,627	27,713	5,969	16	79,111
- Mortgage	2,297	1,740	7,380	-	12,000	26,096	3,386	2,081	54,980
- Credit card	-	-	-	-	-	-	-	-	-
- Others	97,100	15,240	107,225	2,900	130,492	56,773	50,942	1,458	462,130
- Corporate financing and advances:									
Term and bridging financing	158,079	20,114	971,670	42,598	531,220	128,371	365,188	-	2,217,240
Revolving credits	249,890	-	452,783	81,991	476,515	101,625	103,402	10,042	1,476,248
Cash lines	20,025	-	58,333	1,222	185,284	142,757	50,941	-	458,562
Trade	4,022	806	727,393	452	14,382	299,158	30,445	-	1,076,658
Less: Collective allowance	-	-	-	-	-	-	-	-	-
	539,450	38,274	2,333,402	129,920	1,377,520	782,493	610,273	13,597	5,824,929
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-
Total financial assets	559,904	70,813	2,374,072	334,971	2,268,052	782,493	715,606	2,331,729	9,437,640
Commitments	348,278	38,635	2,399,394	68,796	623,673	683,240	141,077	229,178	4,532,271
Contingent liabilities	881	21,335	150,227	27,872	459,699	48,766	63,161	424	772,365
Total commitments and contingent liabilities	349,159	59,970	2,549,621	96,668	1,083,372	732,006	204,238	229,602	5,304,636

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2013	Subtotal from previous page	Government and Central Banks	Real estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	857,387	2,683,485	-	-	-	-	-	3,540,872
Deposits and placements with banks and other financial institutions	298,383	1,250,000	-	-	-	-	-	1,548,383
Derivative financial assets	7,924	-	-	-	-	-	-	7,924
Financial assets held-for-trading								
- Money market securities	-	652,937	-	-	-	-	-	652,937
- Unquoted private debt securities	461,614	-	5,014	-	5,025	-	91,791	563,444
	461,614	652,937	5,014	-	5,025	-	91,791	1,216,381
Financial investments available-for-sale								
- Money market securities	746,570							746,570
- Unquoted private debt securities	373,758	-	-	49,844	-	-	27,163	450,765
	1,120,328	-	-	49,844	-	-	27,163	1,197,335
Financial investments held-to-maturity								
- Money market securities	-	697,390	-	-	-	-	-	697,390
- Unquoted private debt securities	867,075	-	-	-	-	-	355,896	1,222,971
	867,075	697,390	-	-	-	-	355,896	1,920,361
Financing and advances								
- Hire purchase	79,111	-	-	7,151	59,840	10,209,408	681	10,356,191
- Mortgage	54,980	-	16,545	15,698	17,201	965,992	-	1,070,416
- Credit card	-	-	-	-	-	339,534	-	339,534
- Others	462,130	-	2,139	64,138	237,963	1,606,971	1,996	2,375,337
- Corporate financing and advances:								
Term and bridging financing	2,217,240	-	1,420,928	342,529	249,879	31,086	300,133	4,561,795
Revolving credits	1,476,248	-	355,945	26,543	160,389	1,006	-	2,020,131
Cash lines	458,562	-	83,222	89,229	9,404	7,744	-	648,161
Trade	1,076,658	-	629	18,764	9,240	-	861	1,106,152
Less: Collective allowance	-	-	-	-	-	-	-	(490,410)
	5,824,929	-	1,879,408	564,052	743,916	13,161,741	303,671	21,987,307
Statutory deposit with Bank Negara Malaysia	-	771,000	-	-	-	-	-	771,000
Total financial assets	9,437,640	6,054,812	1,884,422	613,896	748,941	13,161,741	778,521	32,189,563
Commitments	4,532,271	-	731,565	238,535	274,769	652,672	342	6,430,154
Contingent liabilities	772,365	-	2,460	59,011	6,750	148	509	841,243
Total commitments and contingent liabilities	5,304,636	-	734,025	297,546	281,519	652,820	851	7,271,397

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2012	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade and Hotel and Restaurants	Transport, Storage and Communication	Finance and Insurance	Subtotal
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	1,172,592	1,172,592
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	868,383	868,383
Derivative financial assets	-	-	2	-	-	4	5	10,914	10,925
Financial assets held-for-trading									
- Money market securities	-	-	-	-	-	-	-	-	-
- Unquoted private debt securities	-	-	17,033	72,117	106,275	-	10,014	83,795	289,234
	-	-	17,033	72,117	106,275	-	10,014	83,795	289,234
Financial investments available-for-sale									
- Unquoted private debt securities	-	35,839	35,568	56,633	60,376	-	15,254	81,062	284,732
	-	35,839	35,568	56,633	60,376	-	15,254	81,062	284,732
Financial investments - held-to-maturity									
- Unquoted private debt securities	-	-	-	-	822,222	-	-	-	822,222
Financing and advances									
- Hire purchase	12,811	799	13,306	1,345	47,513	45,297	8,186	19	129,276
- Mortgage	2,478	-	6,485	-	1,899	11,034	1,687	1,723	25,306
- Credit card	-	-	-	-	-	-	-	-	-
- Others	104,633	16,578	102,779	4,082	116,177	28,373	38,733	1,617	412,972
- Corporate financing and advances:									
Term and bridging financing	71,868	25,939	745,245	36,953	120,140	93,560	608,956	-	1,702,661
Revolving credits	53,446	-	352,841	86,512	25,961	90,122	117,721	75,310	801,913
Cash lines	8,684	-	50,992	1,002	123,748	114,585	33,769	-	332,780
Trade	332	-	790,717	990	29,000	239,745	27,530	-	1,088,314
Less: Collective allowance	-	-	-	-	-	-	-	-	-
	254,252	43,316	2,062,365	130,884	464,438	622,716	836,582	78,669	4,493,222
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	-	-
Total financial assets	254,252	79,155	2,114,968	259,634	1,453,311	622,720	861,855	2,295,415	7,941,310
Commitments	136,631	29,824	942,369	2,182	483,651	491,394	246,390	30,030	2,362,471
Contingent liabilities	120	1,848	151,301	26,700	367,051	122,331	55,864	301	725,516
Total commitments and contingent liabilities	136,751	31,672	1,093,670	28,882	850,702	613,725	302,254	30,331	3,087,987

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

31 March 2012	Subtotal from previous page	Government and Central Banks	Real estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,172,592	1,156,291	-	-	-	-	-	2,328,883
Deposits and placements with banks and other financial institutions	868,383	250,000	-	-	-	-	-	1,118,383
Derivative financial assets	10,925	-	-	-	-	-	-	10,925
Financial assets held-for-trading								
- Money market securities	-	1,222,439	-	-	-	-	-	1,222,439
- Unquoted private debt securities	289,234	-	-	-	-	-	10,510	299,744
	289,234	1,222,439	-	-	-	-	10,510	1,522,183
Financial investments available-for-sale								
- Unquoted private debt securities	284,732	-	-	-	-	-	5,385	290,117
	284,732	-	-	-	-	-	5,385	290,117
Financial investments - held-to-maturity								
- Unquoted private debt securities	822,222	-	-	-	-	-	-	822,222
Financing and advances								
- Hire purchase	129,276	-	-	9,090	96,966	8,498,705	868	8,734,905
- Mortgage	25,306	-	13,415	14,592	13,571	673,272	-	740,156
- Credit card	-	-	-	-	-	318,096	-	318,096
- Others	412,972	-	1,277	63,624	252,946	1,797,156	612	2,528,587
- Corporate financing and advances:								
Term and bridging financing	1,702,661	-	834,154	180,124	198,606	68,285	1,001,587	3,985,417
Revolving credits	801,913	-	159,662	19,080	90,506	-	-	1,071,161
Cash lines	332,780	-	88,716	26,354	5,175	9,774	-	462,799
Trade	1,088,314	-	1,811	20,587	-	-	-	1,110,712
Less: Collective allowance	-	-	-	-	-	-	-	(460,411)
	4,493,222	-	1,099,035	333,451	657,770	11,365,288	1,003,067	18,491,422
Statutory deposit with Bank Negara Malaysia	-	559,000	-	-	-	-	-	559,000
Total financial assets	7,941,310	3,187,730	1,099,035	333,451	657,770	11,365,288	1,018,962	25,143,135
Commitments	2,362,471	125,825	963,190	497,796	52,369	648,378	1,200	4,651,229
Contingent liabilities	725,516	-	66,103	10,115	72	50	-	801,856
Total commitments and contingent liabilities	3,087,987	125,825	1,029,293	507,911	52,441	648,428	1,200	5,453,085

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

1 April 2011	Agriculture	Mining and Quarrying	Manufacturing	Electricity, Gas and Water	Construction	Wholesale and Retail Trade and Hotel and Restaurants	Transport, Storage and Communication	Finance and Insurance	Subtotal
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	-	-	-	-	-	550,005	550,005
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	250,000	250,000
Derivative financial assets	-	-	-	-	-	-	-	3,258	3,258
Financial assets held-for-trading									
- Money market securities	-	-	-	-	-	-	-	-	-
- Unquoted private debt securities	25,402	5,183	-	26,533	15,323	30,096	-	50,421	152,958
	25,402	5,183	-	26,533	15,323	30,096	-	50,421	152,958
Financial investments available-for-sale									
- Money market securities	-	-	-	-	-	-	-	348,470	348,470
- Unquoted private debt securities	-	47,409	-	34,496	32,208	-	-	-	114,113
	-	47,409	-	34,496	32,208	-	-	348,470	462,583
Financing and advances									
- Hire purchase	14,969	1,916	16,250	1,447	54,198	68,674	121,953	24	279,431
- Mortgage	-	-	43,888	-	933	-	-	634	45,455
- Credit card	-	-	-	-	-	-	-	-	-
- Others	59,950	13,728	91,892	5,436	105,511	50,880	37,109	8,084	372,590
- Corporate financing and advances:									
Term and bridging financing	38,662	30,284	362,447	77,676	35,124	43,756	433,628	-	1,021,577
Revolving credits	69,388	-	296,553	168,061	499,218	10,067	96,318	126,125	1,265,730
Cash lines	3,412	-	54,082	417	56,875	80,209	19,309	-	214,304
Trade	210	-	646,563	669	53,139	232,574	29,992	-	963,147
Less: Collective allowance	-	-	-	-	-	-	-	-	-
	186,591	45,928	1,511,675	253,706	804,998	486,160	738,309	134,867	4,162,234
Total financial assets	211,993	98,520	1,511,675	314,735	852,529	516,256	738,309	1,337,021	5,581,038
Commitments	130,078	23,644	509,595	99,257	1,478,631	236,448	62,222	229,999	2,769,874
Contingent liabilities	1,502	2,356	243,895	10,523	307,888	32,008	61,503	5,138	664,813
Total commitments and contingent liabilities	131,580	26,000	753,490	109,780	1,786,519	268,456	123,725	235,137	3,434,687

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(i) Industry Analysis (Contd.)

1 April 2011	Subtotal from previous page	Government and Central Banks	Real estate	Business Activities	Education and Health	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	550,005	4,188,753	-	-	-	-	-	4,738,758
Deposits and placements with banks and other financial institutions	250,000	-	-	-	-	-	-	250,000
Derivative financial assets	3,258	-	-	-	-	-	-	3,258
Financial assets held-for-trading								
- Money market securities	-	748,835	-	-	-	-	-	748,835
- Unquoted private debt securities	152,958	-	33,810	-	10,132	-	45,401	242,301
	152,958	748,835	33,810	-	10,132	-	45,401	991,136
Financial investments available-for-sale								
- Money market securities	348,470	190,141	-	-	-	-	-	538,611
- Unquoted private debt securities	114,113	-	-	31,896	-	-	21,317	167,326
	462,583	190,141	-	31,896	-	-	21,317	705,937
Financing and advances								
- Hire purchase	279,431	-	-	42,225	14,017	6,622,416	651	6,958,740
- Mortgage	45,455	-	-	-	682	507,883	-	554,020
- Credit card	-	-	-	-	-	303,753	-	303,753
- Others	372,590	-	5,789	55,199	116,162	2,212,662	695	2,763,097
- Corporate financing and advances:								
Term and bridging financing	1,021,577	-	347,320	181,748	322,960	87,457	7,186	1,968,248
Revolving credits	1,265,730	-	191,603	38,196	-	21,159	-	1,516,688
Cash lines	214,304	-	65,846	37,563	2,830	10,352	-	330,895
Trade	963,147	-	1,421	6,256	7,290	-	52,565	1,030,679
Less: Collective allowance	-	-	-	-	-	-	-	(469,947)
	4,162,234	-	611,979	361,187	463,941	9,765,682	61,097	14,956,173
Total financial assets	5,581,038	5,127,729	645,789	393,083	474,073	9,765,682	127,815	21,645,262
Commitments	2,769,874	-	160,833	857,960	15,054	575,943	386,671	4,766,335
Contingent liabilities	664,813	-	195,455	65,903	1,004	-	90,156	1,017,331
Total commitments and contingent liabilities	3,434,687	-	356,288	923,863	16,058	575,943	476,827	5,783,666

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(ii) Geographical Analysis

31 March 2013	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	3,535,235	5,637	3,540,872
Deposits and placements with banks and other financial institutions	1,548,383	-	1,548,383
Derivative financial assets	7,924	-	7,924
Financial assets held-for-trading			
- Money market securities	652,937	-	652,937
- Unquoted private debt securities	502,660	60,784	563,444
	1,155,597	60,784	1,216,381
Financial investments available-for-sale			
- Money market securities	746,570	-	746,570
- Unquoted private debt securities	425,210	25,555	450,765
	1,171,780	25,555	1,197,335
Financial investments held-to-maturity			
- Money market securities	697,390	-	697,390
- Unquoted private debt securities	1,222,971	-	1,222,971
	1,920,361	-	1,920,361
Financing and advances			
- Hire purchase	10,356,191	-	10,356,191
- Mortgage	1,070,416	-	1,070,416
- Credit card	339,534	-	339,534
- Others	2,375,337	-	2,375,337
- Corporate financing and advances:			
Term and bridging financing	4,561,795	-	4,561,795
Revolving credits	2,020,131	-	2,020,131
Cash lines	648,161	-	648,161
Trade	1,106,152	-	1,106,152
Less: Collective allowance	(490,410)	-	(490,410)
	21,987,307	-	21,987,307
Statutory deposit with Bank Negara Malaysia	771,000	-	771,000
Total financial assets	32,097,587	91,976	32,189,563
Commitments	6,430,154	-	6,430,154
Contingent liabilities	841,243	-	841,243
Total commitments and contingent liabilities	7,271,397	-	7,271,397

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(ii) Geographical Analysis (Contd.)

31 March 2012	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	2,321,291	7,592	2,328,883
Deposits and placements with banks and other financial institutions	1,118,383	-	1,118,383
Derivative financial assets	10,925	-	10,925
Financial assets held-for-trading			
- Money market securities	1,222,439	-	1,222,439
- Unquoted private debt securities	279,440	20,304	299,744
	1,501,879	20,304	1,522,183
Financial investments available-for-sale			
- Unquoted private debt securities	279,965	10,152	290,117
	279,965	10,152	290,117
Financial investments held-to-maturity			
- Unquoted private debt securities	822,222	-	822,222
Financing and advances			
- Hire purchase	8,734,905	-	8,734,905
- Mortgage	740,156	-	740,156
- Credit card	318,096	-	318,096
- Others	2,528,587	-	2,528,587
- Corporate financing and advances:			
Term and bridging financing	3,985,417	-	3,985,417
Revolving credits	1,071,161	-	1,071,161
Cash lines	462,799	-	462,799
Trade	1,110,712	-	1,110,712
Less: Collective allowance	(460,411)	-	(460,411)
	18,491,422	-	18,491,422
Statutory deposit with Bank Negara Malaysia	559,000	-	559,000
Total financial assets	25,105,087	38,048	25,143,135
Commitments	4,651,229	-	4,651,229
Contingent liabilities	801,856	-	801,856
Total commitments and contingent liabilities	5,453,085	-	5,453,085

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

(ii) Geographical Analysis (Contd.)

1 April 2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	4,738,758	-	4,738,758
Deposits and placements with banks and other financial institutions	250,000	-	250,000
Derivative financial assets	3,258	-	3,258
Financial assets held-for-trading			
- Money market securities	748,835	-	748,835
- Unquoted private debt securities	232,327	9,974	242,301
	981,162	9,974	991,136
Financial investments available-for-sale			
- Money market securities	538,611	-	538,611
- Unquoted private debt securities	167,326	-	167,326
	705,937	-	705,937
Financing and advances			
- Hire purchase	6,958,740	-	6,958,740
- Mortgage	554,020	-	554,020
- Credit card	303,753	-	303,753
- Others	2,763,097	-	2,763,097
- Corporate financing and advances:			
Term and bridging financing	1,968,248	-	1,968,248
Revolving credits	1,516,688	-	1,516,688
Cash lines	330,895	-	330,895
Trade	1,030,679	-	1,030,679
Less: Collective allowance	(469,947)	-	(469,947)
	14,956,173	-	14,956,173
Total financial assets	21,635,288	9,974	21,645,262
Commitments	4,766,335	-	4,766,335
Contingent liabilities	1,017,331	-	1,017,331
Total commitments and contingent liabilities	5,783,666	-	5,783,666

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Main Types of Collateral Taken by The Bank

Collateral is generally taken as security for credit exposure as a secondary source of payment in case the counterparty cannot meet its contractual payment obligations from cash flow generation. Types of collateral typically taken by the Bank include:

- Cash and term deposits
- Exchange traded shares, sukuk and marketable securities
- Non-exchange traded debt securities/sukuk
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

The Bank can only accept Shariah-approved assets as collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an “unsecured” basis, that is, not supported by collateral.

In addition to rating the customer’s probability of default via an internal risk rating system, the Bank uses Security Indicators (“SIs”) in its non-retail portfolio to assess the strength of collateral supporting its exposures.

Processes for Collateral Management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Bank has standard collateral instruments, and where applicable, security interest are registered.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Guarantee Support

Guarantee support for financing proposals is an integral component in transaction structuring for the Bank. The guarantee of a financially strong party can help improve the risk grade of a transaction through its explicit support of the customer, where the customer’s risk grade will be enhanced with the guarantor’s risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policies provide threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the customer is not recognised as part of the risk grade enhancement.

Use of Credit Derivatives and Netting for Risk Mitigation

Currently, the Bank does not use credit derivatives and netting for risk mitigation.

Transaction Structuring to Mitigate Credit Risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the financing is extended, amortisation schedules and financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should financing covenants be breached, the Bank and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of Credit Risk Mitigation

The main types of collateral undertaken by the Bank are properties, motor vehicles and exchange traded shares.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are mapped to the following categories based on the descriptions appended below.

Description of the Categories

Credit Quality Classification	Description
Very Strong	Counterparty‘s profile reflect very strong capacity to meet its financial commitments and exhibits a high degree of resilience to adverse domestic and external development. These companies/business entities have very strong business fundamentals such as: i. in good industries with stable revenues with long term growth potential; and ii. exhibits very strong financial position such as very low leverage ratio and superior cash flows position; and iii. very low risk business franchise with dominant market position; and iv. very strong management capability.
Strong	Counterparty has strong capacity to meet its financial commitments and is generally in a position to withstand adverse domestic and external developments. These companies/business entities have strong business fundamentals such as good business track records, strong financials, sustained market position, and strong management capability.
Satisfactory	Counterparty has adequate capacity to meet its financial commitments as the business entity is generally in a position to resolve any apparent shortcoming within an acceptable timeframe. While adverse domestic or external developments are likely to weaken its capacity to meet its financial commitments, these companies/business entities exhibits satisfactory business fundamentals such as acceptable business track records, satisfactory overall financials, reasonable market position, and satisfactory management capability.
Substandard	Counterparty exhibits some weaknesses in its business fundamentals, financials and management capacity. While currently able to meets its financial commitments, the counterparty’s financial capacity over the medium and longer terms may be vulnerable to adverse domestic or external developments.
Impaired	Counterparty has been classified as “impaired” as per the Policy on Definition of Default/ Impaired for Credit Facility.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

The table below provides the External Credit Assessment Institutions ("ECAIs") ratings that broadly corresponds to the broad internal credit quality categories.

Credit Quality Classification	Moody's	S&P	Fitch	RAM	MARC
Very Strong	AAA to Baa3	AAA to BBB-	AAA to BBB-	AAA to AAA3	AAA to AA
Strong	Ba1 to Ba3	BB+ to BB-	BB+ to BB-	A1 to BBB3	AA- to A+
Satisfactory	B1 to B3	B+ to B-	B+ to B-	BB1 to B1	A to BBB-
Substandard	Caa1 to C	CCC+ to C	CCC to C	B2 to C3	BB+ to C
Impaired	D	D	D	D	D

The above ECAIs used by the Bank are:

- Standard & Poor’s Rating Services ("S&P")
- Moody’s Investors Service ("Moodys")
- Fitch Rating ("Fitch ")
- Rating and Investment Information, Inc
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Impairment

Definition of Past Due and Impaired Financing

All financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or profit) due under the contractual terms are received late or missed.

A financing is classified as impaired under the following circumstances:

(a) where the principal or profit or both[1] is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the financing exhibits weaknesses that render a classification appropriate to the Bank's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Bank's Watch-list Policy.

(c) for financing with repayment schedules on a quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it to be classified according to the Bank's Credit Risk Rating Framework. Notwithstanding that, these financing shall be classified as impaired when the principal or profit or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/R") facilities, these financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

[1] For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	Neither past due nor impaired					Past due			Gross amount		
	Very strong credit profile	Strong credit profile	Satisfactory risk	Sub-standard	Unrated	but not impaired	Impaired	Total	individually impaired	Individual allowance	Fair value of collateral
31 March 2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**		**RM'000**	**RM'000**
Derivative financial assets	7,920	1	3	-	-	-	-	7,924	-	-	-
Financial assets held-for-trading											
- Money market securities	652,937	-	-	-	-	-	-	652,937	-	-	-
- Unquoted private debt securities	518,314	45,130	-	-	-	-		563,444	-	-	-
	1,171,251	45,130	-	-	-	-	-	1,216,381	-	-	-
Financial investments available-for-sale											
- Money market securities	696,580	49,990	-	-	-	-	-	746,570	-	-	-
- Unquoted private debt securities	406,004	32,539	12,222	-	-	-		450,765	-	-	-
	1,102,584	82,529	12,222	-	-	-	-	1,197,335	-	-	-
Financial investments held-to-maturity											
- Money market securities	697,390	-	-	-	-	-	-	697,390	-	-	-
- Unquoted private debt securities	1,222,971	-	-	-	-	-	-	1,222,971	-	-	-
	1,920,361	-	-	-	-	-	-	1,920,361	-	-	-
Gross financing and advances											
- Hire purchase	853,491	3,321,105	2,151,466	79,245	-	3,794,041	156,843	10,356,191	-	-	13,031,422
- Mortgage	153,502	399,448	304,385	36,121	-	144,777	32,183	1,070,416	-	-	681,748
- Credit card	-	179,142	68,391	17,161	-	64,076	10,764	339,534	-	-	1,164
- Others	227,961	1,512,166	225,143	32,925	-	333,075	49,628	2,380,898	18,158	(5,561)	859,760
- Corporate financing and advances:											
Term and bridging financing	1,708,287	1,404,843	1,276,884	145,228	-	20,092	11,927	4,567,261	9,042	(5,466)	4,015,751
Revolving credits	368,910	1,176,390	386,527	78,093	-	10,211	-	2,020,131	-	-	577,107
Cash lines	87,698	177,986	323,278	44,026	-	12,856	2,317	648,161	-	-	808,337
Trade	125,974	673,421	287,752	16,573	-	1,075	4,781	1,109,576	3,478	(3,424)	1,008,857
	3,525,823	8,844,501	5,023,826	449,372	-	4,380,203	268,443	22,492,168	30,678	(14,451)	20,984,146
Statutory deposit with Bank Negara Malaysia	771,000	-	-	-	-	-	-	771,000	-	-	-
Total financial assets	8,498,939	8,972,161	5,036,051	449,372	-	4,380,203	268,443	27,605,169	30,678	(14,451)	20,984,146

Note : The amounts presented above are gross of impairment allowances.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets (Contd.)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	Neither past due nor impaired					Past due			Gross amount		
	Very strong credit profile	Strong credit profile	Satisfactory risk	Sub-standard	Unrated	but not impaired	Impaired	Total	individually impaired	Individual allowance	Fair value of collateral
31 March 2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**		**RM'000**	**RM'000**
Derivative financial assets	10,920	-	-	5	-	-	-	10,925	-	-	-
Financial assets held-for-trading											
- Money market securities	1,222,439	-	-	-	-	-	-	1,222,439	-	-	-
- Unquoted private debt securities	299,744	-	-	-	-	-	-	299,744	-	-	-
	1,522,183	-	-	-	-	-	-	1,522,183	-	-	-
Financial investments available-for-sale											
- Unquoted private debt securities	244,712	35,839	9,566	-	-	-	-	290,117	-	-	-
	244,712	35,839	9,566	-	-	-	-	290,117	-	-	-
Financial investments - held-to-maturity											
- Unquoted private debt securities	822,222	-	-	-	-	-	-	822,222	-	-	-
Gross financing and advances											
- Hire purchase	604,211	3,089,132	1,685,216	85,778	-	3,140,099	130,469	8,734,905	-	-	10,757,475
- Mortgage	93,812	303,853	171,042	22,287	-	125,006	24,156	740,156	-	-	687,055
- Credit card	-	216,711	30,238	5,738	-	56,690	8,719	318,096	-	-	1,212
- Others	4,983	1,370,688	391,165	12,163	-	697,885	54,947	2,531,831	9,919	(3,244)	1,400,776
- Corporate financing and advances:											
Term and bridging financing	1,000,492	893,717	1,974,373	95,875	-	16,374	4,586	3,985,417	-	-	3,449,262
Revolving credits	23,383	696,913	350,865	-	-	-	-	1,071,161	-	-	324,372
Cash lines	-	91,030	361,736	8,345	-	1,017	671	462,799	-	-	591,937
Trade	-	415,963	614,102	77,864	-	1,687	14,176	1,123,792	15,108	(13,080)	682,724
	1,726,881	7,078,007	5,578,737	308,050	-	4,038,758	237,724	18,968,157	25,027	(16,324)	17,894,813
Statutory deposit with Bank Negara Malaysia	559,000	-	-	-	-	-	-	559,000	-	-	-
Total financial assets	4,885,918	7,113,846	5,588,303	308,055	-	4,038,758	237,724	22,172,604	25,027	(16,324)	17,894,813

Note : The amounts presented above are gross of impairment allowances.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Credit Quality By Class of Financial Assets (Contd.)

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank's internal credit rating system.

	Neither past due nor impaired					Past due			Gross amount		
	Very strong credit profile	Strong credit profile	Satisfactory risk	Sub-standard	Unrated	but not impaired	Impaired	Total	individually impaired	Individual allowance	Fair value of collateral
1 April 2011	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**		**RM'000**	**RM'000**
Derivative financial assets	3,258	-	-	-	-	-	-	3,258	-	-	-
Financial assets held-for-trading											
- Money market securities	748,835	-	-	-	-	-	-	748,835	-	-	-
- Unquoted private debt securities	242,301	-	-	-	-	-	-	242,301	-	-	-
	991,136	-	-	-	-	-	-	991,136	-	-	-
Financial investments available-for-sale											
- Money market securities	439,071	99,540	-	-	-	-	-	538,611	-	-	-
- Unquoted private debt securities	108,757	58,569	-	-	-	-	-	167,326	-	-	-
	547,828	158,109	-	-	-	-	-	705,937	-	-	-
Gross financing and advances											
- Hire purchase	355,695	2,871,909	912,936	63,544	-	2,649,199	105,457	6,958,740	-	-	10,172,147
- Mortgage	42,397	227,207	81,238	52,491	-	127,647	23,040	554,020	-	-	696,647
- Credit card	-	220,101	9,484	1,416	-	61,848	10,904	303,753	-	-	1,170
- Others	7,080	1,626,110	303,877	19,557	-	671,040	135,433	2,763,097	-	-	1,035,509
- Corporate financing and advances:											
Term and bridging financing	202,956	419,545	1,234,889	100,776	-	3,471	7,337	1,968,974	4,848	(726)	2,273,754
Revolving credits	81,600	1,094,529	340,017	-	-	-	1,757	1,517,903	1,757	(1,215)	737,107
Cash lines	-	41,969	264,089	20,982	-	2,992	7,434	337,466	7,184	(6,571)	376,630
Trade	-	397,223	535,769	85,566	-	-	29,056	1,047,614	19,948	(16,935)	1,051,091
	689,728	6,898,593	3,682,299	344,332	-	3,516,197	320,418	15,451,567	33,737	(25,447)	16,344,055
Total financial assets	2,231,950	7,056,702	3,682,299	344,332	-	3,516,197	320,418	17,151,898	33,737	(25,447)	16,344,055

Note : The amounts presented above are gross of impairment allowances.

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Aging Analysis of Past Due But Not Impaired Financial Assets

31 March 2013

	Up to 1 month RM'000	> 1 month to 3 months RM'000	Total RM'000
Gross financing and advances			
- Hire purchase	2,195,883	1,598,158	3,794,041
- Mortgage	87,103	57,674	144,777
- Credit card	42,503	21,573	64,076
- Others	217,432	115,643	333,075
- Corporate financing and advances:			
Term and bridging financing	20,092	-	20,092
Revolving credits	175	10,036	10,211
Cash lines	7,396	5,460	12,856
Trade	1,075	-	1,075
	2,571,659	1,808,544	4,380,203

31 March 2012

	Up to 1 month RM'000	> 1 month to 3 months RM'000	Total RM'000
Gross financing and advances			
- Hire purchase	1,860,859	1,279,240	3,140,099
- Mortgage	80,322	44,684	125,006
- Credit card	38,417	18,273	56,690
- Others	420,856	277,029	697,885
- Corporate financing and advances:			
Term and bridging financing	10,403	5,971	16,374
Cash lines	-	1,017	1,017
Trade	1,391	296	1,687
	2,412,248	1,626,510	4,038,758

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Aging Analysis of Past Due But Not Impaired Financial Assets

1 April 2011

	Up to 1 month RM'000	> 1 month to 3 months RM'000	Total RM'000
Gross financing and advances			
- Hire purchase	1,528,022	1,121,177	2,649,199
- Mortgage	83,109	44,538	127,647
- Credit card	41,325	20,523	61,848
- Others	424,340	246,700	671,040
- Corporate financing and advances:			
Term and bridging financing	3,471	-	3,471
Cash lines	2,992	-	2,992
	2,083,259	1,432,938	3,516,197

43. RISK MANAGEMENT (CONTD.)

43.2 CREDIT RISK MANAGEMENT (CONTD.)

Collateral Repossessed

There was no collateral taken into possession during the year and held as at the end of the current and previous financial year.

Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

(a) Trigger management

In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets

Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment, that is, estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

Financing and advances, and commitments and contingencies below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly. The collective impairment assessment and provisioning methodology uses historical loss data to derive the level of provisions. The collective provisions is computed after making the necessary adjustments to reflect current economic conditions.

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and lending activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding management is the on-going ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management of the Bank is aligned with the New Liquidity Framework issued by Bank Negara Malaysia. The primary objective of the Bank's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The GALCO/Group CEOs Committee is the responsible governing body that approves the AMMB Group's liquidity management and strategic policies and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan and practices to be in compliance with local regulatory requirements and monitoring liquidity on an on-going basis. The Capital and Balance Sheet Management division and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The Bank has put in place a Contingency Funding Plan to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Bank's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Bank's Contingency Funding Plan.

The Bank stresses the importance of customer deposit accounts as a source of funds to fund financing to customers. They are monitored using the adjusted financing to stable funding ratio, which compares financing and advances to customers as a percentage of customer deposit accounts, together with term funding with an original term of maturity of three years and above.

As conservative liquidity management practice, part of the Bank's medium term assets is funded by medium term liabilities. Medium term is defined by the Bank as remaining term to maturity in excess of one year.

In preparation to the impending implementation of Basel III liquidity metrics, the Bank is putting in place the measurement mechanism and strategizing for ensuring availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Bank is confident of meeting Bank Negara Malaysia's requirements on Basel III liquidity metrics in accordance with its recently approved timetable for implementation.

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Liquidity Metrics

The Bank monitors key liquidity metrics on a regular basis. The main key metrics are:

Adjusted Customer Financing to Deposits Ratio ("FDR")

This is defined as the ratio of total outstanding financing and advances to customers, net of allowance for impairment on financing and advances, relative to total stable funding (inclusive of financing sold to Cagamas Berhad and term funding with original term of maturity of 3 years and above). This ratio reflects the percentage of customer financing and advances that are funded by stable funding. A ratio below 100% indicates that our financing portfolio is completely funded by stable funding. A low FDR demonstrates that stable funding exceed customer financing resulting from emphasis placed on generating a high level of stable funding from customers.

	31 March 2013	31 March 2012	1 April 2011
Year-end	85.5%	89.0%	85.5%
Maximum	92.1%	90.8%	96.5%
Minimum	82.8%	84.9%	85.5%
Average	87.8%	88.0%	92.1%

Medium Term Funding Ratio

This is defined as the extent of medium term assets with remaining term to maturity in excess of one year funded by medium term liabilities with similar term to maturity. The Bank balances the additional funding cost with the more stable nature of medium term liabilities to achieve its optimal funding structure.

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Bank's financial assets and liabilities.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

31 March 2013	**Up to 1 month**	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>1 year to 5 years**	**Over 5 years**	**Non Specific Maturity**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial Assets								
Cash and short-term funds	3,549,574	-	-	-	-	-	-	3,549,574
Deposits and placements with banks and other financial institutions	-	1,437,254	-	-	128,548	-	-	1,565,802
Financial assets held-for-trading	22,721	301,411	150,397	21,655	410,536	527,562	-	1,434,282
Financial investments available-for-sale	150,399	603,984	5,017	9,468	161,192	417,577	-	1,347,637
Financial investments held-to-maturity	220,000	480,000	20,592	20,605	365,227	1,911,200	-	3,017,624
Financing and advances	1,337,527	1,474,586	1,590,283	2,629,936	13,644,888	7,057,556	-	27,734,776
Amount due from originators	-	-	-	-	123,610	-	-	123,610
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	771,000	-	771,000
Total Undiscounted Financial Assets	5,280,221	4,297,235	1,766,289	2,681,664	14,834,001	10,684,895	-	39,544,305
Financial Liabilities								
Deposits and placements of banks and other financial institutions	949,596	375,883	148,886	7,220	1,053,135	-	-	2,534,720
Recourse obligation on financing sold to Cagamas Bhd	-	-	-	-	2,080,231	-	-	2,080,231
Deposits from customers	13,630,768	5,242,028	2,603,770	1,678,641	335,687	-	-	23,490,894
Term funding	-	-	11,922	11,728	632,937	-	-	656,587
Bills and acceptances payable	287,210	369,057	63,720	-	-	-	-	719,987
Subordinated Sukuk Musharakah	-	4,438	17,695	22,012	1,127,905	-	-	1,172,050
Total Undiscounted Financial Liabilities	14,867,574	5,991,406	2,845,993	1,719,601	5,229,895	-	-	30,654,469
Net Undiscounted Financial Assets/(Liabilities)	(9,587,353)	(1,694,171)	(1,079,704)	962,063	9,604,106	10,684,895	-	8,889,836

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)

The table below summarises the maturity profile of the Bank's financial assets and liabilities.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

31 March 2012	**Up to 1 month**	**>1 month to 3 months**	**>3 months to 6 months**	**>6 months to 12 months**	**>1 year to 5 years**	**Over 5 years**	**Non Specific Maturity**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	2,333,825	-	-	-	-	-	-	2,333,825
Deposits and placements with banks and other financial institutions	-	1,005,212	-	-	130,803	-	-	1,136,015
Financial assets held-for-trading	147,973	152,892	829,624	126,783	217,360	141,632	-	1,616,264
Financial investments available-for-sale	-	2,229	3,972	6,282	91,726	320,179	30,000	454,388
Financial investments held-to-maturity	-	-	19,750	20,184	158,327	1,647,332	-	1,845,593
Financing and advances	1,142,696	1,396,190	1,335,533	1,939,041	11,008,071	7,034,236	-	23,855,767
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	559,000	-	559,000
Total Undiscounted Financial Assets	3,624,494	2,556,523	2,188,879	2,092,290	11,606,287	9,702,379	30,000	31,800,852
Financial Liabilities								
Deposits and placements of banks and other financial institutions	416,082	118,805	10,692	3,391	1,048,858	-	-	1,597,828
Recourse obligation on financing sold to Cagamas Bhd	-	-	-	-	1,956,561	-	-	1,956,561
Deposits from customers	10,781,593	3,906,785	2,473,237	813,823	463,807	-	-	18,439,245
Term funding	-	-	11,922	11,728	94,665	561,922	-	680,237
Bills and acceptances payable	298,994	214,904	229	-	-	-	-	514,127
Subordinated Sukuk Musharakah	-	-	17,514	4,350	940,665	-	-	962,529
Total Undiscounted Financial Liabilities	11,496,669	4,240,494	2,513,594	833,292	4,504,556	561,922	-	24,150,527
Net Undiscounted Financial Assets/(Liabilities)	(7,872,175)	(1,683,971)	(324,715)	1,258,998	7,101,731	9,140,457	30,000	7,650,325

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Contd.)

The table below summarises the maturity profile of the Bank's financial assets and liabilities.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

1 April 2011	**Up to 1 month RM'000**	**>1 month to 3 months RM'000**	**>3 months to 6 months RM'000**	**>6 months to 12 months RM'000**	**>1 year to 5 years RM'000**	**Over 5 years RM'000**	**Non Specific Maturity RM'000**	**Total RM'000**
Cash and short-term funds	4,747,827	-	-	-	-	-	-	4,747,827
Deposits and placements with banks and other financial institutions	-	251,278	-	-	-	-	-	251,278
Financial assets held-for-trading	3,305	76,097	145,148	44,581	709,319	124,940	-	1,103,390
Financial investments available-for-sale	288	353,320	14,142	7,595	237,669	175,172	10,000	798,186
Financial investments held-to-maturity	-	-	-	-	-	-	-	-
Financing and advances	1,150,102	1,798,004	1,148,317	1,558,994	8,776,339	5,053,537	-	19,485,293
Total Undiscounted Financial Assets	5,901,522	2,478,699	1,307,607	1,611,170	9,723,327	5,353,649	10,000	26,385,974
Financial Liabilities								
Deposits and placements of banks and other financial institutions	388,990	144,249	48,508	109,707	931,972	-	-	1,623,426
Recourse obligation on financing sold to Cagamas Bhd	-	-	-	-	1,204,700	501,772	-	1,706,472
Deposits from customers	7,937,737	5,135,709	1,179,805	726,713	409,586	-	-	15,389,550
Term funding	-	-	11,922	11,728	94,730	585,507	-	703,887
Bills and acceptances payable	291,787	413,087	176,865	-	-	-	-	881,739
Subordinated Sukuk Musharakah	-	9,600	-	9,600	76,800	419,200	-	515,200
Total Undiscounted Financial Liabilities	8,618,514	5,702,645	1,417,100	857,748	2,717,788	1,506,479	-	20,820,274
Net Undiscounted Financial Assets/(Liabilities)	(2,716,992)	(3,223,946)	(109,493)	753,422	7,005,539	3,847,170	10,000	5,565,700

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities. It should be noted that this is not how the Bank manages its liquidity risk for commitments and contingencies.

31 March 2013	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	Total RM'000
Commitments							
Other commitments, such as formal standby facilities and credit lines	809,164	684,146	612,175	1,133,236	741,746	1,982,523	5,962,990
Unutilised credit card lines	467,164	-	-	-	-	-	467,164
Contingent Liabilities							
Direct credit substitutes	6,007	5,505	20,359	37,647	52,220	-	121,738
Transaction-related contingent items	35,888	64,160	37,108	150,535	245,892	47,072	580,655
Short-term self liquidating trade-related contingencies	35,740	17,043	6,067	-	-	-	58,850
Obligations under underwriting agreements	-	-	-	25,000	55,000	-	80,000
Total Commitments and Contingent Liabilities	1,353,963	770,854	675,709	1,346,418	1,094,858	2,029,595	7,271,397

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities. It should be noted that this is not how the Bank manages its liquidity risk for commitments and contingencies.

31 March 2012	Up to 1 month RM'000	>1 month to 3 months RM'000	>3 months to 6 months RM'000	>6 months to 12 months RM'000	>1 year to 5 years RM'000	Over 5 years RM'000	Total RM'000
Commitments							
Other commitments, such as formal standby facilities and credit lines	151,242	373,770	588,094	1,083,372	659,620	1,187,102	4,043,200
Unutilised credit card lines	482,204	-	-	-	-	-	482,204
Forward asset purchase	125,825	-	-	-	-	-	125,825
Contingent Liabilities							
Direct credit substitutes	28,785	14,981	18,652	46,348	25,946	-	134,712
Transaction-related contingent items	16,432	63,566	70,476	125,748	211,389	89	487,700
Short-term self liquidating trade-related contingencies	55,701	20,527	3,216	-	-	-	79,444
Obligations under underwriting agreements	-	-	-	-	100,000	-	100,000
Total Commitments and Contingent Liabilities	860,189	472,844	680,438	1,255,468	996,955	1,187,191	5,453,085

43. RISK MANAGEMENT (CONTD.)

43.3 LIQUIDITY RISK AND FUNDING MANAGEMENT (CONTD.)

The table below shows the contractual expiry by maturity of the Bank's commitments and contingent liabilities. It should be noted that this is not how the Bank manages its liquidity risk for commitments and contingencies.

1 April 2011	Up to 1 month	>1 month to 3 months	>3 months to 6 months	>6 months to 12 months	>1 year to 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commitments							
Other commitments, such as formal standby facilities and credit lines	486,126	459,403	233,737	1,456,824	1,301,555	219,302	4,156,947
Unutilised credit card lines	464,251	-	-	-	-	-	464,251
Forward asset purchase	145,137	-	-	-	-	-	145,137
Contingent Liabilities							
Direct credit substitutes	48,180	21,874	55,087	72,730	49,925	-	247,796
Transaction-related contingent items	12,004	37,220	19,294	233,936	111,007	-	413,461
Short-term self liquidating trade-related contingencies	76,298	65,579	5,612	1,281	-	-	148,770
Obligations under underwriting agreements	-	-	-	30,000	162,500	-	192,500
Others	12,312	2,492	-	-	-	-	14,804
Total Commitments and Contingent Liabilities	1,244,308	586,568	313,730	1,794,771	1,624,987	219,302	5,783,666

43. RISK MANAGEMENT (CONTD.)

43.4 MARKET RISK MANAGEMENT

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as profit rates, credit spreads, equity prices and foreign exchange rates. The Bank differentiates between two types of market risk: Traded Market Risk (“TMR”) and Rate of Return Risk in the Banking Book (“RORBB”). Assessing, controlling and monitoring of these risks are the responsibility of Group Market Risk (“GMR”). For Islamic products and activities, the Shariah compliance risk is also assessed and monitored

Traded Market Risk

The trade market risk("TMR") management process is depicted in the table below.

Identification	• Identify market risks within existing and new products. • Market-related information review such as market trend and economic data.
Assessment/ Measurement	• Value-at-Risk ("VaR") • Profit-at-Risk ("PaR") • Capital-at-Risk ("CaR") • Other Detailed Management Controls
Control/ Mitigation	• VaR Limits • PaR Limits • CaR Limits • Loss Limits (Annual/Monthly) • Concentration Limits • Greeks Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Present Value of One Basis Point Limis("PV01") • Stealth Limits • Position Size Limits • Maximum Tenure Limits • Maximum Holding Period Limit • Permitted Instruments/Currencies/Countries
Monitoring/ Review	• Monitoring of limits • Periodical review and reporting

TMR arises from transactions in which the Bank acts as principal with clients or the market. It involves taking positions in fixed income, equity, foreign exchange, commodities and/or derivatives. The objectives of TMR management are to understand, to accurately measure and to work with the business to ensure exposures are managed within Board and Executive Management approved limit structures. This is done via robust trade market risk measurement, limit setting, limit monitoring and collaboration and agreement with business units.

43. RISK MANAGEMENT (CONTD.)

43.4 MARKET RISK MANAGEMENT (CONTD.)

Traded Market Risk ("TMR")(Contd.)

VaR, PaR, CaR and other detailed management control are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. PaR comprises VaR and a loss limit threshold (that is, Annual Loss Limit). Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

To complement VaR, CaR is used as a measure of the potential impact on portfolio values due to more extreme, albeit plausible, market movements. In addition, CaR is used to gauge and ensure that the Bank is able to absorb extreme, unanticipated market movements.

Apart from VaR, PaR and CaR, additional sensitivity controls (that is Greek Limits/PV01) and indicators are used to monitor changes in portfolio value due to changes in risk factors under different market conditions.

GMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GTMRC/Group CEOs Committee, RMCD and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business units exposed to traded market risk are required to maintain risk exposures within approved risk limits. When risk limits are exceeded, business units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by Senior Management.

The Bank adopts the Standardised Approach for market risk capital charge computation. This capital charges serves as a buffer against losses from potential adverse market movement.

GMR is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

43. RISK MANAGEMENT (CONTD.)

43.4 MARKET RISK MANAGEMENT (CONTD.)

Non-Traded Market Risk

Rate of Return Risk in Banking Book

The rate of return risk in banking book ("RORBB") risk management process is depicted in the table below:

Identification	• Identify interest/profit rate risk within existing and new products. • Review market-related information review such as market trend and economic data.
Assessment/ Measurement	• Non-Traded VaR • Earning-at-Risk("EaR")
Control/ Mitigation	• Non-Traded VaR limit • EaR limit.
Monitoring/ Review	• Monitoring of limits • Periodical review and reporting

RORBB arises from changes in market rates of return that impact core net profit income, future cash flows or economic values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in profit margins and implied volatilities on rate of return options. The provision of retail and wholesale banking products and services (primarily financing and deposit-taking activities) creates rate of return sensitive positions in the Bank's statement of financial position.

The principal objectives of balance sheet risk management are to manage net fund income sensitivity while maintaining acceptable levels of RORBB and funding risk, and to manage the market value of the Bank's capital.

The Board's oversight of RORBB is supported by the GALCO/Group CEOs Committee. GALCO/Group CEOs Committee is responsible for the alignment of Bank-wide risk appetite and funding needs, taking into consideration Bank-wide business strategies. GALCO/Group CEOs Committee consistently oversees the Bank's gapping positions, asset growth and liability mix against the profit rate outlook. It also reviews strategies to ensure a comfortable level of RORBB is maintained. The Bank has successfully engaged long-term borrowings and written profit rate swaps to manage RORBB, and maintained an acceptable gapping profile as a result. In accordance with the Bank's policy, positions are monitored on a daily basis and hedging strategies are employed to ensure risk exposures are maintained within Board-established limits.

43. RISK MANAGEMENT (CONTD.)

43.4 MARKET RISK MANAGEMENT (CONTD.)

Non-Traded Market Risk (Contd.)

Rate of Return Risk in Banking Book (Contd.)

The Bank measures the risk of losses arising from potential adverse movements in market profit rates and volatilities using VaR. VaR is a quantitative measure of RORBB which applies recent historic market conditions to estimate the potential loss in market value, at a certain confidence level and over a specified holding period.

The Bank complements VaR by stress testing RORBB exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of rates of return and spreads, changes in financing and deposit product balances due to behavioural characteristics under different profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The profit scenarios may include rapid ramping of rates of return, gradual ramping of rate of return, and narrowing or widening of spreads. Usually each analysis incorporates what management deems the most appropriate assumptions about customer behaviour in a profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Bank’s exposure to a specified event.

The Bank’s strategy seeks to optimise exposure to RORBB within Board-approved limits. This is achieved through the ability to reposition the rate of return exposure of the statement of financial position using dynamic product and funding strategies, supported by MFRS 139-compliant rate of return hedging activities using profit rate swaps and other derivatives. These approaches are governed by the Bank’s policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

RORBB is calculated daily and reported to GALCO/Group CEOs Committee.

The following table demonstrates the sensitivity of the Bank's profit before zakat and taxation and equity to a reasonable possible change in rate of return with all other variables remaining constant.

43. RISK MANAGEMENT (CONTD.)

43.4 MARKET RISK MANAGEMENT (CONTD.)

(i) Rate of Return Risk

Traded Market Risk:

	2013	
	Rate of Return + 100 bps (RM'000)	Rate of Return - 100 bps (RM'000)
Impact on profit before zakat and taxation	(43,211)	46,703
Impact on equity	-	-

	2012	
	Rate of Return + 100 bps (RM'000)	Rate of Return - 100 bps (RM'000)
Impact on profit before zakat and taxation	(22,713)	25,355
Impact on equity	-	-

Non-Traded Market Risk:

	2013	
	Rate of Return + 100 bps (RM'000)	Rate of Return - 100 bps (RM'000)
Impact on profit before zakat and taxation	75,332	(75,332)
Impact on equity	(24,160)	26,531

	2012	
	Rate of Return + 100 bps (RM'000)	Rate of Return - 100 bps (RM'000)
Impact on profit before zakat and taxation	52,227	(52,227)
Impact on equity	(14,905)	16,453

43. RISK MANAGEMENT (CONTD.)

43.4 MARKET RISK MANAGEMENT (CONTD.)

(ii) Foreign Exchange Risk

Foreign currency exchange risk arises from changes in foreign exchange rates to exposure on the Bank’s financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Bank from exposure to excessive foreign currency exchange risk.

The following table demonstrates the sensitivity of the Bank's profit before zakat and taxation to a reasonable possible change in exchange rates with all other variables remaining constant.

	2013		2012	
Currency	Exchange rate + 10 % (RM'000)	Exchange rate - 10 % (RM'000)	Exchange rate + 10 % (RM'000)	Exchange rate - 10 % (RM'000)
USD	410	(410)	(25)	25
SGD	18	(18)	162	(162)
EUR	88	(88)	598	(598)

There is no impact to equity for 2013 and 2012 in respect of foreign exchange risk.

43. RISK MANAGEMENT (CONTD.)

43.4 MARKET RISK MANAGEMENT (CONTD.)

(iii) Equity Price Risk

Equity price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limits and VaR limits.

The following table demonstrates the sensitivity of the Bank's equity to a reasonable possible change in equity prices with all other variables remaining constant.

	Equity Price + 10 % (RM'000)	Equity Price - 10 % (RM'000)
Impact on equity		
2013	-	-
2012	3,000	(3,000)

There is no impact to profit before zakat and taxation for 2013 and 2012 in respect of equity price risk.

43.5 OPERATIONAL RISK MANAGEMENT

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes but is not limited to legal risk and Shariah compliance risk. It excludes strategic, systemic and reputational risk.

It is increasingly recognised that operational risk is the most widespread risk facing financial institutions today.

43. RISK MANAGEMENT (CONTD.)

43.5 OPERATIONAL RISK MANAGEMENT (CONTD.)

Operational Risk Management ("ORM") is the discipline of continual and systematic process which includes risk identification, assessment, monitoring and reporting of risk for decision making and implementation of risk controls, which results in acceptance, mitigation, or avoidance of risk. ORM provides the oversight of operational risk, including the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents.

The Bank minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking business continuity planning. These are supported by independent reviews by the Group's Internal Audit team.

i. Business Continuity Management

The Business Continuity Management ("BCM") function forms an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Bank's operations and establishment of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of Bank's stakeholders by protecting our brand and reputation.

The Bank is continuously reviewing the level of business operations resiliency to enhance the BCM capability throughout all critical departments and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

43. RISK MANAGEMENT (CONTD.)

43.6 LEGAL AND REGULATORY RISK

The Bank manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgment, may lead to the incurrence of losses, disruption or otherwise resulting in financial and reputational risk.

Legal risk is overseen by the GOLRC/Group CEOs Committee, upon advice by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Regulatory Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Bank.

The compliance monitoring and reporting system is essentially a mechanism through which businesses monitor their compliance to rules and regulations as well as provide monthly, quarterly and exception reporting that is carried out online. This reaffirms our commitment to a centralised compliance infrastructure that embraces regular self-assessment by staff, thus providing management the assurance that staff are aware and comply with internal and external requirements.

Compliance awareness is performed on a regular basis to ensure staff keeps abreast of banking, insurance, securities and anti-money laundering law as well as other regulatory developments. The awareness helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics. In addition to the training provided, the Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations to various search modes.

43. RISK MANAGEMENT (CONTD.)

43.6 LEGAL AND REGULATORY RISK

Regulatory Compliance also provides advice on regulatory matters and measures to be implemented by the Group to facilitate compliance with rules and regulations. To further promote understanding, the department facilitates briefings, disseminates information and leads coordination efforts.

44. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm’s length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

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

In addition, fair value information for non-financial assets and liabilities such as deferred taxation are excluded, as they do not fall within the scope of MFRS 7 Financial Instruments: Disclosure, which requires the fair value information to be disclosed.

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

The estimated fair values of the Bank's financial instruments are as follows:

a) Financial instruments not measured at fair value

	31 March 2013		31 March 2012		1 April 2011	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial Assets						
Cash and short-term funds	3,540,872	3,540,872	2,328,883	2,328,883	4,738,758	4,738,758
Deposits and placements with banks and other financial institutions	1,548,383	1,551,039	1,118,383	1,122,827	250,000	250,000
Financial investments held-to-maturity	1,920,361	1,953,959	822,222	828,203	-	-
Financing and advances	21,987,307	22,261,552	18,491,422	18,780,559	14,956,173	15,218,073
Statutory deposit with Bank Negara Malaysia	771,000	771,000	559,000	559,000	-	-
	29,767,923	30,078,422	23,319,910	23,619,472	19,944,931	20,206,831
Financial Liabilities						
Deposits and placements of banks and other financial institutions	2,504,721	2,511,644	1,481,153	1,508,221	1,467,399	1,364,951
Recourse obligation on financing sold to Cagamas Berhad	2,073,691	2,096,547	1,950,055	1,941,016	1,700,034	2,032,280
Deposits from customers	23,211,242	23,241,943	18,272,010	18,286,835	15,249,812	15,264,841
Term funding	550,000	561,220	550,000	560,725	550,000	558,085
Bills and acceptances payable	722,821	722,821	518,422	518,422	879,522	879,522
Subordinated Sukuk Musharakah	1,000,000	1,012,260	800,000	806,600	400,000	403,960
	30,062,475	30,146,435	23,571,640	23,621,819	20,246,767	20,503,639

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(b) Financial instruments measured at fair value

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2013				
Financial Assets				
Derivative financial assets	-	7,924	-	7,924
Financial assets held-for-trading				
- Money market securities	-	652,937	-	652,937
- Unquoted private debt securities	-	563,444	-	563,444
Financial investments available-for-sale				
- Money market securities	-	746,570	-	746,570
- Unquoted private debt securities	-	450,765	-	450,765
	-	2,421,640	-	2,421,640
Financial Liability				
Derivative financial liabilities	-	7,893	-	7,893
	-	7,893	-	7,893
31 March 2012				
Financial Assets				
Derivative financial assets	-	10,925	-	10,925
Financial assets held-for-trading				
- Money market securities	-	1,222,439	-	1,222,439
- Unquoted private debt securities	-	299,744	-	299,744
Financial investments available-for-sale				
- Quoted equities	30,000	-	-	30,000
- Unquoted private debt securities	-	290,117	-	290,117
	30,000	1,823,225	-	1,853,225
Financial Liability				
Derivative financial liabilities	-	10,896	-	10,896
	-	10,896	-	10,896

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

(b) Financial instruments measured at fair value

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1 April 2011				
Financial Assets				
Derivative financial assets	-	3,258	-	3,258
Financial assets held-for-trading				
- Money market securities	-	748,835	-	748,835
- Unquoted private debt securities	-	242,301	-	242,301
Financial investments available-for-sale				
- Money market securities	-	538,611	-	538,611
- Quoted equities	10,000	-	-	10,000
- Unquoted private debt securities	-	167,326	-	167,326
	10,000	1,700,331	-	1,710,331
Financial Liability				
Derivative financial liabilities	-	3,254	-	3,254
	-	3,254	-	3,254

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Assets For Which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short-term maturity (less than six months), demand deposits and savings accounts without a specific maturity, the carrying amounts approximate to their fair value. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was initially recognised.

(b) Fixed Rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest/profit rates when they were initially recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest/profit bearing deposits is based on discounted cash flows using prevailing money-market interest/profit rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest/profit rate yield curve appropriate for the remaining term to maturity and credit spreads.

(c) Contingent Liabilities And Undrawn Credit Facilities

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallise. The Bank assesses that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provision is necessary to be made.

44. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTD.)

Determination of Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Bank’s own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Bank. Therefore, unobservable inputs reflect the Bank's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Bank's own data.

There are no transfers between Level 1 and Level 2 during the financial year for the Bank.

45. BUSINESS SEGMENT ANALYSIS

Business Segment Analysis

Segment information is presented in respect of the Bank's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Bank comprises the following main business segments:

(a) Retail Banking

Retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as auto financing, mortgages and other consumer financing, credit cards, asset financing and small business, personal financing, retail distribution, transactional banking services and deposits.

(b) Business Banking

Business banking operations consist of provision of trade services, cash management and transactional banking services.

(c) Corporate and Institutional Banking

Corporate and institutional banking focuses on deepening and expanding corporate and institutional banking relationships with the Bank's corporate clients, as well as offering of a wider spectrum of the Bank's commercial and transactional banking products and services.

(d) Markets

The markets operations focus on activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments.

(e) Group Functions and Others

Group functions and others comprise activities which complement and support the operations of the main business units and non-core operations of the Bank.

45. BUSINESS SEGMENT ANALYSIS (CONTD.)

Measurement of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised costs, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on aggregation.

Operating Revenue

Operating revenue of the Bank comprises all type of revenue derived from the business segments.

Major Customers

No revenue from one single customer amounted to greater than 10% of the Bank's revenue for the current and previous financial year.

45. BUSINESS SEGMENT ANALYSIS (CONTD.)

31 March 2013	Retail banking RM'000	Business banking RM'000	Corporate and institutional banking RM'000	Markets RM'000	Group functions and others RM'000	Total RM'000
Operating revenue	628,088	205,641	519,430	32,014	253,990	1,639,163
Income	510,944	150,703	83,472	21,430	66,031	832,580
Expenses	(233,678)	(31,105)	(6,906)	(4,914)	(77,846)	(354,449)
Profit/(Loss) before provisions	277,266	119,598	76,566	16,516	(11,815)	478,131
Provisions	(150,108)	18,615	(3,960)	65	(10,827)	(146,215)
Profit/(Loss) before zakat and taxation	127,158	138,213	72,606	16,581	(22,642)	331,916
Zakat and taxation	(31,790)	(34,553)	(18,152)	(4,145)	14,913	(73,727)
Profit/(Loss) for the year	95,368	103,660	54,454	12,436	(7,729)	258,189

Other information

Cost to income ratio	45.7%	20.6%	8.3%	22.9%	117.9%	42.6%
Gross financing and advances	14,210,926	4,963,309	3,381,798	-	(63,865)	22,492,168
Net financing and advances	13,914,466	4,903,666	3,368,799	-	(199,624)	21,987,307
Impaired financing and advances	249,418	19,003	-	-	22	268,443
Deposits	6,736,183	2,330,827	15,138,122	284,386	1,226,445	25,715,963

45. BUSINESS SEGMENT ANALYSIS (CONTD.)

31 March 2012	Retail banking RM'000	Business banking RM'000	Corporate and institutional banking RM'000	Markets RM'000	Group functions and others RM'000	Total RM'000
Operating revenue	547,610	161,898	360,136	55,298	275,330	1,400,272
Income	453,379	113,550	44,541	49,331	99,437	760,238
Expenses	(207,091)	(21,867)	(3,089)	(3,598)	(65,332)	(300,977)
Profit before provisions	246,288	91,683	41,452	45,733	34,105	459,261
Provisions	(141,714)	(30,040)	6,308	332	5,333	(159,781)
Profit before zakat and taxation	104,574	61,643	47,760	46,065	39,438	299,480
Zakat and taxation	(26,143)	(15,411)	(11,940)	(11,516)	(15,392)	(80,402)
Profit for the year	78,431	46,232	35,820	34,549	24,046	219,078

Other information

Cost to income ratio	45.7%	19.3%	6.9%	7.3%	65.7%	39.6%
Gross financing and advances	12,401,934	4,126,103	2,479,901	-	(39,781)	18,968,157
Net financing and advances	12,139,875	4,047,173	2,468,438	-	(164,064)	18,491,422
Impaired financing and advances	219,386	16,232	-	-	2,106	237,724
Deposits	5,137,561	1,961,455	11,341,651	184,054	1,128,442	19,753,163

Note:

1 The financial information by geographical segment is not presented as the Bank's activities are principally conducted in Malaysia.

2 Certain comparative figures have been restated to conform with current year's presentation.

3 Operating revenue of the Bank comprise financing income and hibah and other operating income.

46. SIGNIFICANT EVENT

On 27 December 2012, the Bank had issued 34.884 million new ordinary shares of RM1.00 each at an issue price of RM4.30 per share. Arising from this, the shareholder's funds of the Bank increased by RM150.0 million represented by increase of RM34.9 million in share capital and RM115.1 million in share premium.

47. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES

47.1 Transition to MFRSs

These financial statements, for the year ended 31 March 2013, are the first the Bank has prepared in accordance with MFRS. For periods up to and including the year ended 31 March 2012, the Bank prepared its financial statements in accordance with FRS.

Accordingly, the Bank has prepared financial statements which comply with MFRS applicable for periods ending on or after 31 March 2013, together with the comparative period data as at and for the year ended 31 March 2012, as described in the transition to MFRS Framework note. In preparing these financial statements, the Bank's opening statement of financial position was prepared as at 1 April 2011, the Bank's date of transition to MFRS.

The Bank's reconciliations of statement of financial position as at 1 April 2011 and 31 March 2012, reconciliations of income statement and statement of comprehensive income for the year ended 31 March 2012 and reconcilation of statement of cash flow for the financial year 31 March 2012 are provided below to show the principal adjustments made by the Bank in restating its FRS financial statements.

47. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

47.2 FRISC Consensus 18

During the financial year, the Bank had reviewed and changed the presentation of the deposit and placements of banks and other financial institutions and deposit from customers for the financial year ended 31 March 2012 and 1 April 2011. The deposits and placements of banks and other financial institutions previously included certain monies which the other financial institution holds in trust ("trust monies") on behalf of its remisiers and clients. With the application of FRSIC Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad, the other financial institution has derecognised the deposits and placements from its books. The Bank has correspondingly reclassified the trust monies from deposits and placements of banks and other financial institution to deposits from customers.

47.3 Recourse obligation on financing sold to Cagamas Berhad

In prior years, balances relating to financing sold to Cagamas Berhad ("Cagamas") were excluded from total financing and advances in the statement of financial position. This treatment is in accordance with BNM Guidelines, whereby these balances were disclosed and included as part of commitments and contingencies. Arising from the adoption of MFRS, due to the obligation to replace those financing sold which are regarded as defective based on prudential criteria, the said financing sold to Cagamas have not been derecognised and proceeds received from Cagamas for the sale are recorded as a financial liability in the statement of financial position as Recourse obligation on financing sold to Cagamas Berhad. Accordingly, the restated balances relating to Recourse obligation on financing sold to Cagamas Berhad in the statement of financial position comprise financing sold to Cagamas which remain outstanding as at the end of the financial year and repayment from customers for financing sold to Cagamas placed with the Bank to be remitted to Cagamas taken up previously under Term Funding.

47. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

47.4 Reconciliation of statement of financial position

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
As at 1 April 2011				
Financing and advances	13,247,076	9,063	1,700,034	14,956,173
Deposits and placements of banks and other financial institutions	1,467,556	-	(157)	1,467,399
Recourse obligation on financing sold to Cagamas Berhad	-	-	1,700,034	1,700,034
Deposits from customers	15,249,655	-	157	15,249,812
Other liabilities	242,001	7,260	-	249,261
Reserves	994,575	1,803	-	996,378
As at 31 March 2012				
Financing and advances	16,843,149	3,022	1,645,251	18,491,422
Deferred tax asset	35,329	829	-	36,158
Other assets	319,824	(601)	-	319,223
Deposits and placements of banks and other financial institutions	1,481,305	-	(152)	1,481,153
Recourse obligation on financing sold to Cagamas Berhad	-	-	1,950,055	1,950,055
Deposits from customers	18,271,858	-	152	18,272,010
Term funding	854,804	-	(304,804)	550,000
Other liabilities	225,846	3,934	-	229,780
Reserves	1,288,225	(684)	-	1,287,541

47. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

47.5 Reconciliation of income statement

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
Income statement for the period ended 31 March 2012				
Allowance for impairment on financing and advances	(157,172)	(6,041)	-	(163,213)
(Provision)/writeback of provision for provision for commitments and contingencies	(2,871)	2,725	-	(146)
Taxation	(79,592)	829	-	(78,763)

47.6 Reconciliation of statement of cash flows

	As previously reported RM'000	Effect of transition to MFRSs RM'000	Other restatements RM'000	As restated RM'000
31 March 2012				
Profit before zakat and taxation	302,796	(3,316)	-	299,480
Adjustments for:				
Allowance for impairment on financing and advances	205,751	6,041	-	211,792
Provision for commitments and contingencies	2,871	(2,725)	-	146
Decrease/(Increase) in operating assets:				
Financing and advances	(3,801,824)	54,783	-	(3,747,041)
(Decrease)/Increase in operating liabilities:				
Deposits and placements of banks and other financial institutions	13,749	-	5	13,754
Recourse obligation on financing sold to Cagamas Berhad	-	250,021	-	250,021
Deposits from customers	3,022,203	-	(5)	3,022,198
Term funding	304,804	(304,804)	-	-

APPENDIX II

PRIVACY NOTICE

PRIVACY NOTICE

As part of AmBank Group's day to day business, we collect your Personal Information when you apply to open an account with us, subscribe to any of our products or services or communicate with us. In return, we may use this information to provide you with our products or services, maintain our records or send you relevant information.

Under the Personal Data Protection Act 2010 ('**PDPA**'), we are required to inform you:

(i) of the type of Personal Information we collect and how we collect it;
(ii) how we use your Personal Information;
(iii) the parties that we disclose the Personal Information to;
(iv) the choices you have with regards to the extent of Personal Information you provide;
(v) the difference between information that is considered mandatory or optional; and
(vi) how you access and update your Personal Information.

Your privacy is therefore important to us and we are committed to protecting your Personal Information by collecting and using your Personal Information in accordance with the PDPA.

For the purposes of this Privacy Notice, please note that:

- "**AmBank Group**" refers to AMMB Holdings Berhad and all its direct and indirect subsidiaries, including, but not limited to: AmBank (M) Berhad, AmIslamic Bank Berhad, AmInvestment Bank Berhad, AmInvestment Group Berhad, AmInvestment Services Berhad, AmInvestment Management Sdn Bhd, AmFutures Sdn Bhd, AmCard Services Berhad, AmGeneral Insurance Berhad, AmLife Insurance Berhad and AmFamily Takaful Berhad.

- "**Personal information**" refers to any information which relates directly or indirectly to you and/or your transactions with us. This information may include your name, NRIC number, address, occupation, contact details, details of your account(s), the type of products and/or services subscribed to and such other necessary information regarding yourself and your transaction(s) including Sensitive Personal Information.

- "**Sensitive Personal Information**" refers to information relating to your health, political opinions, religious beliefs etc.

1. The Kind Of Personal Information We Collect And How We Collect It

In order to enable us deal with your inquiries, open and operate an account/facility/insurance policy for you or to provide you with our products and services, we may be required to collect, use, disclose and store (i.e. "process") your personal and/or financial information. Such personal and/or financial information is required amongst others to:

a. establish your personal identification and background;
b. establish your financial standing and creditworthiness where required;
c. establish the condition of your health if you wish to procure insurance policies offered by us; and/or
d. supply you with any of our products and/or services applied for.

We may also obtain the above information about you from the following sources:

a. Your relationship with us, for example information provided by you in application forms when using our products or services, when transacting on your accounts, when using our online or electronic services, when taking part in customer surveys, competitions, promotions and during performance of financial reviews;
b. Your verbal, written and/or electronic communications with us or our authorised agents;
c. Third parties connected with you, such as your employer, joint account holder, security providers and guarantor(s) subject to your prior consent;
d. Analysis of the way you use and manage your account(s)/facility(ies)/insurance policy(ies) with us;
e. Your access and use of our services, transactions you make and payments effected through your account(s)/facility(ies)/insurance policy(ies); and/or
f. Any other sources which you have given your consent to disclose information relating to you and/or where not otherwise restricted.

The Personal Information we collect can be either mandatory or optional. Mandatory Personal Information are your information that we require so that we can provide you with the required products and services. If you do not provide us with the mandatory Personal Information, we will not be able to provide you with those products and services. Optional Personal Information are your information that are not obligatory to be provided to us. If you do not wish to provide your optional Personal Information, you may still apply for our products and services. Mandatory and voluntary Personal Information may differ for our various products and services and these will be indicated in the application forms of our products and services.

2. How We Use Your Personal Information

Other than as stated above, we may use your Personal Information for one or more of the following purposes:

a. Access and manage your application(s) for our products and services so that we can provide you with more and up to-date information such as improvements and new features to the existing products and services, development of new products and services, competitions, promotions and offers from third parties through tie-ups with the AmBank Group which may be of interest to you;
b. Manage and maintain your account(s)/facility(ies)/insurance policy(ies) through regular updates, consolidation and improving the accuracy of our records. In this manner we can respond to your enquiries, complaints and to generally resolve disputes quickly so that we can improve our business and your relationship with us;
c. Conduct research for analytical purposes, data mining and analyses of your transactions /use of products and services to better understand your current financial/investment position and future needs. We will also produce data, reports and statistics from time to time, however such information will be aggregated so that your identity will remain confidential. Sometimes it may be necessary if required, to verify your financial standing through credit reference/reporting checks;
d. Comply with the requirements of any law binding on us such as conducting anti-money laundering checks, crime detection/prevention, prosecution, protection or enforcement of our rights to recover any debt owing to us including transferring or assigning our rights, interests and obligations under any of your agreement with us;
e. Perform shared services within AmBank Group such as audit, compliance, legal, human resource, risk management including assessing financial and insurance risks;
f. Outsourcing of business and back-room operations within AmBank Group; and
g. Any other purpose(s) that is required or permitted by any law, regulations, guidelines and/or relevant regulatory authorities.

We will seek your consent before using your Personal Information for a purpose other than those that are set out in this Privacy Notice and/or in the terms of any of your agreement (s) with the AmBank Group.

3. Disclosure Of Your Personal Information

As part of providing you with our products and services we may be required to disclose certain information about you and/or your accounts, facility(ies) and/or insurance policy(ies) with us to the following third parties:

a. our agents, service providers, vendors and /or professional advisers who assist us in processing, administering, fulfilling transactions or providing value added services that you have requested;
b. any person authorized or appointed by you to give instructions to us on your behalf such as your agents, accountants, auditors, lawyers, financial advisers, brokers and intermediaries;
c. any guarantor(s), security provider(s) or any person(s) intending to settle any moneys outstanding under the facility(ies) granted by us to you;
d. any person(s) connected to the enforcement or preservation of any of our rights or transferring the rights and obligations under your agreement(s) with us;
e. any third party(ies) arising from the restructuring of facilitiy(ies) granted to you, sale of debts, acquisition or sale of any company by AmBank Group provided that the recipient uses your information for the same purpose(s) as it was originally supplied to us and/or used by us;
f. other financial institution(s) for the purpose of fulfilling the transactions required by you;
g. merchants and electronic fund transfer facilitators related to any credit/debit card(s) issued to you by us;
h. any rating agency(ies), credit reporting agencies, insurer(s), insurance broker(s), re-insurers or direct/indirect provider(s) of credit protection and in the event of default of a facility granted to you, to debt collection agencies; and/or
i. any competent authority(ies) and/or regulator(s), including foreign regulator(s) for the performance of their functions, subject at all times to any laws, including foreign laws applicable to the AmBank Group.

Otherwise, we will not disclose your information to others, except where:

a. you have opted-in for purposes of marketing of third party products;
b. you have not opted-out for receiving marketing material(s) from AmBank Group;
c. we are required or permitted to do so by law;
d. required or authorised by any order of court, tribunal or authority, whether governmental or quasi-governmental with jurisdiction over AmBank Group
e. we may transfer rights and obligations under our agreement(s) with you; and/or
f. we are required to meet our obligations to any relevant regulatory authority.

But rest assured, that at all times, we'll respect and protect the privacy and confidentiality of your personal information.

4. Security Of Your Personal Information

We place great importance in ensuring the security and confidentiality of your Personal Information and regularly review and implement up-to-date technical and organizational security measures when processing your Personal Information. Further information on security controls is available at our Website Security Statement at www.ambankgroup.com.

5. Retention Of Personal Information

Your Personal Information will be retained in compliance with this Privacy Notice and /or the terms and conditions of your agreement(s) with any AmBank Group entity for the duration of your relationship or for such period as may be necessary to protect the interest of both AmBank Group and you. Such retention is also necessary as required by law or in accordance with our internal policies.

6. Your Rights To Access And Correct Personal Information

If you wish to access and/or make changes to your Personal Information, you can make a request using our Data Access Request Form or Data Correction Request Form. These forms are available at all our branches as well as our website, www.ambankgroup.com and we will endeavour to comply with your request to access and/or correct your Personal Information within 21 days of receiving your completed form and the relevant processing fees.

Please note that we may withhold access to your Personal Information in certain situations, for example when we are unable to confirm your identity, where the information requested is of a confidential commercial nature or when there are repeated requests for the same information. Nevertheless, we will notify you of the reason(s) for not being able to accede to your request. We may also request for more documentary evidence to avoid incidence of fraud and/or inaccurate information.

In order to enable us serve you better, we seek your assistance to continuously keep your Personal Information up to-date.

7. Where The Personal Information Provided By You Is Incomplete

It may be obligatory for you in some instances to provide certain Personal Information to enable us to process your application, open an account or subscribe to some of our products or services. If you are unable to or decline to provide such obligatory Personal Information, we may not be able to process your application or provide you with the said products or services.

8. Exercising Your Choice In Respect Of The Disclosure And Use Of Your Personal Information For Purposes Of Marketing

You may exercise your choice in respect of the disclosure and use of your Personal Information with us. In the event you choose not to receive any marketing material(s) from us or any of our third party business partners, you may either (i) contact us at the contact details provided below; or (ii) by choosing to opt out from receiving marketing material, a choice provided for in the relevant application/proposal forms of our products or services.

Please note that:

- irrespective of the choice you make in relation to the above, you may still contact us subsequently through the channels provided below in order to change your choice. Your latest choice communicated to us will apply. We shall update your most recent marketing preference in our database within a reasonable period of time after we receive the communication of your choice;
- we will not be able to remove your Personal Information from the databases of third party business partners with whom we have already shared your Personal Information, when you have opted-in earlier;
- certain communications such as our statements of account, correspondence and websites may contain standard information regarding our other products and services that cannot be removed without affecting the delivery/provision of our services and/or products, the operation of your account(s) and/or facility(ies) with us, and/or additional costs to you.

9. Revisions To The Privacy Notice

Our Privacy Notice may be revised from time to time and if there is/are any revision(s), it will be posted on our website and/or other means of communication deemed suitable by us. However any revision(s) will be in compliance with PDPA.

10. Enquiries/Complaints

If you have any enquiries or complaints concerning this Privacy Notice, you may contact:

Designation: Customer Service Officer
Department: AmBank Contact Centre
Telephone: 1300-80-8888 (domestic) / 03-2178 8888 (overseas)
Address: P.O. Box No 12617
50784 Kuala Lumpur.
E-mail: customercare@ambankgroup.com

THE ISSUER

AmIslamic Bank Berhad
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

PRINCIPAL ADVISER, LEAD ARRANGER, LEAD MANAGER & FACILITY AGENT

AmInvestment Bank Berhad
22nd Floor, Bangunan AmBank Group
55 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

SUKUK TRUSTEE

Malaysian Trustees Berhad
(Company No. 21666-V)
8th Floor, Plaza OSK,
Jalan Ampang,
50450 Kuala Lumpur

JOINT SHARIAH ADVISERS

AmInvestment Bank Berhad (backed by AmIslamic Bank Shariah Committee) and Amanie Advisors Sdn Bhd

LEGAL COUNSEL FOR THE PRINCIPAL ADVISER/LEAD ARRANGER

Adnan Sundra & Low
Level 11, Menara Olympia
No. 8 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

RATING AGENCY

RAM Rating Services Berhad
19-G, The Boulevard, Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

CENTRAL DEPOSITORY AND PAYING AGENT

Bank Negara Malaysia
Jalan Dato' Onn
50480 Kuala Lumpur
Malaysia