All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this Abridged Prospectus, unless stated otherwise.

THIS ABRIDGED PROSPECTUS ("AP") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your ordinary shares in BIMB Holdings Berhad (Company No. 423858-X) ("**BHB**" or the "**Company**"), you should at once forward this AP together with the Notice of Provisional Allotment ("**NPA**") and the Rights Subscription Form ("**RSF**") to the agent/broker through whom you effected the sale or transfer for onward transmission to the purchaser or transferee. All enquiries concerning the Rights Issue with Warrants, which is the subject matter of this AP, should be addressed to our Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

This AP, together with the accompanying NPA and RSF (collectively "**Documents**") are only despatched to our Entitled Shareholders who have provided our Share Registrar with a registered address in Malaysia and whose names appear on our Record of Depositors not later than 5.00 p.m. on 12 November 2013. The Documents are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants and the Documents comply with the laws of any country or jurisdiction other than the laws of Malaysia. Any Entitled Shareholder and/or his transferee/renouncee (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers and other professionals as to whether the acceptance or renunciation (as the case may be) of all or any part of their entitlements to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Neither our Company, our Board nor Bank Islam Malaysia Berhad ("**Bank Islam**") or other experts shall accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) made by the Entitled Shareholder and/or his transferee/renouncee (if applicable) is or shall become illegal, unenforceable, voidable or void in such country or jurisdiction in which the Entitled Shareholder and/or his transferee/renouncee (if applicable) is a resident.

A copy of this AP has been registered with the Securities Commission Malaysia ("**SC**"). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. The Documents have also been lodged with the Registrar of Companies who takes no responsibility for the contents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at our Extraordinary General Meeting held on 17 October 2013. Approval has been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") vide its letter dated 17 September 2013 for the admission of the Warrants to the Official List and the listing of the Rights Shares and the Warrants as well as the new BHB Shares to be issued arising from the exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. The admission to the Official List and the official listing of and quotation for all the new securities on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. Bursa Securities takes no responsibility for the correctness of any statements made or opinions expressed herein. The admission of the Warrants to the Official List and the official listing of and quotation for all the new securities to be issued by our Company pursuant to the Rights Issue with Warrants will commence after, amongst others, the receipt of confirmation from Bursa Malaysia Depository Sdn Bhd that all the Central Depository System accounts of the successful Entitled Shareholders and/or their transferees/renouncees (if applicable) have been duly credited and notices of allotment have been despatched to them.

Our Board has seen and approved all the documentation relating to the Rights Issue with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make the statement in the documents false or misleading.

Bank Islam, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED, PLEASE REFER TO THE "RISK FACTORS" AS SET OUT IN SECTION 8 HEREIN.

BIMB HOLDINGS BERHAD

BIMB HOLDINGS BERHAD

(Company No. 423858-X)
(Incorporated in Malaysia under the Companies Act, 1965)

RENOUNCEABLE RIGHTS ISSUE OF 426,715,958 NEW ORDINARY SHARES OF RM1.00 EACH IN BIMB HOLDINGS BERHAD ("BHB") ("BHB SHARES") ("RIGHTS SHARES") TOGETHER WITH 426,715,958 FREE DETACHABLE WARRANTS ("WARRANTS") AT AN ISSUE PRICE OF RM4.25 PER RIGHTS SHARE ON THE BASIS OF TWO (2) RIGHTS SHARES TOGETHER WITH TWO (2) WARRANTS FOR EVERY FIVE (5) EXISTING BHB SHARES HELD AS AT 5.00 P.M. ON 12 NOVEMBER 2013

Principal Adviser

BANK ISLAM

Bank Islam Malaysia Berhad
(Company No.: 98127-X)

IMPORTANT RELEVANT DATES AND TIME:-

Entitlement Date	:	Tuesday, 12 November 2013 at 5.00 p.m.
Last date and time for sale of provisional allotment of rights	:	Tuesday, 19 November 2013 at 5.00 p.m.
Last date and time for transfer of provisional allotment of rights	:	Friday, 22 November 2013 at 4.00 p.m.
Last date and time for acceptance and payment	:	Wednesday, 27 November 2013 at 5.00 p.m.*
Last date and time for excess application and payment	:	Wednesday, 27 November 2013 at 5.00 p.m.*

* or such later date and time as our Board may determine and announce not less than two (2) Market Days before the stipulated date and time.

This AP is dated 12 November 2013

BURSA SECURITIES HAS APPROVED THE ADMISSION, LISTING OF AND QUOTATION FOR THE NEW SECURITIES TO BE ISSUED BY OUR COMPANY PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS. THE APPROVAL FROM BURSA SECURITIES SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS THAT YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS & SERVICES ACT 2007 (“CMSA”).

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON THE FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THE DELIVERY OF THIS AP SHALL NOT, UNDER ANY CIRCUMSTANCES, CONSTITUTE A REPRESENTATION OR CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF BHB AND ITS SUBSIDIARIES (“GROUP”) SINCE THE DATES HEREOF. MATERIAL INFORMATION CONCERNING OUR GROUP IS ANNOUNCED ON BURSA SECURITIES AND YOU SHOULD APPRISE YOURSELF OF SUCH DEVELOPMENTS. WE AND OUR ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP. THIS AP HAS BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE WITH WARRANTS UNDER THE LAWS OF MALAYSIA.

Except where the context otherwise requires, the following definitions shall apply throughout this AP:-

Act	:	Companies Act, 1965
Acquisitions	:	Collectively, the Acquisition of DFG Block and the Acquisition of LTH Block
Acquisition of DFG Block	:	Acquisition by our Company of the DFG Block for a cash consideration of USD550,000,000
Acquisition of LTH Block	:	Acquisition by our Company of the LTH Block for a cash consideration of the RM equivalent of USD334,603,069
AP	:	This Abridged Prospectus dated 12 November 2013
Bank Islam or **Principal Adviser**	:	Bank Islam Malaysia Berhad
Bank Islam Share	:	Ordinary share of RM1.00 each in Bank Islam
BHB or **Company**	:	BIMB Holdings Berhad
BHB Group or **Group**	:	Our Company and our subsidiaries
BHB Share or **Share**	:	Ordinary share of RM1.00 each in our Company
BNM	:	Bank Negara Malaysia
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
CDS	:	Central Depository System
CDS Account	:	A securities account established by Bursa Depository for a depositor to record the deposits or withdrawals of securities or for dealings in such securities by the depositor
Closing Date	:	27 November 2013 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares or such later date and time as our Board may determine and announce at their absolute discretion not less than two (2) Market Days before the stipulated date and time
CMSA	:	Capital Markets and Services Act, 2007
Code	:	Malaysian Code on Take-Overs and Mergers, 2010
Corporate Exercises	:	Collectively, the Acquisitions, the Rights Issue with Warrants and the Sukuk Issue
Deed Poll	:	Deed Poll dated 25 October 2013 constituting the Warrants
DFG	:	Dubai Financial Group LLC
DFG Block	:	690,196,000 Bank Islam Shares held by DFG, representing approximately 30.47% of the issued and paid-up share capital of Bank Islam

Director	:	Director of our Company
Documents	:	AP, the NPA and RSF
EGM	:	Extraordinary General Meeting
Entitled Shareholder	:	Our shareholder whose name appears in our Record of Depositors on the Entitlement Date, who shall be entitled to participate in the Rights Issue with Warrants
Entitlement Date	:	12 November 2013 at 5.00 p.m., being the date and time at which the shareholders of our Company must be registered in our Record of Depositors in order to be entitled to participate in the Rights Issue with Warrants
EPS	:	Earnings per share
Excess Rights Shares with Warrants	:	Rights Shares (together with the corresponding number of Warrants) which are not taken up or not validly taken up by an Entitled Shareholder and/or his transferee/renouncee (if applicable) prior to the Closing Date
FPE	:	Financial period ended
Fund Raising	:	Collectively, the Rights Issue with Warrants and the Sukuk Issue
FYE	:	Financial year ended/ending, as the case may be
IFSA		Islamic Financial Services Act, 2013
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	14 October 2013, being the latest practicable date prior to the printing and despatch of this AP
LTH	:	Lembaga Tabung Haji
LTH Block	:	419,894,000 Bank Islam Shares held by LTH, representing approximately 18.53% of the issued and paid-up share capital of Bank Islam
Market Day	:	Any day between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
NA	:	Net assets
NPA	:	Notice of provisional allotment
Official list	:	A list specifying all securities listed on the Main Market of Bursa Securities
PBZT	:	Profit before zakat and tax
Price-Fixing Date	:	21 October 2013, being the date on which we determined and announced the issue price of the Rights Shares and the exercise price of the Warrants

Provisional Rights Shares with Warrants	:	Rights Shares (together with the corresponding number of Warrants) provisionally allotted to an Entitled Shareholder and/or his transferee/renouncee (if applicable)
Purchase Consideration	:	RM2,860,637,446, being the RM equivalent of the total purchase consideration for the Acquisitions of USD884,603,069 based on the exchange rate of USD1 = RM3.2338 (rounded to nearest four (4) decimal points), which is the weighted average exchange rate our Company had procured for the purchase of the USD in respect of the purchase consideration for the Acquisition of DFG Block amounting to USD550,000,000. The details, and the aggregate, of the purchase consideration payable by BHB to DFG and LTH for the DFG Block and the LTH Block respectively are as follows:-

	USD	RM
DFG Block	550,000,000	1,778,595,000
LTH Block	334,603,069	1,082,042,446
Total	**884,603,069**	2,860,637,446

Record of Depositors	:	A record of securities holders of our Company established by Bursa Depository under the Rules of Bursa Depository
Rights Issue with Warrants	:	Renounceable rights issue of 426,715,958 Rights Shares together with 426,715,958 Warrants at an issue price of RM4.25 per Rights Share on the basis of two (2) Rights Shares together with two (2) Warrants for every five (5) existing BHB Shares held on the Entitlement Date to raise gross proceeds of RM1,813,542,822
Rights Shares	:	426,715,958 new BHB Shares to be issued pursuant to the Rights Issue with Warrants
RM and sen	:	Ringgit Malaysia and sen respectively
Rp	:	Indonesian Rupiah
RSF	:	Rights subscription form
Rules of Bursa Depository	:	Rules of a central depository, as defined in the SICDA
SC	:	Securities Commission Malaysia
Share Registrar	:	Symphony Share Registrars Sdn Bhd
SICDA	:	Securities Industry (Central Depositories) Act, 1991
SPA	:	Sale and Purchase Agreement dated 31 July 2013 (as varied by the supplemental agreement dated 30 September 2013) between our Company, LTH and DFG for the Acquisitions and the Alternative Transaction (as defined in the SPA)
Sukuk Issue	:	Proposed issue of ten (10)-year Islamic securities of an issue size of RM1.660 billion in nominal value to raise gross proceeds of RM1,086,469,477

TERP	:	Theoretical ex-rights price
Undertaking	:	The irrevocable undertaking by LTH vide its letter dated 31 July 2013 to, amongst others:- (i) subscribe in full for its entitlement to the Rights Shares and Warrants; and (ii) subscribe for the entire portion of the remaining Rights Shares and Warrants not already subscribed by any Entitled Shareholder and/or his transferee/renouncee (if applicable) on a rights basis and any remaining Rights Shares and Warrants not subscribed by any Entitled Shareholder and/or his transferee/renouncee (if applicable) pursuant to the excess application
USD	:	United States Dollar
VWAP	:	Volume-weighted average market price
Warrants	:	426,715,958 free detachable warrants to be issued pursuant to the Rights Issue with Warrants and constituted under the Deed Poll
Warrantholder	:	Holder of Warrant 2013/2023

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this AP to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this AP shall be a reference to Malaysian time, unless otherwise stated.

All references to "our Company" and "BHB" in this AP are to BIMB Holdings Berhad, references to "our Group" are to our Company and our subsidiary companies and references to "we", "us", "our" and "ourselves" are to our Company, and save where the context otherwise require, our subsidiary companies.

All references to "you" in this AP are to an Entitled Shareholder.

Any discrepancies in the tables included in this AP between the amounts listed, actual figures and the totals thereof are due to rounding.

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TABLE OF CONTENTS

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Address	Nationality	Profession
Tan Sri Samsudin bin Osman *(Chairman/Non-Independent Non-Executive Director)*	No. 26, Jalan SS1/29 Kampung Tunku 47300 Petaling Jaya Selangor Darul Ehsan	Malaysian	Company Director
Johan bin Abdullah *(Group Managing Director/Chief Executive Officer/ Non-Independent Executive Director)*	No. 10, Jalan P2 Taman Melawati 53100 Kuala Lumpur	Malaysian	Group Managing Director/Chief Executive Officer, BHB
Tan Sri Ismail bin Adam *(Senior Independent Non-Executive Director)*	No. 141, Jalan Athinahapan Satu Taman Tun Dr. Ismail 60000 Kuala Lumpur	Malaysian	Company Director
Dato' Paduka Ismee bin Ismail *(Non-Independent Non-Executive Director)*	No. 22, Jalan Awan Larat U8/74 Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	Malaysian	Group Managing Director/Chief Executive Officer, LTH
Datuk Zaiton binti Mohd Hassan *(Independent Non-Executive Director)*	Lot 1955, Jalan G1, Fasa 3A Taman Melawati 53100 Kuala Lumpur	Malaysian	Company Director
Zahari @ Mohd Zin bin Idris *(Independent Non-Executive Director)*	No. 23, Jalan Kelewang 11/4B 40100 Shah Alam Selangor Darul Ehsan	Malaysian	Company Director
Salih Amaran bin Jamiaan *(Non-Independent Non-Executive Director)*	No. 18, Jalan BK 6B/1 Bandar Kinrara 47100 Puchong Selangor Darul Ehsan	Malaysian	Company Director
Rozaida binti Omar *(Non-Independent Non-Executive Director)*	No. 10, Jalan Pulau Angsa U10/6A Perdana Height U10 40150 Shah Alam Selangor Darul Ehsan	Malaysian	Group Chief Financial Officer, LTH

AUDIT COMMITTEE

Name	Designation	Directorship
Zahari @ Mohd Zin bin Idris	Chairman	Independent Non-Executive Director
Datuk Zaiton binti Mohd Hassan	Member	Independent Non-Executive Director
Salih Amaran bin Jamiaan	Member	Non-Independent Non-Executive Director

COMPANY SECRETARY	:	Maria binti Mat Said (LS 0009400) No. 27, Jalan Sungai Cincin Dua 27/57B Taman Bunga Negara Seksyen 27 40400 Shah Alam Selangor Darul Ehsan
HEAD/MANAGEMENT OFFICE	:	31st Floor, Menara Bank Islam No. 22, Jalan Perak 50450 Kuala Lumpur Tel: 603-2781 2999 Fax: 603-2781 2998 Website: www.bimbholdings.com Email: investor@bimbholdings.com
REGISTERED OFFICE	:	31st Floor, Menara Bank Islam No. 22, Jalan Perak 50450 Kuala Lumpur Tel: 603-2781 2999 Fax: 603-2781 2998
SHARE REGISTRAR	:	Symphony Share Registrars Sdn Bhd Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU1A/46 47301 Petaling Jaya Selangor Darul Ehsan Helpdesk Tel: 603-7849 0777 Fax: 603-7841 8151/52
AUDITORS AND REPORTING ACCOUNTANTS	:	KPMG Desa Megat & Co. (AF 0759) Level 10, KPMG Tower 8, First Avenue, Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel: 603-7721 3388 Fax: 603-7721 3399
SOLICITORS	:	Wong & Partners Level 21, The Gardens South Tower Mid Valley City, Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 603-2298 7888 Fax: 603-2282 2669
PRINCIPAL BANKER	:	Bank Islam Malaysia Berhad Cawangan Bandar Wawasan Block C, 4 & 6, Tingkat Bawah & 1 Wisma RKT, Jalan Raja Abdullah 50300 Kuala Lumpur Tel: 603-2694 8175/8244/8192 Fax: 603-2693 9216/2694 8291

PRINCIPAL ADVISER	:	Bank Islam Malaysia Berhad Level 32, Menara Bank Islam No. 22, Jalan Perak 50450 Kuala Lumpur Tel: 03-2688 2688 Fax: 03-2688 2666
STOCK EXCHANGE LISTED AND LISTING SOUGHT	:	Main Market of Bursa Securities

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BIMB HOLDINGS BERHAD

(Company No. 423858-X)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:
31st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur

12 November 2013

Board of Directors:

Tan Sri Samsudin bin Osman	*(Chairman/Non-Independent Non-Executive Director)*
Johan bin Abdullah	*(Group Managing Director/Chief Executive Officer/ Non-Independent Executive Director)*
Tan Sri Ismail bin Adam	*(Senior Independent Non-Executive Director)*
Dato' Paduka Ismee bin Ismail	*(Non-Independent Non-Executive Director)*
Datuk Zaiton binti Mohd Hassan	*(Independent Non-Executive Director)*
Zahari @ Mohd Zin bin Idris	*(Independent Non-Executive Director)*
Salih Amaran bin Jamiaan	*(Non-Independent Non-Executive Director)*
Rozaida binti Omar	*(Non-Independent Non-Executive Director)*

To: The Shareholders of BIMB Holdings Berhad

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF 426,715,958 NEW BHB SHARES TOGETHER WITH 426,715,958 WARRANTS AT AN ISSUE PRICE OF RM4.25 PER RIGHTS SHARE ON THE BASIS OF TWO (2) RIGHTS SHARES TOGETHER WITH TWO (2) WARRANTS FOR EVERY FIVE (5) EXISTING BHB SHARES HELD AS AT 5.00 P.M. ON 12 NOVEMBER 2013

1. INTRODUCTION

On 1 August 2013, Bank Islam had, on behalf of our Board, announced that our Company proposes to undertake the Corporate Exercises.

On 18 September 2013, Bank Islam had, on behalf of our Board, announced that Bursa Securities had vide its letter dated 17 September 2013 approved the admission of the Warrants to the Official List and the listing of and quotation for the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:-

No.	Conditions	Status of compliance
(i)	BHB and Bank Islam must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue with Warrants;	To be complied.
(ii)	BHB and Bank Islam to inform Bursa Securities upon the completion of the Rights Issue with Warrants;	To be complied.
(iii)	BHB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants are completed;	To be complied.
(iv)	BHB to furnish Bursa Securities on a quarterly basis, a summary of the total number of shares listed pursuant to the exercise of the Warrants as at the end of each quarter together with a detailed computation of listing fees payable;	To be complied.
(v)	To incorporate Bursa Securities' comments in respect of the Circular to shareholders of BHB; and	Complied.
(vi)	Letter of confirmation from the advisers confirming all approvals of the relevant authorities have been obtained.	Complied.

On 27 September 2013, the SC had granted our Company a relief from having to include the accountants' report of Bank Islam (i.e. the corporation to be acquired which is to be paid for wholly or partly out of the proceeds of the Rights Issue with Warrants) under Part I, Division 5 - Abridged Prospectus, Chapter 7.04 of the SC's Prospectus Guidelines, in this AP. Please refer to Section 9 of Appendix III of this AP for further details.

On 17 October 2013, our shareholders had approved the Acquisitions and the Rights Issue with Warrants at our EGM. A certified true extract of the ordinary resolutions approving the Acquisitions and the Rights Issue with Warrants at the aforesaid EGM is attached in Appendix I of this AP.

On 21 October 2013, Bank Islam had, on behalf of our Board, announced that the issue price of the Rights Shares shall be RM4.25 per Rights Share and the exercise price of the Warrants shall be RM4.72 per Warrant.

On 28 October 2013, Bank Islam had, on behalf of our Board, announced the Entitlement Date and the other important relevant dates pertaining to the Rights Issue with Warrants.

No person is authorised to give any information or to make any representation not contained in this AP and if given or made, such information or representation must not be relied upon as having been authorised by us or Bank Islam in connection with the Rights Issue with Warrants.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. DETAILS OF THE RIGHTS ISSUE WITH WARRANTS

2.1 Introduction

In accordance with the terms of the Rights Issue with Warrants as approved by Bursa Securities and our shareholders and subject to the terms of this AP and the accompanying documents, our Company shall provisionally allot 426,715,958 Rights Shares together with 426,715,958 Warrants at an issue price of RM4.25 per Rights Share, on the basis of two (2) Rights Shares and two (2) Warrants for every five (5) existing BHB Shares held on the Entitlement Date.

Shareholders whose names appear in our Record of Depositors as at the Entitlement Date are entitled to participate in the Rights Issue with Warrants. However, only Entitled Shareholders who each has an address in Malaysia as stated in our Record of Depositors or who have provided our Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this AP, together with the NPA and RSF.

An Entitled Shareholder can fully or partially renounce his entitlement to the Rights Shares (together with the corresponding number of Warrants). However, the Rights Shares and the Warrants cannot be renounced separately. Accordingly, an Entitled Shareholder who renounces his entitlement to the Rights Shares, partially or in full, will simultaneously relinquish his corresponding entitlement to the Warrants. Any unsubscribed Rights Shares (together with the corresponding number of Warrants) shall be made available for excess applications by other Entitled Shareholders and/or their transferees/renouncees (if applicable). It is the intention of our Board to allocate the Excess Rights Shares with Warrants in a fair and equitable manner, as more particularly set out in Section 4.8 of this AP.

The Warrants, which are attached to the Rights Shares, will be issued at no cost to an Entitled Shareholder and/or his transferee/renouncee (if applicable) who has been allotted and issued with the Rights Shares. The Warrants will be immediately detached from the Rights Shares upon issuance and separately traded on the Main Market of Bursa Securities.

In determining the shareholders' entitlement to the Rights Issue with Warrants, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as our Board shall in its sole and absolute discretion deem expedient or as our Board deems to be in the best interest of our Company.

As you are an Entitled Shareholder, you will find enclosed with this AP, a NPA setting out the number of Rights Shares (together with the corresponding number of Warrants) which you are entitled to subscribe under the terms of the Rights Issue with Warrants and a RSF which is to be used for the acceptance of your Provisional Rights Shares with Warrants, and for the application of any Excess Rights Shares with Warrants pursuant to the excess application, should you wish to do so.

Upon allotment and issue by our Company, the Rights Shares (together with the corresponding number of Warrants) will be credited directly into the respective CDS Accounts of the Entitled Shareholders and/or their transferee/renouncee (if applicable) and no physical share certificate will be issued to the Entitled Shareholder and/or his transferee/renouncee (if applicable).

2.2 Basis of Pricing

The issue price of RM4.25 per Rights Share was determined by our Board after taking into consideration amongst others, the following:-

(i) the funding requirements for the Acquisitions; and

(ii) the appropriate discount to the TERP based on the five (5)-day VWAP of BHB Shares prior to the Price-Fixing Date. It is our Board's intention that the issue price of the Rights Shares be at a discount of not more than ten percent (10%) from the TERP based on the five (5)-day VWAP of BHB Shares prior to the price-fixing date. The discount of not more than ten percent (10%) is to ensure that the requisite equity capital is being raised to partly fund the Acquisitions whilst providing our shareholders with an opportunity to subscribe for the Rights Shares at a discount. In addition, the Warrants will be given free to the subscribing shareholders on the basis of one (1) Warrant for every one (1) Rights Share subscribed for. As illustrated below, taking the value of the Warrants into consideration, the issue price of RM4.25 per Rights Share represents a discount of approximately 36.09% to the Theoretical Value of Securities (as the term is defined below).

For information purposes, the issue price of RM4.25 per Rights Share represents a discount of approximately 9.96% to the TERP of RM4.72 based on the five (5)-day VWAP of BHB Shares up to and including 18 October 2013 of RM4.9084, being the last Market Day immediately preceding the Price-Fixing Date.

The exercise price of the Warrants of RM4.72 is based on the TERP.

Based on the trinomial pricing model, the theoretical value of the Warrants is RM1.93 per Warrant (as disclosed in Appendix IV of this AP based on the unaudited proforma consolidated statements of financial position of our Company as at 31 December 2012). As such, the total theoretical value of one (1) Rights Share (based on TERP of RM4.72) and one (1) Warrant (based on RM1.93 per Warrant) is RM6.65 ("**Theoretical Value of Securities**"). Taking the Warrants into consideration, the issue price of RM4.25 per Rights Share represents a discount of approximately 36.09% to the Theoretical Value of Securities.

The theoretical value of Warrants is for information purposes only and it may not reflect the actual market price of the Warrants to be traded upon listing on Bursa Securities. Prior to the listing of the Warrants, there has been no public market for the Warrants. Accordingly, there can be no assurance that an active market for the Warrants will develop upon its listing on Bursa Securities or, if developed, that such a market will be sustained. In addition, there can be no assurance that the market price of the Warrants upon listing on Bursa Securities will correspond to the theoretical value of RM1.93 per Warrant.

2.3 Ranking of the Shares

The Rights Shares and the new Shares to be issued arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with each other and the then existing BHB Shares, save that the Rights Shares and the new Shares arising from the exercise of the Warrants will not carry any rights to participate in any dividends, distributions and/or other entitlements declared by our Company where the entitlement date in respect of such dividends, distributions and/or other entitlements falls on a day which is prior to the date of allotment and issuance of the Rights Shares and the new Shares arising from the exercise of the Warrants.

2.4 Salient terms of the Warrants

Issuer	BHB.
Forms and denomination	The Warrants will be issued in the registered form and will be detached from the Rights Shares upon issuance and separately traded on Bursa Securities.
Issue price	The Warrants will be issued free to our Entitled Shareholders and/or their transferees/renouncees (if applicable) who subscribe to the Rights Shares.
Issue size	426,715,958 Warrants to be issued to our Entitled Shareholders and/or their transferee/renouncees (if applicable) under the Rights Issue with Warrants.
Tenure	Ten (10) years from the date of issuance of the Warrants.
Exercise rights	A Warrantholder is entitled to subscribe for one (1) new Share arising from the exercise of each Warrant at the exercise price during the exercise period, subject to adjustments in accordance with the provisions of the Deed Poll.
Exercise price	The exercise price for the Warrants is RM4.72 per Warrant, subject to adjustments in accordance with the provisions of the Deed Poll. A Warrantholder shall pay the cash equivalent of the exercise price for each Warrant held when subscribing for the new Shares.
Exercise period	The Warrants may be exercised from the period commencing on and including the date of the issue of the Warrants and ending on the Market Day immediately preceding the tenth (10^{th}) anniversary from the date of issue of the Warrants. Any Warrant that is not exercised during the exercise period will lapse and cease to be valid.
Mode of exercise	A Warrantholder shall pay by way of banker's draft, cashier's order, money order or postal order drawn on a bank or post office in Malaysia for the exercise price when subscribing for the new Shares in our Company.
Rights of Warrantholders	All Warrantholders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in our Company until and unless such Warrantholder exercise their Warrants to subscribe for the new Shares.
Ranking of new Shares to be issued arising from the exercise of the Warrants	The new Shares arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu,* in all respects with each other and the then existing BHB Shares, save and except that the new Shares arising from the exercise of the Warrants will not carry any rights to participate in any dividends, distributions and/or other entitlements declared by our Company where the entitlement date in respect of such dividends, distributions and/or other entitlements falls on a day which is prior to the date of allotment and issuance of the new Shares arising from the exercise of the Warrants.
Adjustments to the exercise price and/or the number of Warrants	The exercise price and number of Warrants in issue may be adjusted from time to time in accordance with the provisions of the Deed Poll.

Rights in the event of winding up, liquidation, compromise and/or arrangement	If a resolution is passed for a members' voluntary winding-up of our Company or where there is a compromise or arrangement, then:- (a) if such winding-up, compromise or arrangement has been approved by the Warrantholders, or some person designated by them for such purpose by special resolution, the terms of such winding-up, compromise and arrangements shall be binding on all the Warrantholders; and (b) in any other case, every Warrantholder shall be entitled within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or the granting of court order approving the compromise or arrangement, to elect to be treated as if the Warrantholders had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights. All exercise rights which have not been exercised within six (6) weeks of the passing of such resolution or granting of the court order shall lapse and the Warrants shall cease to be valid. If our Company is wound up (other than by way of a members' voluntary winding-up), all exercise rights which have not been exercised prior to the date of commencement of the winding-up shall cease to be valid.
Listing	The approval from Bursa Securities has been obtained on 17 September 2013 for the admission of the Warrants to the Official List and the listing of and quotation for the Warrants and the new Shares to be issued upon the exercise of the Warrants on the Main Market of Bursa Securities.
Transferability	The Warrants shall be transferable in the manner provided under the SICDA and the Rules of Bursa Depository.
Board lot	For the purpose of trading on Bursa Securities, a board lot of Warrants comprises one hundred (100) Warrants. Each board lot of Warrant carries the right to subscribe for one hundred (100) new Shares.
Constitution	The Warrants are constituted by the Deed Poll dated 25 October 2013.
Governing law	The Deed Poll is governed by the laws of Malaysia.
Further issues	Subject to the provisions of the Deed Poll, our Company will be at the liberty to issue Shares or other convertible securities to the shareholders from time to time. The Warrantholders will not have any participating rights in such issuance unless the Warrantholders exercise their Warrants to subscribe for Shares or unless otherwise resolved by our Company in a general meeting.

2.5 Details of Other Corporate Exercises

Save for the Corporate Exercises, our Board confirms that there is no other outstanding corporate exercise that has been announced but not yet completed as at the LPD.

3. IRREVOCABLE UNDERTAKING

Our Board has determined to undertake the Rights Issue with Warrants on a full subscription basis. The subscription level was determined by our Board after taking into consideration, amongst others, the total funds that our Company wishes to raise via the Rights Issue with Warrants and Sukuk Issue to pay the Purchase Consideration and stamp duty for the Acquisitions, to defray the estimated expenses in relation to the Corporate Exercises and for working capital purposes.

In order to ensure that all the Rights Shares are fully subscribed, the Company had on 31 July 2013 procured the Undertaking from LTH, the major shareholder of the Company, subject to the following:-

(a) LTH obtaining the approval of BNM under Section 99 of the IFSA for the increase in its shareholdings in our Company pursuant to its performance of the Undertaking in connection with the Rights Issue with Warrants (which was obtained on 25 October 2013); and

(b) all regulatory and other required approvals having been obtained by our Company for the Rights Issue with Warrants including, *inter-alia*, the listing of the Rights Shares and Warrants on the Main Market of Bursa Securities (which was obtained on 17 September 2013) and the approval of the shareholders of our Company (which was obtained on 17 October 2013).

In view of the Undertaking, no underwriting arrangement has been made for the Rights Issue with Warrants.

As at the LPD, LTH holds directly 544,817,039 BHB Shares, representing 51.07% of the issued and paid-up share capital in our Company.

Based on the shareholdings of LTH as at the LPD, the number of Rights Shares that LTH may subscribe pursuant to the Rights Issue with Warrants and the Undertaking are as follows:-

	Existing as at the LPD		Pursuant to the Undertaking			
			Subscription in full for its entitlement	Subscription for the remaining Rights Shares	Total Rights Shares pursuant to the Undertaking	
	No. of Shares	**%**	**No. of Shares**	**No. of Shares**	**No. of Shares**	**%[(a)]**
LTH	544,817,039	51.07	217,926,815	208,789,143	426,715,958	100.00

Note:-

(a) Percentage calculated based on 426,715,958 Rights Shares available for subscription under the Rights Issue with Warrants.

LTH has, in the Undertaking, represented and warranted to our Company that it has sufficient financial resources to satisfy the consideration that would be payable in connection with the performance of its obligations set out in the Undertaking. Bank Islam has verified that LTH has sufficient financial resources to subscribe for the Rights Shares pursuant to the Undertaking.

As LTH holds more than 50% of the voting shares of our Company, the Undertaking will not result in LTH having to undertake a general offer pursuant to the Code.

For illustrative purposes, assuming LTH subscribes for 100% of the Rights Shares under the Rights Issue with Warrants pursuant to the Undertaking, the proforma effect on LTH's shareholdings in the Company and the public shareholding spread of the Company is as follows:-

	LTH's shareholdings in BHB (%)	**BHB's public shareholding spread (%)**
As at the LPD	51.07	48.93
After the Rights Issue with Warrants (I)	65.05	34.95
After (I) and assuming full exercise of the Warrants	72.82	27.18

4. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT AND EXCESS APPLICATION

4.1 General

If you are an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Rights Shares with Warrants, which you are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. You will find enclosed together with this AP, the NPA notifying you of the crediting of such Provisional Rights Shares with Warrants into your CDS Account and the RSF to enable you to subscribe for the Provisional Rights Shares with Warrants, as well as to apply for Excess Rights Shares with Warrants, if you choose to do so.

4.2 NPA

The Provisional Rights Shares with Warrants are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights Shares with Warrants will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You and/or your transferee/renouncee (if applicable) are required to have valid and subsisting CDS Accounts when making your applications.

4.3 Last Time and Date for Acceptance and Payment

The last time and date for acceptance and payment for the Provisional Rights Shares with Warrants is at **5.00 p.m. on 27 November 2013**, or such later time and date as our Board may determine at its absolute discretion. Where the closing date of the acceptance is extended from the original closing date, the announcement of such extension will be made not less than two (2) Market Days before the original closing date.

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4.4 Procedure for Full Acceptance and Payment

Acceptance and payment for the Provisional Rights Shares with Warrants by you as an Entitled Shareholder and/or your transferee/renouncee (if applicable) must be made on the RSF enclosed together with this AP and must be completed in accordance with the notes and instructions contained in these documents. Acceptances which do not conform to the terms of this AP, NPA or RSF or the notes and instructions contained in these documents or which are illegible may be rejected at the absolute discretion of our Board.

FULL INSTRUCTIONS FOR THE ACCEPTANCE AND PAYMENT FOR THE PROVISIONAL RIGHTS SHARES WITH WARRANTS, APPLICATION FOR THE EXCESS RIGHTS SHARES WITH WARRANTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL/TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF.

YOU AND/OR YOUR TRANSFEREE/RENOUNCEE (IF APPLICABLE) ARE ADVISED TO READ THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS PRINTED THEREIN CAREFULLY.

Each completed and signed RSF together with the relevant payment must be despatched by **ORDINARY POST**, **COURIER** or **DELIVERED BY HAND**, at your own risk, in the self-addressed envelope provided, to our Share Registrar at the following address:-

(i) by **ORDINARY POST**

Peti Surat 9150
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

; or

(ii) by **COURIER** or **DELIVERED BY HAND**

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Helpdesk Tel: 03-7849 0777
Fax: 03-7841 8151/8152

so as to arrive not later than **5.00 p.m. on 27 November 2013**, being the last time and date for acceptance and payment, or such later time and date as may be determined and announced by our Board at its absolute discretion. In order to facilitate the processing of the RSF by the Share Registrar for the Rights Issue with Warrants, you are advised to use one (1) reply envelope for each completed RSF.

One (1) RSF can only be used for the acceptance of Provisional Rights Shares with Warrants standing to the credit of one (1) CDS Account. Separate RSF must be used for the acceptance of Provisional Rights Shares with Warrants standing to the credit of more than one (1) CDS Account. If successful, the Rights Shares (together with the corresponding number of Warrants) subscribed by you and/or your transferee/renouncee (if applicable) will be credited into the respective CDS Accounts where the Provisional Rights Shares with Warrants is standing to the credit.

You and/or your transferee/renouncee (if applicable) should take note that a trading board lot for the Rights Shares will comprise 100 Rights Shares. The minimum number of securities that can be subscribed for or accepted is two (2) Rights Shares with two (2) Warrants for every five (5) existing BHB Shares held. Fractions of a Rights Share (together with the corresponding number of Warrants) will be disregarded and shall be dealt with in such manner as our Board in its absolute discretion deem fit and expedient, and in the best interests of our Company.

If the acceptance and payment for the Provisional Rights Shares with Warrants by you and/or your transferee/renouncee (if applicable) are not received by our Share Registrar by **5.00 p.m. on 27 November 2013**, being the last time and date for the acceptance and payment, or such later time and date as may be determined and announced by our Board not less than two (2) Market Days before the stipulated time and date at its absolute discretion, you and/or your transferee/renouncee (if applicable) will be deemed to have declined the Provisional Rights Shares with Warrants made to you and/or your transferee/renouncee (if applicable) and it will be cancelled. Such Rights Shares (together with the corresponding number of Warrants) that are not taken up will be allotted to the applicants applying for Excess Rights Shares with Warrants. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar. Our Board reserves the right not to accept or to accept in part only of, any application without providing any reasons.

You and/or your transferee/renouncee (if applicable) who lose, misplace or for any other reasons require another copy of the RSF may obtain additional copies from your respective stockbroker, Bursa Securities' website (http://www.bursamalaysia.com), our Share Registrar (at the address stated above) or our registered office.

EACH COMPLETED RSF MUST BE ACCOMPANIED BY REMITTANCE MADE IN RM FOR THE FULL AMOUNT IN THE FORM OF BANKER'S DRAFT, CASHIER'S ORDER, MONEY ORDER OR POSTAL ORDER DRAWN ON A BANK OR POST OFFICE IN MALAYSIA CROSSED "A/C PAYEE ONLY" AND MADE PAYABLE TO "BHB RIGHTS ISSUE WITH WARRANTS ACCOUNT" AND ENDORSED ON THE REVERSE SIDE WITH THE NAME, ADDRESS AND CDS ACCOUNT OF THE APPLICANT IN BLOCK LETTERS TO BE RECEIVED BY OUR SHARE REGISTRAR.

APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY BE REJECTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN WITHIN THE APPROPRIATE BOXES PROVIDED IN THE RSF.

NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES (TOGETHER WITH THE CORRESPONDING NUMBER OF WARRANTS), AND NOTICES OF ALLOTMENT WILL BE ISSUED AND FORWARDED BY ORDINARY POST TO THEM AND/OR THEIR TRANSFEREE/RENOUNCEE (IF APPLICABLE) AT THEIR OWN RISK TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE (OR SUCH LATER DATE AS OUR BOARD MAY DETERMINE AND ANNOUNCE NOT LESS THAN TWO (2) MARKET DAYS BEFORE THE STIPULATED DATE) FOR ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS.

APPLICANTS SHOULD NOTE THAT THE RSF AND REMITTANCES THAT ARE LODGED WITH OUR SHARE REGISTRAR SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN.

WHERE AN APPLICATION IS NOT ACCEPTED OR ACCEPTED ONLY IN PART, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO THE APPLICANT WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE (OR SUCH LATER DATE AS OUR BOARD MAY DETERMINE AND ANNOUNCE NOT LESS THAN TWO (2) MARKET DAYS BEFORE THE STIPULATED DATE) FOR THE ACCEPTANCE AND PAYMENT FOR THE RIGHTS ISSUE WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

4.5 Procedure for Part Acceptance

You can accept part of your Provisional Rights Shares with Warrants. The minimum number of securities that can be subscribed for or accepted is two (2) Rights Shares with two (2) Warrants for every five (5) existing BHB Shares held.

You must complete Parts I(A) and II of the RSF by specifying the number of Rights Shares which you are accepting and deliver the completed RSF together with the relevant payment to our Share Registrar, in the same manner as set out in Section 4.4 of this AP.

The portion of the Provisional Rights Shares with Warrants that have not been accepted shall be allotted to any other persons allowed under the laws, regulations or rules to accept the transfer of the Provisional Rights Shares with Warrants who have made Excess Rights Shares with Warrants applications as set out in Section 4.8 of this AP.

4.6 Procedure for Sale or Transfer of Provisional Rights Shares with Warrants

As the Provisional Rights Shares with Warrants are prescribed securities, you may sell or transfer all or part of your entitlement to the Provisional Rights Shares with Warrants to one (1) or more person through your stockbroker without first having to request for a split of the Provisional Rights Shares with Warrants standing to the credit of your CDS Accounts. To dispose all or part of your entitlement to the Provisional Rights Shares with Warrants, you may sell such entitlement on the open market or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository.

In selling or transferring all or part of your Provisional Rights Shares with Warrants, you and/or your transferee/renouncee (if applicable) need not deliver any document including the RSF, to any stockbroker. However, you and/or your transferee/renouncee (if applicable) must ensure that there are sufficient Provisional Rights Shares with Warrants standing to the credit of your and/or their CDS Accounts that are available for settlement of the sale or transfer.

If you have sold or transferred only part of your Provisional Rights Shares with Warrants, you may still accept the balance of your Provisional Rights Shares with Warrants by completing the RSF. Please refer to Section 4.4 of this AP for the procedures applicable to the acceptance and payment.

A purchaser or transferee of the Provisional Rights Shares with Warrants may obtain a copy of this AP and the RSF from his stockbroker or from our Share Registrar (at the address stated above) or our registered office. This AP and RSF are also available on Bursa Securities' website (http://www.bursamalaysia.com).

4.7 Procedure for Acceptance by Transferee/Renouncee

A transferee/renouncee who wishes to accept the Provisional Rights Shares with Warrants must obtain a copy of the RSF from his stockbroker, our Share Registrar (at the address stated above), our registered office or from Bursa Securities' website (http://www.bursamalaysia.com), complete the RSF and submit the same together with the remittance in accordance with the notes and instructions printed therein.

The procedure for acceptance and payment applicable to an Entitled Shareholder as set out in Section 4.4 of this AP also applies to a transferee/renouncee who wishes to accept the Provisional Rights Shares with Warrants.

TRANSFEREES/RENOUNCEES ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND RSF CAREFULLY.

4.8 Procedure for the Application for the Excess Rights Shares with Warrants

As an Entitled Shareholder, you and/or your transferee/renouncee (if applicable) may apply for Excess Rights Shares with Warrants in addition to the Provisional Rights Shares with Warrants allotted to you and/or your transferee/renouncee (if applicable) by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forward it (together with a **separate remittance** for the full amount payable in respect of the Excess Rights Shares with Warrants applied for) to our Share Registrar (at the address stated above), so as to arrive **not later than 5.00 p.m. on 27 November 2013**, being the last time and date for the acceptance and payment, or such later time and date as may be determined and announced by our Board at its absolute discretion.

Payment for the Excess Rights Shares with Warrants applied for should be made in the same manner as described above, except that the Banker's Draft, Cashier's Order, Money Order or Postal Order drawn on a bank or post office in Malaysia crossed **"A/C PAYEE ONLY"** and made payable to **"BHB EXCESS RIGHTS ISSUE WITH WARRANTS ACCOUNT"** and endorsed on the reverse side with the name, address and CDS Account of the applicant in block letters to be received by our Share Registrar.

It is the intention of our Board to allot the Excess Rights Shares with Warrants, if any, on a fair and equitable basis and in the following priority:-

(i) firstly, to minimise the incidence of odd lots;

(ii) secondly, for allocation to Entitled Shareholders who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on their respective shareholdings as at the Entitlement Date;

(iii) thirdly, for allocation to the Entitled Shareholders who have applied for the Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for; and

(iv) finally, for allocation to transferees and/or renouncees who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights Shares with Warrants applied for.

Nevertheless, our Board reserves the right to allot any Excess Rights Shares with Warrants applied under Part I(B) of the RSF in such manner as our Board deems fit and expedient and in the best interest of our Company subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board set out in Section 4.8 (i)-(iv) above are achieved. Our Board also reserves the right to accept the Excess Rights Shares with Warrants application, in full or in part, without assigning any reason.

IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE (OR SUCH LATER DATE AS OUR BOARD MAY DETERMINE AND ANNOUNCE NOT LESS THAN TWO (2) MARKET DAYS BEFORE THE STIPULATED DATE) FOR THE ACCEPTANCE AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS PROVIDED BY BURSA DEPOSITORY AT THE APPLICANTS' OWN RISK.

4.9 Form of Issuance

Bursa Securities has prescribed the securities listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares and Warrants are prescribed securities and as such, the SICDA and the Rules of Bursa Depository shall apply in respect of the dealings in the Rights Shares and Warrants.

Failure to comply with the specific instructions for applications or inaccuracy in the CDS Account number may result in the application being rejected. No physical share certificate shall be issued to you under the Rights Issue with Warrants. Instead, the Rights Shares (together with the corresponding number of Warrants) will be credited directly into your CDS Accounts.

The notices of allotment will be issued and forwarded to you by ordinary post at your own risk to the address shown in the Record of Depositors provided by Bursa Depository within eight (8) Market Days from the last date (or such later time and date as our Board may determine and announce not less than two (2) Market Days before the stipulated date) for acceptance and payment of the Rights Issue with Warrants.

Any person who intends to subscribe for the Rights Shares as a renouncee by purchasing the Provisional Rights Shares with Warrants from an Entitled Shareholder will have his Rights Shares (together with the corresponding number of Warrants) credited directly as prescribed securities into his CDS Account.

The Excess Rights Shares with Warrants, if allotted to the successful applicant who applied for Excess Rights Shares with Warrants, will be credited directly as prescribed securities into his CDS Account.

4.10 Laws of Foreign Jurisdictions

No steps have been, or will be taken to ensure that the Documents comply with the laws of any foreign jurisdiction. The Documents have not been (and will not be) lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any jurisdiction other than Malaysia. The Rights Issue with Warrants will not be made or offered in any jurisdiction other than Malaysia.

A foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) may accept or renounce (as the case may be) all or any part of his entitlements and exercise any other rights in respect of the Rights Issue with Warrants provided that it would be lawful for him to do so.

Bank Islam, other experts, our Company and our Board and officers would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) are or may be subject to. A foreign Entitled Shareholder or his transferee/renouncee (if applicable) shall solely be responsible to seek advice as to the laws of the jurisdictions to which they are or may be subject to. Bank Islam, other experts, our Company and our Board and officers shall not accept any responsibility or liability in the event that any acceptance or renunciation made by any foreign Entitled Shareholder and/or transferee/renouncee (if applicable), is or shall become unlawful, unenforceable, voidable or void in any such jurisdiction.

Accordingly, the Documents will not be sent to a foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) who does not have a registered address in Malaysia. However, such foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) may collect the Documents from our Share Registrar, in which event our Share Registrar shall be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

A foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) will be responsible for the payment of any issue, transfer or any other taxes or other requisite payments due in the jurisdiction outside of Malaysia and we shall be entitled to be fully indemnified and held harmless by such foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) for any issue, transfer or other taxes or duties as such person may be required to pay. A foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) will have no claims whatsoever against us or Bank Islam in respect of their rights and entitlements under the Rights Issue with Warrants. Such foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) should consult their professional advisers as to whether each of them requires any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the Rights Issue with Warrants.

By signing any of the forms accompanying the Documents, a foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) is deemed to have represented, acknowledged and declared in favour of (and which representations, acknowledgements and declarations will be relied upon by) Bank Islam, other experts, our Company and our Board and officers that:-

(i) we would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which that foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) is or may be subject to;

(ii) the foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) has complied with the laws to which they are or may be subject to in connection with the acceptance or renunciation;

(iii) the foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) is not a nominee or agent of a person in respect of whom we would, by acting on the acceptance or renunciation, be in breach of the laws of any jurisdiction to which that person is or may be subject to;

(iv) the foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) is aware that the Rights Shares and Warrants can only be transferred, sold or otherwise disposed off, or charged, hypothecated or pledged in accordance with the applicable laws of Malaysia;

(v) the foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) has respectively received a copy of this AP and have had access to such financial and other information and have been afforded the opportunity to pose such questions to the representatives of our Company and receive answers thereto as they deem necessary in connection with their decision to subscribe for or purchase the Rights Shares (together with the corresponding number of Warrants); and

(vi) the foreign Entitled Shareholder and/or his transferee/renouncee (if applicable) has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares (together with the corresponding number of Warrants), and is and will be able, and is prepared to bear the economic and financial risks of investing in and holding the Rights Shares (together with the corresponding number of Warrants).

Persons receiving the Documents (including without limitation custodians, nominees and trustees) must not, in connection with the offer, distribute or send it into any jurisdiction where to do so would or might contravene local securities, exchange control or relevant laws or regulations. If the Documents are received by any persons in such jurisdiction, or by the agent or nominee of such a person, he must not seek to accept the offer unless he has complied with and observed the laws of the relevant jurisdiction in connection herewith.

Any person who does forward the Documents to any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this section.

Our Company reserves the right, in its absolute discretion, to treat any acceptance of the Rights Shares as invalid if it believes that such acceptance may violate any applicable legal or regulatory requirements in Malaysia.

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5. DETAILS OF THE ACQUISITIONS

Our Company, DFG and LTH had on 31 July 2013, executed the SPA for the Acquisitions.

The Acquisition of DFG Block is for a purchase consideration of USD550,000,000 to be satisfied fully in cash. The Acquisition of LTH Block is for a purchase consideration of the RM equivalent of USD334,603,069 to be satisfied fully in cash.

The exchange rate for determining the RM equivalent for the purchase consideration for the LTH Block was based on the same exchange rate at which our Company procured the purchase of, and/or conversion of its RM funds into, USD550,000,000 to satisfy the purchase consideration for the DFG Block.

Our Company has the right to elect not to proceed to complete the SPA if, amongst others, it is unable to procure the purchase of, and/or conversion of its RM funds into, USD550,000,000 at an exchange rate of no more than USD1 = RM3.35 ("**Maximum Exchange Rate**") (for the purposes of satisfying the purchase consideration for the DFG Block). The rationale for the Maximum Exchange Rate is to set a maximum acceptable price for the Acquisitions, after taking into consideration the basis and justification of arriving at the Purchase Consideration as set out in Section 5.1 of this AP.

If our Company elects not to proceed to complete the SPA, LTH will proceed to acquire the DFG Block at the purchase price of USD550,000,000 in accordance with the terms and conditions of the SPA ("**Alternative Transaction**").

In respect of the above, our Company had procured the purchase of the USD550,000,000 at a weighted average exchange rate of USD1 = RM3.2338 (rounded to nearest four (4) decimal points) pursuant to a Foreign Exchange Forward Contract (as defined below). On the basis of this weighted average exchange rate, the details, and the aggregate, of the Purchase Consideration payable by BHB to DFG and LTH for the DFG Block and LTH Block respectively are as follows:-

Vendor	USD	RM
DFG	550,000,000	1,778,595,000
LTH	334,603,069	1,082,042,446
Total	884,603,069	2,860,637,446
PBR (times)		1.79[(a)] / 1.88[(b)]
PER (times)		13.66[(c)]

Notes:-

(a) Based on the unaudited consolidated NA of Bank Islam as at 30 June 2013 of RM3.259 billion.
(b) Based on the audited consolidated NA of Bank Islam as at 31 December 2012 of RM3.103 billion.
(c) Based on the audited consolidated profit after tax of Bank Islam of RM427.259 million for the FYE 31 December 2012.

Background and details of the Foreign Exchange Forward Contract

The Company had entered into an agreement with Standard Chartered Saadiq Berhad ("**SCSB**") and LTH governing the terms and conditions in respect of foreign currency transactions for the purchase of a sum not exceeding USD550,000,000 by BHB ("**Foreign Exchange Forward Contract**"), to be delivered by or before 31 December 2013.

This was contemplated under the terms of the SPA for the Acquisitions which provides that within three (3) weeks from the date of obtaining the approval of our shareholders for the Acquisitions and Rights Issue with Warrants, our Company shall use all best efforts to purchase, and/or convert its RM funds into, an aggregate amount of USD550,000,000 at an exchange rate of no more than USD1 = RM3.35 for the payment of the purchase consideration for the Acquisition of DFG Block. As the completion of the Rights Issue with Warrants and Sukuk Issue is anticipated to be completed at a much later date from the said three (3) weeks, the Foreign Exchange Forward Contract provides our Company with an avenue to ensure that the exchange rate payable on completion does not exceed USD1 = RM3.35.

In this regard, after taking into consideration the strengthening of the USD and volatility of USD:RM exchange rate subsequent to the signing of the SPA, our Company had decided to take a proactive action to purchase USD550,000,000 via several purchases under the Foreign Exchange Forward Contract as mentioned above.

Pursuant to the terms and conditions of the Foreign Exchange Forward Contract, LTH shall assume all rights, title, interest, obligations and liabilities of our Company under the terms and conditions of the Foreign Exchange Forward Contract in the event, *inter alia*, that SCSB is notified of the Alternative Transaction coming into effect.

5.1 Basis and Justification of Arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the following:-

(i) Bank Islam's audited consolidated NA of RM3.103 billion as at 31 December 2012 and unaudited consolidated NA of RM3.259 billion as at 30 June 2013. The Purchase Consideration represents a PBR of approximately:-

  (a) 1.88 times based on the audited consolidated NA as at 31 December 2012; and

  (b) 1.79 times based on the unaudited consolidated NA as at 30 June 2013;

(ii) Bank Islam's audited consolidated profit after tax of RM427.259 million for the FYE 31 December 2012; and

(iii) the future prospects of Bank Islam as detailed in Section 9.5 of this AP.

5.2 Status of DFG Block and LTH Block

The DFG Block and LTH Block shall be acquired free from all encumbrances and with all rights attaching thereto including all dividends and distributions declared, made or paid on or after the date of completion of the SPA.

5.3 Liabilities to be Assumed

Other than the obligation to pay the Purchase Consideration (which obligation shall be performed on the completion of the SPA in accordance with the terms of the SPA), we will not assume any liabilities, including contingent liabilities and guarantees, arising from the Acquisitions. The existing liabilities and contingent liabilities of Bank Islam as at 31 December 2012 shall remain in the books of Bank Islam and shall be settled in the ordinary course of business by Bank Islam.

6. RATIONALE FOR THE FUND RAISING

After due consideration of the funding options available (i.e. fund raising exercise through either a pure rights issue or a pure debt financing), the Board is of the view that the Fund Raising is in the best interest of the Company. The Fund Raising is to enable our Company to raise the requisite equity and debt capital to fund the Acquisitions. In addition, the combination of the Rights Issue with Warrants and the Sukuk Issue will enable our Company to optimise our capital structure.

The Fund Raising is the appropriate means of fund raising after taking into consideration the following factors:-

(a) the Rights Issue with Warrants will provide an opportunity for our existing shareholders to further participate in the equity of our Company without diluting their respective shareholdings (assuming all the Entitled Shareholder fully subscribe for their respective entitlements to the Rights Shares) and ultimately, participate in the prospects and future growth of our Group;

(b) the free Warrants attached to the Rights Shares are intended to provide an attractive incentive to the shareholders of our Company to subscribe for the Rights Shares as well as another avenue to further participate in the equity of our Company upon the exercise of the Warrants in the future. The proceeds that will be raised from their exercise of Warrants will be utilised as a source for the repayment of the Sukuk Issue; and

(c) the improved effect on the EPS for fund raising through a combination of debt and equity as compared to fund raising only through equity.

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7. UTILISATION OF PROCEEDS

The Fund Raising is expected to raise gross proceeds of approximately RM2.900 billion which our Company proposes to utilise as follows:-

	RM'000
Proceeds to be raised from:-	
Rights Issue with Warrants	1,813,543
Sukuk Issue	1,086,469
Total	2,900,012

Description of utilisation of proceeds	Note	RM'000	Estimated timeframe for utilisation from the date of the listing of the Rights Shares and issuance of the Sukuk Issue
For payment of the Purchase Consideration	(a)	2,860,637	Within six (6) months
Estimated stamp duty for the Acquisitions	(b)	8,600	Within six (6) months
Estimated expenses for the Corporate Exercises	(c)	14,300	Within six (6) months
Working capital	(d)	16,475	Within 36 months
Total		2,900,012	

Notes:-

(a) *The proceeds of approximately RM2.861 billion are expected to be utilised for the payment of the Purchase Consideration. The details, and the aggregate, of the purchase consideration payable by BHB to DFG and LTH for the DFG Block and the LTH Block respectively are as follows:-*

	USD'000	*RM'000*
DFG Block	*550,000*	*1,778,595*
LTH Block	*334,603*	*1,082,042*
Total	***884,603***	***2,860,637***

(b) *The stamp duty for the Acquisitions is 0.3% of the total Purchase Consideration which is approximately RM8.6 million.*

(c) *The details of the estimated expenses for the Corporate Exercises are as follows:-*

Details of the Estimated Expenses	***RM'000***
Stamp duty for the Sukuk Issue	*8,300*
Professional fees	*5,000*
Fees payable to the authorities	*700*
Printing cost of circular and abridged prospectus and advertising	*250*
Miscellaneous expenses	*50*
Total	***14,300***

(d) *The proceeds amounting to approximately RM16.5 million are expected to be utilised towards our Company's working capital requirement which mainly comprise operating and administrative expenses including amongst others, salaries and wages, rental of premises and equipments, and other general expenses expected to be incurred over the estimated period of utilisation.*

The quantum of proceeds that may be raised by our Company from the exercise of the Warrants would depend upon the exercise price and the actual number of the Warrants that are exercised during the tenure of the Warrants. For illustrative purpose, assuming the full exercise of the Warrants prior to the expiry of the tenure at an exercise price of RM4.72 per Warrant, our Company would be able to raise approximately RM2.014 billion which would be utilised to fund the redemption of the Sukuk Issue. Other sources for the repayment of the Sukuk Issue are expected to be funded from internally-generated funds and/or through the refinancing of the Sukuk Issue via debt or equity.

Any shortfall or excess in the funds allocated for the estimated expenses will be funded from or used for the working capital of our Group.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the above purpose, the proceeds will be placed in Shariah compliant deposits with financial institutions or short-term money market instruments. The profit derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital for our Group.

8. RISK FACTORS

You and/or your transferee/renouncee (if applicable) should carefully consider the following risk factors (which may not be exhaustive) which may have an impact on the future performance of our Group, in addition to other information contained elsewhere in this AP, before subscribing for or investing in the Rights Issue with Warrants.

8.1 Risks relating to our Group

(a) Regulatory environment

Government policies have a direct impact on banking and financial institutions in Malaysia due to the nature of the industry and the fact that the industry remains closely regulated by BNM. BHB is an investment holding company for financial industry related companies such as Bank Islam, Syarikat Takaful Malaysia Berhad ("**Takaful Malaysia**") and BIMB Securities Sdn Bhd ("**BIMBSEC**"). Bank Islam and Takaful Malaysia are under purview of Minister of Finance and BNM whilst BIMBSEC is regulated by the SC. Bank Islam and Takaful Malaysia for example, are subject to the IFSA. The business activities of BIMBSEC are conducted under licence issued by the SC and subject to compliance with the CMSA.

Failure to comply with any of these laws and/or directions of the regulators could lead to these entities becoming subject to investigations and/or, fines with sanctions which may in turn adversely affect our business. There can also be no assurance that any future changes to present laws or the introduction of new regulations will not have an adverse impact on our Group's business.

(b) Increased competition

The government of Malaysia continues to implement a policy of liberalising the financial and banking sectors by allowing banks and financial institutions to provide their customers with a wider range of services, both by permitting increased competition from banks and other financial institutions and by broadening the range of investment instruments, such as mutual funds, available to the public.

Banking

Increased competition could have an adverse effect on Bank Islam's business, results of operations and financial condition in the future, including, for instance, slower growth in Bank Islam's financing portfolio, reduced net financing margins and spreads, decreased non-fund based (fee-based) income and/or increased cost of funding as well as a decline in the volume of Bank Islam's related businesses.

While Bank Islam believes that it has formulated a strategy to compete effectively, there can be no assurance that it will be able to execute its strategy or that it will be able to effectively compete against its existing and future competitors.

Takaful

Takaful Malaysia may face competition from industry players in term of the contributions charged and other terms and conditions of coverage, product features, service provided, distribution capabilities, scale, experience, commission structure, brand strength, name recognition, information technology and actual or perceived financial strength.

Barring unforeseen circumstances, our Group believes that financial and operational performance of Takaful Malaysia could leverage on its increased underwriting and investment activity, growing acceptance of Takaful Malaysia brand, better market accessibility via enhanced distribution capabilities and the development of strategic preferred partnerships with Islamic banks.

Notwithstanding the above, no assurance can be given that Takaful Malaysia will continue to operate profitably or to increase its market share in the future.

Stockbroking

Similarly for the stockbroking industry, BIMBSEC faces various degrees of competition from other stockbroking companies especially those which have been granted investment banking licences and universal brokers status by the SC as these companies are able to offer a wide range of capital market services.

Barring unforeseen circumstances, our Group believes that BIMBSEC, fully supported by the banking operations within our Group could benefit from the consolidation of certain aspects of the operations of the stockbroking and banking in maximising efficiency, reap economies of scale, ability to gain access to fund at lower costs, reaching out to a wider investor base to promote cross-selling of financial products and services as well as providing comprehensive capital market products and services to its clients. Notwithstanding the above, no assurance can be given that BIMBSEC will continue to operate efficiently or to be able to leverage on the benefits mentioned above.

(c) Concentration of financing portfolio; growth in financing portfolio

Bank Islam is predominantly a retail bank. Consumer based products such as personal financing, house financing and vehicle financing account for a significant portion of Bank Islam's financing portfolio.

In relation to Bank Islam's concentration on financing for the consumer based products, continued growth in this area will depend on various factors including domestic economic growth, stability of profit rates and competition. Accordingly, no assurance can be given that Bank Islam's financing portfolio will in the future continue to grow at the same rate as in the past, or at all or that other businesses such as corporate and commercial banking will compensate for any potential loss in consumer banking revenues.

Due to a high level of competition within the consumer based financing products, maintaining profit rates is challenging and may therefore threaten Bank Islam's future profit yield. The financing growth for Bank Islam particularly consumer based products, depends on a number of factors, including sustained income/salary growth, stable employment prospects as well as a resilient real estate market. Therefore, there can be no assurance that Bank Islam's financing portfolio for consumer based financing products will continue to grow. In addition, Bank Islam is also exposed to credit risk where the inability of its customers to service financing will lead to default and increased number of impaired financing. Further, potential increase in the cost of attracting funds could have an adverse impact on the net profit yield of the consumer portfolio and other businesses.

(d) Counter party risk or borrowers' default risk and the adequacy of Bank Islam Group's allowance for financing losses

Borrowers do not always repay their financing. The risk of non-payment is affected by credit risks of a particular borrower, changes in economic and industry conditions, the duration of the financing and in the case of collateralised financing, uncertainties as to the future value of the collateral or the actual realization of the collateral value. There can be no assurance that Bank Islam's allowance for financing or credit losses is or will be sufficient to absorb actual losses. An increase in Bank Islam's impaired financing would have an adverse effect on Bank Islam's financial conditions, result of operations and total capital adequacy ratio.

(e) Liquidity risk

The funding requirements of Malaysian banks are primarily met through short-term funding sources, namely short term deposits from customers and other financial institutions of which a large proportion is rolled over during normal business circumstances. 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, do not roll over their deposited funds upon maturity in the future, Bank Islam's liquidity position could be adversely affected and Bank Islam 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. There can be no assurance that Bank Islam will succeed in obtaining these deposits on favourable terms, or at all.

Furthermore Bank Islam's liquidity position could be affected by other events, such as a sudden unexpected withdrawal of a large number of deposits due to (perceived) adverse circumstances at Bank Islam, the Malaysian or global economy, or both. Although Bank Islam has in place a robust liquidity crisis management plan, there is no assurance that Bank Islam will in fact be able to effectively execute the plan when a liquidity crisis unfolds.

Further, Bank Islam's liquidity position is directly affected by the level of its financing to deposit ratio as increased financing is required to be funded by increased deposits or other sources of funds. Although Bank Islam's financing to deposit ratio is currently below market average, there is no assurance that this will remain the case and as such a rising financing to deposit ratio due to increased financing activities might have an impact on Bank Islam's liquidity position.

For takaful business, the risks of withdrawal from Family Takaful plans by participants, potential claims and potential loss in its investment may affect its cash flow and in turn affect its liquidity and profitability. In managing this risk, Takaful Malaysia have put in place guidelines on asset allocations, portfolio limit structures and maturity profiles for assets in order to ensure sufficient funding is available to meet takaful and investment contracts obligations. It also has catastrophe excess of loss retakaful contracts which contains clauses permitting the immediate draw down of funds to meet claims payments should claims events exceed certain amount.

For BIMBSEC, the liquidity risk includes the risk or exposure that BIMBSEC undertakes from trading activities on behalf of its clients that is beyond its financial capacity and as a result, BIMBSEC may not be able to meet payment obligations with Bursa Malaysia Securities Clearing Sdn Bhd or third party on settlement date. Nevertheless and as at the LPD, BIMBSEC has been able to manage such risk efficiently.

Liquidity risk is inherent in BIMBSEC's investment instruments or securities which BIMBSEC may not be able to sell or transfer quickly and at a reasonable price, and incur a significant loss. BIMBSEC has regularly reviewed its limits structure as safety nets against large exposure risk. This limit structure ensures that BIMBSEC does not participate in activities that are beyond its financial capacity or breach any statutory limit. In addition, BIMBSEC also maintains an optimum level of operating liquidity and maintains a liquid margin to further mitigate liquidity risk.

However, there can be no assurance that the above measures to mitigate the liquidity risk will not have a material impact on the business and financial performance of our Group.

(f) Dependence on key personnel

Our Group believes that our continued success will depend significantly on the abilities and continued efforts of our existing Directors, senior management and staff. The loss of key members of the senior management could have an impact on the operations of our Company. The future success of our Group would depend on our ability to attract and retain skilled personnel. Our Group is confident that with a comprehensive human resource management policy covering the areas of continuous education and training, career development and conducive working environment will ensure that our Group continues to compete effectively in the financial services industry. There can be no assurance that these measures will always be successful in retaining key personnel or ensuring a smooth transition should changes occur. Notwithstanding the above, our Group has established a succession plan to develop internal employees with experience and potential to fill key business and operational leadership positions in our Group as they become available.

(g) Profit rate risk

Profit rate risk is the exposure of Bank Islam to adverse movements in the profit rate (or rate of return). Generally Bank Islam accepts this risk as it can be an important source of Bank Islam's overall profitability. However, excessive profit rate risk can pose a significant threat to Bank Islam's earnings and capital base. There are generally three (3) sources of profit rate risk:-

(i) Repricing risk. The primary and most important form of profit rate risk arises from timing differences in the maturity (for fixed rate) and repricing (for floating rate) of Bank Islam's assets, liabilities and off balance sheet positions. For instance if a long term fixed term financing is funded by short term (fixed or variable rate) deposits, Bank Islam could face a decline in future income arising from that position and the underlying economic value if profit rates increase. These declines arise because the cash flows on the financing are fixed over its lifetime whereas the return paid on the funding is variable and increases after the short term deposit matures;

(ii) Yield curve risk. Changes in the slope and shape of the yield curve (profit rates generally differ for different maturities of an asset or liability) can also expose Bank Islam to repricing mismatches. For instance, the underlying value of a long term 10-year government security portfolio hedged by short term 3-month deposits could decline sharply if the yield curve steepens (i.e. long term rates rise faster than short term rates); and

(iii) Basis risk. Basis risk arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics. For example, a strategy of funding a 1-year financing that reprices monthly based on Bank Islam's Base Financing Rate with a 1-year deposit that reprices monthly based on one-month Kuala Lumpur Interbank Offered Rate, exposes Bank Islam to the risk that the spread between the 2 index rates may change.

Profit rate changes have both a direct impact on Bank Islam's earnings and its capital base.

Even though Bank Islam has a risk management process in place to manage its profit rate risk, there can be no guarantee that Bank Islam will be able to effectively manage that risk in case of a sudden and sharp change in profit rates.

(h) Political and economic risk

Changes to the political and economic conditions in Malaysia could materially and adversely affect the financial and business prospects of our Group. These political, economic and regulatory uncertainties include, but are not limited to, the changes in government policies, risk of war, expropriation, nationalization, re-negotiation or nullification of contracts.

Although continuous measures may be taken by our Group, such as stringent internal controls and effective operating procedures, no assurance can be given that any adverse development in political and economic conditions will not have a material impact on the business and financial performance of our Group.

(i) Operational risks

Operational risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events, including legal risk, and Shariah non-compliance risk but excludes strategic or reputation risk." Although our Group has robust policies, procedures and processes in place to mitigate the impact of operational risk losses, our Group cannot guarantee that it will not be impacted by a major internal or external fraud, systems failures or any other operational risks in the future.

(j) Underwriting risk

In respect of the takaful business, underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting takaful pricing and conditions of takaful or retakaful cover. This may result in the retakaful business having either received too little contribution for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or claims are in excess of those expected.

Takaful Malaysia, which is involved in family and general takaful businesses, adopts a prudent underwriting philosophy supported by retakaful arrangements.

However, there can be no assurance that the business and financial performance of our Group would not be exposed to any underwriting risk.

(k) Volatility risk

The performance of the domestic stock market is highly volatile and cyclical by nature. It is generally linked to the general well-being of the economic performance of the country and therefore, any slowdown will affect Bursa Securities accordingly. Based on past trends, the volume transacted on Bursa Securities during market uncertainties is relatively lower and hence may affect the profitability of BIMBSEC, as it is primarily involved in stockbroking business activities.

Although measures may be taken by our Group to manage such risks, no assurance can be given that this risk factor will not have a material impact on the business and financial performance of our Group.

8.2 Risks relating to the Rights Issue with Warrants

(a) Market Risk for the Rights Shares and Warrants

The issue price of the Rights Shares has been determined, after taking into consideration, amongst others, the funding requirements of the Acquisitions and appropriate discount to the TERP.

The price of our Shares as traded on Bursa Securities will continue to fluctuate, like all listed securities. There is no assurance that our Shares will be trading at or above the TERP of RM4.72 per Share upon the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

In addition, there is also no assurance that our Warrants will be trading "in the money" taking into consideration its exercise price and our share price upon the listing of and quotation for the Warrants on the Main Market of Bursa Securities.

A variety of factors could cause the prices of our Shares to fluctuate, including the sale of substantial amounts of our Shares in the public market; announcements of developments relating to our Group's business; fluctuations in our Group's operating results and revenue levels; and general industry conditions or economic conditions.

In addition to the fundamentals of our Group, the future price performance of our Shares will also depend upon various external factors such as general economic, political and industry conditions, the performance of regional and world bourses as well as sentiments and liquidity in the local stock market.

(b) No Prior Market for the Warrants

The Warrants will be immediately detached from the Rights Shares upon issuance and separately traded on Bursa Securities.

As there is no prior market for the Warrants, there is no assurance that an active market for the Warrants will develop upon their listing, or if developed that such a market will be sustained. The price at which the Warrants will trade on Bursa Securities upon or subsequent to their listing is dependent upon market forces, which are beyond our control.

(c) Delay in or Abortion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:-

(i) material adverse change of events/circumstances, which are beyond the control of our Company and Bank Islam (as the Principal Adviser), arising during the implementation of the Rights Issue with Warrants; or

(ii) a breach by LTH of the terms of the Undertaking.

Our Company will exercise our best endeavours to ensure the successful implementation of the Rights Issue with Warrants. However, the occurrence of the abovementioned factors/events may cause a delay in, or abortion of, the Rights Issue with Warrants. Pursuant to Section 243 of the CMSA, in the event that the Rights Issue with Warrants is aborted, our Company will repay without profit all monies received from the applicants pursuant to this AP, and if any such monies are not repaid within fourteen (14) days after we become liable, we will repay such monies with profit at the rate of 10% per annum or such other rates as may be prescribed by the SC in accordance with Section 243(2) of the CMSA.

(d) Potential Dilution

Entitled Shareholders who do not or are not able to accept the Provisional Rights Shares with Warrants will have their proportionate ownership and voting interests in our Company reduced, and the percentage of our enlarged issued and paid-up ordinary share capital represented by their shareholdings in our Company will also be reduced accordingly.

(e) Forward-Looking Statements

Certain statements in this AP are forward-looking, which are subject to uncertainties and contingencies. All forward-looking statements are based on estimates and assumptions made by our Board, and although believed to be reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to differ materially from the future results, performance or achievements expressed or implied in such forward-looking statements.

In light of these uncertainties, the inclusion of forward-looking statements in this AP should not be regarded as a representation or warranty by our Company and/or the advisers that the plans and objectives of our Group will be achieved or will realise.

8.3 Specific Risks

(a) Redemption of the Sukuk Issue

Our Company would undertake the Sukuk Issue of an issue size of RM1.660 billion in nominal value to partly fund the Acquisitions. This will increase the gearing position of our Company from nil to 0.44 times (before full exercise of Warrants) as disclosed in Section 10.2 of this AP. In this respect, our Company intends to utilise the proceeds from the exercise of the Warrants and/or internally-generated funds as sources of repayment of the Sukuk Issue or refinance the Sukuk Issue via debt or equity.

Notwithstanding that our Company would utilise the proceeds from the exercise of Warrants and/or internally-generated funds to repay the Sukuk Issue, there is no assurance that our Company would be able to service the periodical profit payment and redeem the Sukuk Issue upon its maturity.

(b) Risk of Non-Completion

The completion of the Acquisitions is subject to, amongst others, the following which are beyond the control of BHB:-

(i) fulfilment of the remaining conditions precedent as disclosed in the SPA namely the receipt by BHB of the entire gross proceeds to be raised pursuant to the Fund Raising; and

(ii) DFG Block and LTH Block being acquired free from encumbrances.

As such, there is no assurance that the Acquisitions will be completed in the manner contemplated by our Company. In addition, in the event that the proceeds from the Rights Issue with Warrants are raised whilst the Company is unable to complete the Acquisitions due to whatever unforeseen circumstances, our Company may undertake a capital reduction to return the monies raised from the Rights Issue with Warrants to our shareholders.

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9. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

9.1 Outlook of the Global Economy

The global economy continued to experience modest growth in the second quarter. In the advanced economies, economic activity remained weak, constrained by fiscal adjustments, sluggish labour markets and impaired financial intermediation. In the emerging economies, while domestic demand continued to be an important source of growth, the prolonged weakness in the external environment had begun to affect domestic activity. Against this background, monetary authorities in several emerging economies have eased their monetary policy stance.

Global financial markets experienced increased volatility following uncertainties over monetary policy adjustments in the advanced economies. At the beginning of the second quarter, global equity markets improved, following lower political uncertainty in Italy and some progress in addressing Cyprus' troubled banking sector. The S&P 500 reached an all-time high on 21 May 2013 while the European equity market rose to its highest level since July 2011. The Japanese stock market continued its ascent, led by the improved domestic economic outlook and the aggressive monetary stimulus from the Bank of Japan (BoJ). However, on 22 May 2013, global equity markets deteriorated. This followed the statement by the Federal Reserve Board (Fed) Chairman that indicated a possible reduction in the pace of bond purchases under the Fed's quantitative easing (QE) programme. As a result, government bond yields rose, equity markets declined and volatility across asset classes increased. The US 10-year Treasury bond yield rose from 1.63% at the beginning of May to 2.49% by the end of June. The MSCI World Index declined by 0.1%, and the MSCI Emerging Market Index fell by 6.3% at the end of the second quarter.

Going forward, the global economy continues to face downside risks, emanating from developments in several key economies. Policy uncertainty surrounding the US' QE programme and the European sovereign debt concerns are expected to weigh on market sentiment and growth prospects. While overall growth performance in most emerging economies, including in Asia, will be affected by these developments, domestic demand will continue to support the overall growth performance. The growth prospects are also being augmented by targeted policy measures.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2013, Bank Negara Malaysia)

9.2 Outlook of the Malaysian Economy

While domestic demand in Malaysia has remained strong, the prolonged weakness in the external sector has affected the overall growth performance. In the second quarter, the Malaysian economy expanded by 4.3% (1Q 2013: 4.1%). Private consumption continued to expand, while the growth in gross fixed capital formation was supported by investment activities of the private sector and public enterprises. Exports registered a larger decline, amid weakness across most export products.

On a quarter-on-quarter seasonally adjusted basis, the economy recorded a growth of 1.4% (1Q 2013: -0.4%).

Domestic demand expanded by 7.3% in the second quarter (1Q 2013: 8.2%), spurred by sustained expansion in both household and business spending, and continued support from the public sector.

Private consumption expanded by 7.2% in the second quarter (1Q 2013: 7.5%), supported by stable employment conditions and sustained wage growth in the domestic-oriented sectors. Public consumption growth improved (11.1%; 1Q 2013: 0.1%), reflecting mainly higher government spending on supplies and services, and sustained spending on emoluments.

Gross fixed capital formation continued to expand (6%; 1Q 2013: 13.1%), reinforced by private sector capital spending. Private sector investment grew by 12.7% (1Q 2013: 10.8%), led by capital spending in the consumer-related services subsectors such as telecommunication and real estate, the ongoing implementation of infrastructure projects and capacity expansion in the oil and gas sector. Meanwhile, public investment declined by 6.4% (1Q 2013: 17.3%). Continued expansion in capital spending by public enterprises, particularly in the oil and gas sector, telecommunications and utilities sectors, was outweighed by lower Federal Government development expenditure. By type of assets, investment activity was driven mainly by structures investment (10.9%; 1Q 2013: 12.9%), while growth in machinery and equipment declined (-0.5%; 1Q 2013: 15.1%).

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2013, Bank Negara Malaysia)

9.3 Overview of the Financial Sector

The Overnight Policy Rate ("**OPR**") was maintained at 3.00% during the second quarter. At the prevailing level of the OPR, monetary conditions remain supportive of economic activity.

Reflecting the unchanged OPR, the average interbank rate of all maturities was relatively stable. In terms of retail interest rates, 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%, while the weighted average lending rate (ALR) on loans outstanding continued its gradual moderating trend (end-June 2013:5.42%; end-March 2013: 5.50%).

Total gross financing raised by the private sector through the banking system and the capital market amounted to RM250.6 billion in the second quarter (1Q 2013: RM244.8 billion). Banking system loans outstanding expanded at an annual growth rate of 9.1% as at end- June (end-March 2013: 10.6%), while net funds raised in the capital market had moderated to RM13.9 billion in the second quarter (1Q 2013:RM16.7 billion).

The domestic financial system remained resilient throughout the second quarter amid episodes of higher volatility in the global and domestic financial markets. Domestic financial intermediation continued to be well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

The services sector registered a growth of 4.8% in the second quarter (1Q 2013: 5.9%), supported mainly by sub-sectors supporting domestic demand.

Growth in the finance and insurance sub-sector registered a marginal contraction of 0.2% (1Q 2013: 6.2%), weighed down by slower growth in insurance premiums, particularly in life insurance. In addition, banks' income from financing activities also recorded slower growth due to the moderation in loan growth.

Outward direct investment (or change in direct investment assets) was larger at RM15.4 billion (1Q 2013: RM11.5 billion) during the quarter. This was due mainly to higher extensions of equity capital following an acquisition of a Norwegian company by a domestic oil and gas firm, which amounted to RM7.6 billion. The investments were undertaken primarily by companies in the oil and gas and services sectors, particularly within the finance and insurance, and information and communication sub-sectors.

Inward direct investment (or change in direct investment liabilities) was slightly lower, registering an inflow of RM7.4 billion (1Q 2013: RM9.4 billion) despite higher extension of equity capital during the quarter, as multinational corporations reduced retained earnings in Malaysia to distribute higher dividends to shareholders abroad. Inflows of direct investment were broad based, undertaken mainly by companies in the manufacturing and oil and gas sectors.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2013, Bank Negara Malaysia)

9.4 Overview and Outlook of the Industry

9.4.1 Islamic Financial Sector

A major milestone in 2012 was the passing of the new legislation, the Financial Services Act 2013 and the IFSA, which have been designed to provide a modern and cohesive regulatory framework for the financial sector.

Efforts were intensified through various channels to promote awareness and provide greater clarity on BNM's key initiatives, including on the financial inclusion agenda and the internationalisation of Islamic finance.

From the medium-term perspective, the main challenge for Malaysia is to successfully manage the transition towards a higher value-added economy, in which growth is private sector-driven and characterised by greater productivity and innovation, while at the same time being sustainable and inclusive. Key structural reform initiatives are currently being undertaken towards achieving this transformation, while taking into consideration the domestic realities and a more dynamic global environment. In this regard, the role of macroeconomic policy will be to ensure stability, and to provide the right incentives for the private sector to participate in this economic transformation process. As part of this transformation, the financial sector is envisaged to assume an important role in the efficient intermediation of funds, not only within Malaysia but increasingly also in the region and in other emerging economies. This will require new financial products and services to meet the requirements of a more knowledge-and innovation-intensive domestic economy and the financial infrastructure that will support the regional intermediation of funds for productive purposes.

(Source: Annual Report 2012, Bank Negara Malaysia)

The Islamic financial sector continued its growth trajectory, with robust growth recorded in Islamic banking assets, takaful assets, sukuk, and foreign currency business. The Islamic banking sector recorded a double-digit growth of 13.8% in total assets, to account for 23.8% of total assets in the overall banking system (including Development Financial Institutions), while total assets of takaful funds grew by 12.4% to RM19 billion, with total takaful contributions accounting for 13.6% of total premiums and contribution in the insurance and takaful industry. In supporting effective end-to-end Shariah governance and compliance in the Islamic financial sector, a contract-based regulatory framework has been put in place which aligns legal and regulatory principles with Shariah precepts, and will serve as a useful benchmark for evolving a more comprehensive regulatory framework. This has been complemented by continued innovations in the sukuk market, a strong focus on research, and ongoing efforts to develop a deep pool of talent to meet the growing needs of the global Islamic financial industry.

(Source: Financial Stability and Payment Systems Report 2012, Bank Negara Malaysia)

Over the past two decades, the Government's and BNM's efforts to nurture the domestic Islamic finance industry have resulted in the country's emergence as a hub for Islamic finance. To cement Malaysia's position as a global leader in the industry, this Entry Point Projects ("**EPP**") will help lay the groundwork for the local market to grow into an international intellectual and capital centre for Islamic finance.

*(Source: Economic Transformation Plan ("**ETP**") Annual Report 2012)*

The global sukuk market has shown resilience this year given the volatility in global bond markets as market players react to positive economic growth prospects as well as concerns over monetary policy in the US, the world's largest bond market. Despite rising yields across the board, sukuk issuances have kept up momentum with over USD26.6 billion placed during the second quarter, which adds to the USD34.5 billion placed during the 1Q13 to bring the first half total to USD61.2 billion.

The Malaysian market saw USD18.4 billion worth of sukuk papers domiciled on its shores in 2Q13, while Saudi Arabia witnessed USD4.5 billion and the UAE USD1.4 billion, collectively accounting for 91.0% of the primary market. Global outstanding sukuk reached USD245.3 billion as at end-1H13, up 7.0% from USD229.3 billion as at end-2012 and 16.4% y-o-y. The secondary sukuk market in Malaysia remained the largest totaling USD148.2 billion and accounted for 60.4% of the total market as at end-1H13.

(Source: Insights Global Sukuk Report 2Q 2013, Malaysia International Islamic Financial Centre)

9.4.2 Takaful Sector

The insurance and takaful industry recorded strong improvements in profitability on account of continued expansion in new business, better claims experience and improved investment returns. This reduced the relative level of risk exposures in the industry even as insurers (including takaful operators) continued to deal with the challenges of operating in an environment of persistently low yields. The life and family takaful sector reported a strong rebound in its excess of income over outgo which increased by 38.2% to RM17.6 billion, supported by higher net premiums and contributions of 11.2% and a significant increase of about 200% in net capital gains. Operating profits of the general insurance and general takaful sector increased by 72.6% to RM2.9 billion, following a lower combined ratio of 96.9% (2011: 104.7%) and higher earned premiums which grew by 11.1%.

The industry has remained well-capitalised with the aggregate capital adequacy ratio (CAR) of the general and life insurance industry unchanged at 222.3% (2011: 222.5%). This was supported by stable levels of retained profits and bonus reserves. Total capital required increased slightly in tandem with continued business growth. Insurance risk, which measures the underestimation of insurance liabilities, claims experience and to a certain extent, impact from the discounting of liabilities, remained the largest component at 50.7% of total capital required, while market risk accounted for 30.6% of total capital required.

(Source: Financial Stability and Payment Systems Report 2012, Bank Negara Malaysia)

9.5 Prospects of Our Group

Banking

Our Company is confident of the prospects of Islamic banking sector for a number of reasons. As stipulated under the Islamic Financial Masterplan, Islamic banking assets are expected to make up about 40% of the total financial market by 2020. Islamic banking assets are also expected to grow at 15% per annum under the ETP. The SC in June 2012 issued a directive for all companies seeking to be listed as Shariah-compliant to have not more than 33% of total assets funded by conventional debt. This will increase the demand for Islamic financing, which is expected to result in positive effects for Islamic financial institutions such as Bank Islam.

In addition, consumer sentiment in Malaysia while showing signs of moderation is still generally favourable, providing the ideal scenario for Bank Islam to offer more innovative products to attract a wider base of customers. There is also potential to finance EPP under the ETP. Only RM25.42 billion in committed investments for projects in 2011 and 2012 have been realised. Since its launch in 2010, 182 projects under the ETP have been announced with investments totaling RM218.34 billion. The balance is expected to materialise from 2013 onwards.

There will also be efforts to further expand Bank Islam's delivery channels to meet customers' expectations. In reaching out to its customers, Bank Islam is aiming to widen its base from 131 branches currently to 135 by the end of 2013 (127 as at end-December 2012), and 150 by 2015. Bank Islam is also planning to open one (1) more Ar Rahnu outlet by end of 2013 from the current six (6) branches (four (4) as at end-December 2012), its micro-finance unit, to provide financial assistance to the underserved community.

Internally, Bank Islam has embarked on a newly introduced strategic programme to take the organisation closer to its vision of becoming a global leader in Islamic banking. Bank Islam recently launched its Hijrah to Excellence ("**H2E**") Plan, focusing on six (6) pillars of robust organic growth, service excellence, Shariah-led innovation, resource optimisation, being an employer of choice and regionalisation.

Servicing customers well is the cornerstone of the H2E plan. Bank Islam aims to focus on service excellence as its key differentiating factor. A host of service-centered initiatives are planned by leveraging on technology to enable greater efficiency and convenience. Bank Islam is embarking on a major review of the key end to end business process and streamlining its business procedures to ensure consistent delivery of its brand promise. Bank Islam will continue to invest in its people, building a dynamic workforce that embrace a customer centric culture.

Shariah-led innovation is another key agenda to place Bank Islam as a source of reference for Islamic banks. Advancing in Shariah capabilities is one of the main thrusts of the H2E Plan. Bank Islam intends to develop its resources and infrastructure to ensure it continues as a center of reference for Islamic banking. Bank Islam plays active roles to promote the establishment and development of Islamic banking in new markets and jurisdiction. With 30 years of experience and being the pioneer Islamic bank in this region, it would be in a position to share its knowledge, capabilities, practical approach and experience to new players in the industry. Bank Islam aspires to become a "Knowledge Centre" for applied Islamic finance through the establishment of a Shariah Centre of Excellence.

Bank Islam also seeks to provide innovative Shariah-based products through continuous research and development of prototype Shariah contracts. In this respect, it is planning to introduce Ijarah Muntahiya Bithamlik by the end of 2013 for house financing. It is also finalising the Istisna' and Parallel Istisna' as Shariah contracts for project financing. Vehicle Financing based on Murabahah to the Purchase Orderer will be introduced in 2013. Shariah-led innovation is part of Bank Islam undertaking to continuously develop and innovate universally accepted financial solutions leveraging on its IT infrastructure, robust risk management framework and guided by the Shariah Supervisory Council comprising renowned local and international scholars.

It is expected that due to the increasing competitive landscape, there could be margin compression. International regulatory reform via Basel III may require strengthening of capital. In the retail sector, the continuous introduction of macro-prudential measures such as requirements on responsible financing coupled with increased customer sophistication will also pose additional challenges to the industry. Bank Islam will continue its sound lending and underwriting practices despite increased competition.

Given the competitive landscape in domestic market, Bank Islam has been gearing up to capitalise on the growing acceptance of Islamic finance by expanding its operations into the region. Bank Islam is exploring expansion into neighboring countries based on the growth potential and Islamic banking infrastructure.

Takaful

Takaful Malaysia, a subsidiary of our Company, sees positive growth potential for takaful players as the penetration rate for takaful in the country is still low compared to conventional insurance, or when benchmarked against penetration rates in more mature markets. Competitively priced products, excellent customer service, operational efficiency and strong capital position will help in capturing the untapped market. Additionally, government efforts to promote the takaful industry and strengthen the regulatory framework will contribute to growing acceptance and confidence among consumers and investors.

In addition to a generally conducive environment, Takaful Malaysia has an edge as it is one of the few takaful operators in the country that has the financial strength to satisfy the requirements of the Risk-Based Capital Framework, which is to be implemented in 2014.

In terms of business expansion, Takaful Malaysia will continue to enhance its multi-distribution channels and focus more intently on its relationships with existing Islamic bank partners. It also plans to further penetrate its group employee benefits business and broaden its non-motor general business, while improving sales with more attractive incentives and aggressive product innovation and development.

Takaful Malaysia has also set a target of further increasing its agency force by more than double to 2,500 agents. It will also ensure top-quality professional agents by providing continuous agency development training.

Stockbroking

Efforts are currently in place to automate the trade confirmation process for institutional clients, thus improving efficiencies. To further develop its retail broking, the BISonline trading system is expanding into the mobile platform to capture a broader audience. Under this e-broking platform, value added facilities such as e-Statements and e-Notifications will be made available to clients for more efficient investment trading experience. BIMBSEC has also stepped up its efforts to educate the public on the Islamic capital market via targeted programmes on TV and radio, while collaborating with Bursa Securities and local institutions of higher learning to reach out to young and technology savvy investors.

10. FINANCIAL EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS

10.1 Issued and Paid-Up Share Capital

The Acquisitions and the Sukuk Issue will not have any effect on the issued and paid-up share capital of our Company.

The effects of the Rights Issue with Warrants on the issued and paid-up share capital of our Company as at the LPD are as follows:-

	No. of Shares	RM
Issued and paid-up share capital as at the LPD	1,066,789,896	1,066,789,896
To be issued pursuant to the Rights Issue with Warrants	426,715,958	426,715,958
After the Rights Issue with Warrants	1,493,505,854	1,493,505,854
To be issued assuming full exercise of the Warrants	426,715,958	426,715,958
Enlarged issued and paid-up share capital	**1,920,221,812**	**1,920,221,812**

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10.2 NA and Gearing

The proforma effects of the Corporate Exercises on the audited NA and gearing of our Group based on the latest audited consolidated financial statements for the FYE 31 December 2012 are as follows:-

	Audited as at 31 December 2012 RM'000	(I) After Fund Raising RM'000	(II) After (I) and Acquisitions and utilisation of proceeds RM'000	(III) After (II) and assuming full exercise of Warrants RM'000
Share capital	1,066,790	1,493,506	1,493,506	1,920,222
Share premium	603,630	1,462,320[a]	1,462,320	3,576,040
Warrants reserves	-	526,336	526,336	-
Acquisition reserves	-	-	(1,348,785)[c]	(1,348,785)
Other reserves	428,433	428,433	428,433	428,433
Accumulated losses	(79,275)	(88,675) [b]	(91,775)[d]	(91,775)
Shareholders' equity/NA	2,019,578	3,821,920	2,470,035	4,484,135
No. of shares in issue ('000 shares)	1,066,790	1,493,506	1,493,506	1,920,222
Total borrowings[e]	-	1,086,469	1,086,469	1,086,469
NA per share (RM)	1.89	2.56	1.65	2.34
Gearing (times)	-	0.28	0.44	0.24

Notes:-

(a) After deducting estimated expenses of approximately RM1.8 million for the Rights Issue with Warrants.

(b) After deducting estimated expenses of approximately RM9.4 million for the Sukuk Issue.

(c) After incorporating the effects of:-

(i) approximately RM1.340 billion being the difference between the NA of Bank Islam (represented by 49% of the issued and paid-up share capital of Bank Islam) and the Purchase Consideration; and

(ii) RM8.6 million being the capitalisation of the estimated stamp duty for the Acquisitions.

(d) After deducting the estimated expenses of RM3.1 million for the Acquisitions.

(e) As at the LPD, the Company does not have any borrowings.

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10.3 Earnings and EPS

The Corporate Exercises are not expected to have any material effect on the earnings of our Group for the FYE 31 December 2013 since the Corporate Exercises are expected to be completed in the last quarter of year 2013. Going forward, the Acquisitions are expected to contribute positively to the earnings of our Group with the inclusion of an additional 49% earnings contribution from Bank Islam.

The Rights Issue with Warrants is expected to have a dilutive effect on the EPS of our Company which will be proportionately reduced as a result of the immediate increase in the number of Rights Shares after the completion of the Rights Issue with Warrants. Ultimately, any potential growth in the EPS of our Group would mainly depend on the future earnings performance of Bank Islam.

For illustrative purposes, assuming the Corporate Exercises were completed on 1 January 2012, the EPS of our Group for the FYE 31 December 2012 will increase from 23.65 sen to 26.36 sen. The details of the effect of the Corporate Exercises on the EPS of our Group are as follows:-

	RM'000
Profit attributable to equity shareholders of our Company (FYE 31 December 2012)	252,269
Add: 49% of Bank Islam's 2012 profit after tax of RM427.259 million	209,357
Less: Financing cost based on the yield to maturity of 6.25% per annum for the Sukuk Issue of RM1.086 billion	(67,904)
Enlarged earnings	393,722
Enlarged share capital of our Company after Rights Issue with Warrants ('000 shares)	1,493,506
Proforma EPS (sen)	26.36
EPS (sen) (as per audited accounts of our Company for FYE 31 December 2012)	23.65
Percentage (%) increase in EPS	11.5%

11. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

11.1 Working Capital

Our Board is of the opinion that after taking into consideration cash in hand, banking facilities available and the proceeds earmarked for working capital purposes from the Rights Issue with Warrants, our Group will have sufficient working capital to meet our current core business requirements due within a period of twelve (12) months from the date of this AP.

11.2 Borrowings

As at the LPD, our Group does not have any outstanding borrowings.

11.3 Contingent Liabilities

As at the LPD, save as disclosed below, there are no contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact in the financial results/position of our Group:-

On 20 April 2010, Bank Islam referred a dispute in connection with a Services Agreement and a Software Agreement ("**Agreements**") with a vendor for arbitration. Bank Islam is claiming rescission of the Agreements and a refund of the sum paid (to-date of RM19.03 million) and/or damages, compensation/cost of fund on all sums found to be due to it and an appropriate order as to costs. The vendor filed a counterclaim. The arbitration commenced on 15 February 2012. On 6 August 2013, Bank Islam was informed that the International Chamber of Commerce ("**ICC**") had decided in favour of the vendor on the issue of liability. The ICC will be dealing with the vendor's counterclaim and determining the damages in the second phase of the arbitration (the date is yet to be determined). However, Bank Islam is proposing to file an application in the High Court of Singapore to set aside the partial award on liability and an application to the ICC for a stay of the second phase of the arbitration, pending the outcome of the application to the High Court of Singapore. Bank Islam's solicitors are of the view that Bank Islam has valid grounds to make the application to set aside the partial award on liability.

11.4 Material Commitments

As at 31 October 2013, save as disclosed below, there are no material commitments incurred or known to be incurred by our Group that has not been provided for, which upon becoming enforceable, may have a material impact on the financial results/position of our Group.

(a) Capital Commitments

	RM'000
Property and equipment	
Contracted but not provided for in the financial statements	51,713
Approved but not contracted for and provided for in the financial statements	30,955
	82,668

(b) Lease commitments

(i) Leases as lessee

Non-cancellable operating lease rentals are payable as follows:-

Group	**RM'000**
Within one (1) year	44,983
Between one (1) and five (5) years	126,990
More than five (5) years	327,231
	499,204

(ii) Leases as lessor

Our Group leases out its investment properties. The future minimum lease receivables under non-cancellable lease are as follows:-

Group	RM'000
Within one (1) year	6,032
Between one (1) and five (5) years	1,998
	8,030

(c) Commitments and contingencies

In the normal course of business, our Group makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The transactions however, exclude all contracts cleared in the normal courses of the takaful business.

	RM'000
Group	
Credit-related exposures	
Direct credit substitutes	335,805
Asset sold with recourse	2
Transaction related contingent items	890,048
Other commitment, such as formal standby facilities and credit lines, with an original maturity of over one year	12,979
Short-term self liquidating trade related contingencies	258,440
Other commitment, such as formal standby facilities and credit lines, with an original maturity of over one year	753,600
Unutilised credit card lines	998,135
Any commitment that are unconditionally cancelled at any time by Bank Islam without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	5,276,592
	8,525,601
Derivative Financial Instruments	
Foreign exchange related contracts	
Less than one (1) year	2,738,838
Profit rate related contracts	
Less than one (1) year	100,000
One (1) year to less than five (5) years	500,000
Five (5) years and above	715,320
Equity related products	
One (1) year to less than five (5) years	110,985
	4,165,143
Total	12,690,744

The above capital commitments will be funded by internally generated funds and/or bank borrowings.

12. POTENTIAL IMPLICATIONS OF IFSA ON CERTAIN OF OUR SHAREHOLDERS

Section 99(1) of the IFSA provides, amongst others, that the prior approval of BNM is required for any person to:-

(a) enter into an agreement or arrangement, to acquire any interest in shares of a licensed person by which, if the agreement or arrangement is carried out, he would hold (together with any interest in shares of that licensed person which are already held by such person) an aggregate interest of 5% or more in the shares of the licensed person; or

(b) where approval was obtained previously, enter into any subsequent agreement or arrangement, by which, if the agreement or arrangement is carried out, he would hold an aggregate interest in shares of a licensed person of, or exceeding: (i) any multiple of 5%; or (ii) 33% of the voting share capital of the licensed person.

Accordingly, each of our affected shareholder is individually responsible for applying and obtaining the prior approval of BNM in the event that the subscription of the Rights Shares and/or the exercise of the Warrants will result in it triggering the thresholds in Section 99(1) of the IFSA. An announcement to this effect was made on 2 September 2013 and also reflected in Section 8 of our Circular dated 2 October 2013.

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13. TERMS AND CONDITIONS

The issuance of the Rights Shares and Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in the Documents.

14. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
BIMB HOLDINGS BERHAD

JOHAN BIN ABDULLAH
Group Managing Director / Chief Executive Officer / Non-Independent Executive Director

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EXTRACT MINUTES OF THE EXTRAORDINARY GENERAL MEETING OF BIMB HOLDINGS BERHAD ("BHB" OR "THE COMPANY") HELD ON THURSDAY, 17 OCTOBER 2013 AT 10.00 A.M. AT BALLROOM 3, SIME DARBY CONVENTION CENTRE, 1A, JALAN BUKIT KIARA, 60000 KUALA LUMPUR

ORDINARY RESOLUTION 1

PROPOSED ACQUISITIONS BY BHB OF THE REMAINING 49% ISSUED AND PAID-UP SHARE CAPITAL OF BANK ISLAM MALAYSIA BERHAD ("BANK ISLAM") COMPRISING THE FOLLOWING:-

(A) 690,196,000 ORDINARY SHARES OF RM1.00 EACH IN BANK ISLAM ("BANK ISLAM SHARES") HELD BY DUBAI FINANCIAL GROUP LLC ("DFG"), REPRESENTING APPROXIMATELY 30.47% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF BANK ISLAM ("DFG BLOCK"), FOR A CASH CONSIDERATION OF UNITED STATES DOLLAR ("USD") 550,000,000 ("PROPOSED ACQUISITION OF DFG BLOCK"); AND

(B) 419,894,000 BANK ISLAM SHARES HELD BY LEMBAGA TABUNG HAJI ("LTH"), REPRESENTING APPROXIMATELY 18.53% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF BANK ISLAM ("LTH BLOCK"), FOR A CASH CONSIDERATION OF THE RINGGIT MALAYSIA ("RM") EQUIVALENT OF USD334,603,069 ("PROPOSED ACQUISITION OF LTH BLOCK");

(COLLECTIVELY REFERRED TO AS "PROPOSED ACQUISITIONS")

RESOLVED

THAT, subject to the passing of Ordinary Resolution 2 and approvals being obtained from the relevant regulatory authorities and parties (where required), approval be and is hereby given to the Company to acquire:-

(a) 690,196,000 Bank Islam Shares held by DFG, representing approximately 30.47% of the issued and paid-up share capital of Bank Islam, for a cash consideration of USD550,000,000; and

(b) 419,894,000 Bank Islam Shares held by LTH, representing approximately 18.53% of the issued and paid-up share capital of Bank Islam, for a cash consideration of the RM equivalent of USD334,603,069,

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upon amongst others the following terms and conditions:-

(i) the receipt by the Company of the entire gross proceeds to be raised pursuant to the Proposed Rights Issue with Warrants (as defined in Ordinary Resolution 2 below) on or before 24 December 2013 (or such other date as may be mutually agreed by DFG, LTH and BHB acting reasonably);

(ii) the receipt by the Company of the entire gross proceeds to be raised pursuant to the proposed issue of ten (10)-year Islamic securities of up to an indicative issue size of RM2.120 billion in nominal value to raise indicative gross proceeds of up to approximately RM1.388 billion on or before 24 December 2013 (or such other date as may be mutually agreed by DFG, LTH and BHB acting reasonably); or

(iii) the procurement by the Company of the purchase of, and/or conversion of its RM funds into, an aggregate amount of USD550,000,000 at an exchange rate of no more than USD1=RM3.35 within a period of three (3) weeks from the date of passing of this Ordinary Resolution 1 and Ordinary Resolution 2, for the purpose of satisfying the consideration payable by the Company for the acquisition of 690,196,000 Bank Islam Shares from DFG,

and together with such other terms and conditions as more particularly stipulated in the sale and purchase agreement dated 31 July 2013 between DFG, LTH and BHB ("**SPA**"), as amended by the supplemental agreement dated 30 September 2013 between DFG, LTH and BHB.

THAT, approval be and is hereby given to the Board of Directors of the Company ("**Board**") to carry out and proceed with the Proposed Acquisitions for and on behalf of the Company.

THAT, authority be and is hereby given to the Board to assent to any modifications to the SPA and to sign and execute any other ancillary agreements and documents in relation thereto (as may be amended from time to time by further agreement between the parties) in connection with the Proposed Acquisitions, for and on behalf of the Company.

THAT, authority be and is hereby given to the Board to give full effect to the Proposed Acquisitions with full powers to approve, agree and assent to any conditions, variations, revaluations, modifications, and/or amendments in any manner as may be required/permitted by the relevant regulatory authorities or deemed necessary by the Board, to deal with matters, incidental, ancillary to and/or relating thereto and take all steps and do all acts and to execute or enter into all such agreements, arrangements, undertakings, indemnities, transfers, extensions, assignments, deeds, confirmations, declarations and/or guarantees, with any party or parties, to deliver or caused to be delivered all such documents and to do all such acts and matters as they may consider necessary to implement, finalise and give full effect to and complete the Proposed Acquisitions.

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AND THAT, all previous acts made and/or done by the Board in connection with the Proposed Acquisitions be and hereby confirmed, approved and ratified.

The poll voting result for Ordinary Resolution 1 was as follows:-

Vote in Favour		Vote Against	
No. of shares	%	No. of shares	%
301,325,106	99.99	2	Negligible

ORDINARY RESOLUTION 2

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 426,715,958 NEW ORDINARY SHARES OF RM1.00 EACH IN BHB ("BHB SHARES") ("RIGHTS SHARES") TOGETHER WITH 426,715,958 FREE DETACHABLE WARRANTS ("WARRANTS"), ON THE BASIS OF TWO (2) RIGHTS SHARES AND TWO (2) WARRANTS FOR EVERY FIVE (5) EXISTING BHB SHARES HELD BY THE ENTITLED SHAREHOLDERS OF BHB ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (ENTITLEMENT DATE"), AT AN INDICATIVE ISSUE PRICE OF RM3.80 PER RIGHTS SHARE TO RAISE INDICATIVE GROSS PROCEEDS OF APPROXIMATELY RM1.622 BILLION ("PROPOSED RIGHTS ISSUE WITH WARRANTS")

RESOLVED

THAT, subject to the passing of Ordinary Resolution 1 and approvals being obtained from the relevant regulatory authorities and parties (where required), approval be and is hereby given to the Board to:-

(i) issue by way of a renounceable rights issue of 426,715,958 Rights Shares and 426,715,958 Warrants at such issue price as the Board may deem fit, on the basis of two (2) Rights Shares with two (2) Warrants for every five (5) existing BHB Shares held on the Entitlement Date to the entitled shareholders;

(ii) create and issue the Warrants based on the indicative salient terms as set out in Appendix I of the circular to shareholders dated 2 October 2013 ("**Circular**") and the terms and conditions of a deed poll to be executed by the Company ("**Deed Poll**"); and

(iii) allot and issue such number of new Shares credited as fully paid-up pursuant to the exercise of the Warrants which may be exercised during the exercise period of the Warrants at an exercise price to be determined and announced later.

BIMB HOLDINGS BERHAD

BIMB Holdings Berhad(423858-X)
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THAT, fractional entitlements, if any arising from the Proposed Rights Issue with Warrants will be dealt with in such manner as the Board in its absolute discretion deems fit and in the best interest of the Company.

THAT, any Rights Shares which are not validly taken up shall be made available for excess applications in such manner as the Board shall determine in a fair and equitable manner.

THAT, the Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with each other and the then existing BHB Shares, save and except that the Rights Shares will not carry any rights to participate in any dividends, distributions and/or other entitlements declared by BHB where the entitlement date in respect of such dividends, distributions and/or other entitlements falls a day which is prior to the date of allotment and issuance of the Rights Shares.

THAT, the new Shares arising from the exercise of the Warrants will, upon allotment and issuance, rank *pari passu* in all respects with each other and the then existing BHB Shares, save and except that new Shares arising from the exercise of the Warrants will not carry any rights to participate in any dividends, distributions and/or other entitlements declared by BHB where the entitlement date in respect of such dividends, distributions and/or other entitlements falls a day which is prior to the date of allotment and issuance of the new Shares arising from the exercise of the Warrants.

THAT, the Board be and is hereby authorised to allot and issue such further Warrants as may be required or permitted to be issued pursuant to any adjustments under the terms and provisions of the Deed Poll at an adjusted price to be determined and announced later and to be dealt with in such manner as the Board shall at its absolute discretion deem fit and in the best interest of the Company.

THAT, the Board be and is hereby authorised to utilise the proceeds from the Proposed Rights Issue with Warrants in the manner set out in Section 2.4 of Part A of the Circular and the Board be authorised with full power to vary the manner and/or purpose of utilisation of such proceeds in the manner as the Board shall in its absolute discretion deem fit, necessary or expedient and in the best interest of the Company.

THAT, the Board be and is hereby authorised to enter into, execute and sign the Deed Poll with full power to assent to any condition, modification or amendment as they deem fit, necessary or expedient or as may be imposed by any relevant authorities, and full power to implement and give effect to the terms and conditions of the Deed Poll.

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THAT, authority be and is hereby given to the Board to give full effect to the Proposed Rights Issue with Warrants with full powers to approve, agree and assent to any conditions, variations, revaluations, modifications, and/or amendments in any manner as may be required/permitted by the relevant regulatory authorities or deemed necessary by the Board, to deal with matters, incidental, ancillary to and/or relating thereto and take all steps and do all acts and to execute or enter into all such agreements, arrangements, undertakings, indemnities, transfers, extensions, assignments, deeds, confirmations, declarations and/or guarantees, with any party or parties, to deliver or cause to be delivered all such documents and to do all such acts and matters as they may consider necessary to implement, finalise and give full effect to and complete the Proposed Rights Issue with Warrants.

AND THAT, all previous acts made and/or done by the Board in connection with the Proposed Rights Issue with Warrants be and hereby confirmed, approved and ratified.

The poll voting result for Ordinary Resolution 2 was as follows:-

Vote in Favour		**Vote Against**	
No. of shares	%	No. of shares	%
301,325,107	100.00	-	-

CERTIFIED TRUE AND CORRECT

MARIA MAT SAID
(LS09400)
Company Secretary

JOHAN ABDULLAH
Director

1. HISTORY AND BUSINESS

Our Company was incorporated on 20 March 1997 under the Act and was listed on 16 September 1997 on the Main Board of Bursa Securities.

The principal activity of our Company is investment holding and our subsidiaries are principally involved in Islamic banking, takaful and stockbroking. Further details of the principal activities of our subsidiary and associated companies are set out in **Section 6** of this Appendix II.

2. SHARE CAPITAL

As at the LPD, our authorised and issued and paid-up share capital are as follows:-

Type	No. of Shares	Par value (RM)	Total (RM)
Authorised	2,000,000,000	1.00	2,000,000,000
Issued and fully paid-up	1,066,789,896	1.00	1,066,789,896

3. CHANGES IN ISSUED AND PAID-UP CAPITAL

There has been no change to the issued and paid-up share capital of our Company for the past three (3) years preceding the LPD.

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4. SUBSTANTIAL SHAREHOLDERS

Based on the Register of Substantial Shareholders as at the LPD, the effects of the Rights Issue with Warrants on the shareholdings of the substantial shareholders of our Company are illustrated based on the following assumptions:-

Scenario 1 : Assuming all the Entitled Shareholders subscribe for their respective entitlements in full.

Scenario 2 : Assuming LTH subscribes for 100% of the Rights Shares under the Rights Issue with Warrants via the Undertaking.

Scenario 1: Assuming all the Entitled Shareholders subscribe for their respective entitlements in full.

	As at the LPD				(I) After the Rights Issue with Warrants				(II) After (I) and assuming the full exercise of Warrants			
	<----------Direct---------->		<-------Indirect-------->		<----------Direct---------->		<-------Indirect--------->		<----------Direct---------->		<---------Indirect---------->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
LTH	544,817,039	51.07	-	-	762,743,854	51.07	-	-	980,670,669	51.07	-	-
Employees Provident Fund Board	103,044,400	9.66	-	-	144,262,160	9.66	-	-	185,479,920	9.66	-	-
Amanahraya Trustees Berhad *Skim Amanah Saham Bumiputera*	53,907,600	5.05	-	-	75,470,640	5.05	-	-	97,033,680	5.05	-	-
Permodalan Nasional Berhad	54,552,145	5.11	-	-	76,373,003	5.11	-	-	98,193,861	5.11	-	-
Yayasan Pelaburan Bumiputra	-	-	54,552,145[(a)]	5.11	-	-	76,373,003[(a)]	5.11	-	-	98,193,861[(a)]	5.11

Note:-

(a) Yayasan Pelaburan Bumiputra is deemed to have an indirect interest through its shareholding of 100% less one share of Permodalan Nasional Berhad by virtue of Section 6A of the Act.

4. SUBSTANTIAL SHAREHOLDERS (CONT'D)

Scenario 2: Assuming LTH subscribes for 100% of the Rights Shares under the Rights Issue with Warrants via the Undertaking.

	As at the LPD				(I) After the Rights Issue with Warrants				(II) After (I) and assuming full exercise of the Warrants			
	<----------Direct----------->		<---------Indirect--------->		<---------Direct--------->		<--------Indirect------->		<----------Direct---------->		<-----Indirect------>	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
LTH	544,817,039	51.07	-	-	971,532,997	65.05	-	-	1,398,248,955	72.82	-	-
Employees Provident Fund Board	103,044,400	9.66	-	-	103,044,400	6.90	-	-	103,044,400	5.37	-	-
Amanahraya Trustees Berhad	53,907,600	5.05	-	-	53,907,600	3.61	-	-	53,907,600	2.81	-	-
Skim Amanah Saham Bumiputera												
Permodalan Nasional Berhad	54,552,145	5.11	-	-	54,552,145	3.65	-	-	54,552,145	2.84	-	-
Yayasan Pelaburan Bumiputra	-	-	54,552,145[(a)]	5.11	-	-	54,552,145[(a)]	3.65	-	-	54,552,145[(a)]	2.84

Note:-

(a) Yayasan Pelaburan Bumiputra is deemed to have an indirect interest through its shareholding of 100% less one share of Permodalan Nasional Berhad by virtue of Section 6A of the Act.

5. OUR BOARD OF DIRECTORS

5.1 Details of our Directors

The particulars of our Directors as at the LPD are as follows:-

Name	Nationality	Designation	Address	Age	Profession
Tan Sri Samsudin bin Osman	Malaysian	Chairman/Non-Independent Non-Executive Director	No. 26, Jalan SS1/29 Kampung Tunku 47300 Petaling Jaya Selangor Darul Ehsan	66	Company Director
Johan bin Abdullah	Malaysian	Group Managing Director/Chief Executive Officer/ Non-Independent Executive Director	No. 10, Jalan P2 Taman Melawati 53100 Kuala Lumpur	57	Group Managing Director/Chief Executive Officer, BHB
Tan Sri Ismail bin Adam	Malaysian	Senior Independent Non-Executive Director	No. 141, Jalan Athinahapan Satu Taman Tun Dr. Ismail 60000 Kuala Lumpur	63	Company Director
Dato' Paduka Ismee bin Ismail	Malaysian	Non-Independent Non-Executive Director	No. 22, Jalan Awan Larat U8/74 Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	48	Group Managing Director/Chief Executive Officer, LTH
Datuk Zaiton binti Mohd Hassan	Malaysian	Independent Non-Executive Director	Lot 1955, Jalan G1, Fasa 3A Taman Melawati 53100 Kuala Lumpur	57	Company Director
Zahari @ Mohd Zin bin Idris	Malaysian	Independent Non-Executive Director	No. 23, Jalan Kelewang 11/4B 40100 Shah Alam Selangor Darul Ehsan	70	Company Director
Salih Amaran bin Jamiaan	Malaysian	Non-Independent Non-Executive Director	No. 18, Jalan BK 6B/1 Bandar Kinrara 47100 Puchong Selangor Darul Ehsan	73	Company Director
Rozaida binti Omar	Malaysian	Non-Independent Non-Executive Director	No. 10, Jalan Pulau Angsa U10/6A Perdana Height U10 40150 Shah Alam Selangor Darul Ehsan	50	Group Chief Financial Officer, LTH

5.2 Directors' Shareholdings

As at the LPD, none of our directors has any direct and/or indirect shareholdings in our Company.

6. SUBSIDIARY AND ASSOCIATED COMPANIES

As at the LPD, our subsidiary companies are as follows:-

Name of subsidiary company	Date/place of incorporation	Principal activities	Issued and paid-up share capital (RM) *(Unless otherwise stated)*	Effective equity interest held by BHB (%)
Bank Islam Malaysia Berhad	1 March1983/ Malaysia	Islamic banking business	2,265,490,000	51.00
Subsidiaries of Bank Islam Malaysia Berhad				
Al-Wakalah Nominees (Tempatan) Sendirian Berhad	26 June 1984/ Malaysia	Provide nominee services	25,000.00	51.00
BIMB Investment Management Berhad	14 September 1993/ Malaysia	Manage Islamic unit trust funds	15,000,000.00	51.00
Bank Islam Trust Company (Labuan) Ltd	20 November 2003/ Malaysia	Provide services as a Labuan registered trust company	USD248,883.52	51.00
BIMB Foreign Currency Clearing Agency Sdn Bhd	13 March 2000/ Malaysia	Dormant	10,000,000.00	51.00
Farihan Corporation Sdn Bhd	9 September 2001/ Malaysia	Provide services in relation to Islamic pawn broking business	2,500,000.00	51.00
Subsidiary of Bank Islam Trust Company (Labuan) Ltd.				
BIMB Offshore Company Management Services Sdn Bhd	23 July 2002/ Malaysia	Provide service of resident corporate secretary and director for offshore companies	2.00	51.00
Syarikat Takaful Malaysia Berhad	29 November 1984/ Malaysia	Family and General Takaful business	162,817,000	60.50
Subsidiaries of Syarikat Takaful Malaysia Berhad				
ASEAN Retakaful International (L) Ltd	17 May 1997/ Malaysia	Offshore insurance	USD14,100,000	38.17
P.T. Syarikat Takaful Indonesia	24 February 1994/ Indonesia	Investment holding	Rp103,197,999,000	33.88
Subsidiaries of P.T. Syarikat Takaful Indonesia				
P.T. Asuransi Takaful Umum	1 June 1995/ Indonesia	General Takaful business	Rp50,000,000,000	39.15
P.T. Asuransi Takaful Keluarga	5 May 1994/ Indonesia	Family Takaful business	Rp151,555,000,000	45.24
BIMB Securities (Holdings) Sdn Bhd	21 February 1994/ Malaysia	Investment holding	50,000,000	100.00
Subsidiary of BIMB Securities (Holdings) Sdn Bhd				
BIMB Securities Sdn Bhd	21 February 1994/ Malaysia	Stockbroking	100,000,000	100.00

Name of subsidiary company	Date/place of incorporation	Principal activities	Issued and paid-up share capital (RM) *(Unless otherwise stated)*	Effective equity interest held by BHB (%)
Subsidiaries of BIMB Securities Sdn Bhd				
BIMSEC Asset Management Sdn Bhd	3 February 1997/ Malaysia	Investment management services	2,000,000	100.00
BIMSEC Nominees (Tempatan) Sdn Bhd	13 October 1994/ Malaysia	Nominee services	25,000	100.00
BIMSEC Nominees (Asing) Sdn Bhd	13 October 1994/ Malaysia	Nominee services	25,000	100.00
Syarikat Al-Ijarah Sdn Bhd	31 December 1983/ Malaysia	Leasing of assets	10,000,000	100.00

As at the LPD, our associated company is as follows:-

Name of associated company	Date/place of incorporation	Principal activities	Issued and paid-up share capital (RM) *(Unless otherwise stated)*	Effective equity interest held by BHB (%)
Islamic Banking and Finance Institute Malaysia Sdn Bhd	13 April 1995/ Malaysia	Provide training and consultancy services	10,000,001	48.00

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7. PROFIT AND DIVIDEND RECORDS

The profit and dividend records based on our Group's audited consolidated financial statements for the 18-month FPE 31 December 2010, FYE 31 December 2011, FYE 31 December 2012 and the unaudited consolidated financial statements for the six (6)-month FPE 30 June 2013 are as follows:-

	<------Audited------		------>	Unaudited
FPE/FYE	**31 December 2010**[(a)(c)]	**31 December 2011**[(b)]	**31 December 2012**[(b)]	**30 June 2013**[(b)]
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total net income	1,771,045	1,525,660	1,775,353	997,722
Personnel expenses	(572,396)	(456,043)	(524,459)	(297,172)
Other overhead expenses	(610,494)	(479,310)	(535,187)	(297,187)
Share in the results of associated company, net of tax	-	(1,383)	1,732	(1,333)
PBZT	588,155	588,924	717,439	402,030
Zakat	(15,066)	(9,196)	(10,121)	(5,303)
Tax expense	(122,624)	(157,281)	(209,687)	(115,048)
Profit for the year / period	450,465	422,447	497,631	281,679
Attributable to:-				
Owners of our Company	230,837	212,140	252,269	143,723
Non-controlling interest	219,628	210,307	245,362	137,956
Profit for the year / period	450,465	422,447	497,631	281,679
EPS:-				
Basic (sen)	21.64	19.88	23.65	13.47
Diluted (sen)	21.64	19.88	23.65	13.47
Profit margin:-				
Gross (%)[(d)]	33.21	38.60	40.41	40.29
Net (%)[(e)]	25.43	27.69	28.03	28.23

Notes:-

(a) Change in accounting year from 30 June to 31 December, with transitional financial period of 18 months for 2010. Accordingly, 18-month FPE 31 December 2010 and the FYE 31 December 2011 are not comparable.
(b) Based on Malaysian Financial Reporting Standards.
(c) Based on Financial Reporting Standards in 2010.
(d) Gross profit margin is derived by dividing the PBZT by the total net income.
(e) Net profit margin is derived by dividing the profit for the year/period by the total net income.

Commentary:-

FYE 31 December 2011

Against a challenging and uncertain external environment, our Group was able to seize several growth opportunities to achieve a record year of earnings of more than half a billion amounting to RM588.9 million in PBZT. The performance was mainly driven by higher profits generated by our Group's two (2) major subsidiaries, namely Bank Islam and Takaful Malaysia.

Bank Islam

Please refer to Section 7 of Appendix III of this AP for the commentary on the financial performance of Bank Islam.

Takaful Malaysia

Competition within the takaful market intensified in FYE 31 December 2011 along with continued liberalisation of the sector that saw four (4) new family takaful licenses being granted. The industry was further impacted by the softening in equity market in the second half of FYE 31 December 2011. Despite these challenges, Takaful Malaysia achieved another year of growth, with PBZT exceeding the RM100 million mark for the first time since its establishment in 1984. The improvement in profit is largely attributable to the improved investment and underwriting results along with strong business growth.

FYE 31 December 2012

Our Group posted a PBZT of RM717.4 million for the FYE 31 December 2012, which is an increase of RM128.5 million or 21.8% over the RM588.9 million achieved in 2011. This growth was driven mainly by higher net income on healthy financing and deposits from customers, coupled with improved asset quality. Our consolidated net profit for the year grew by RM75.2 million or 17.8% to RM497.6 million compared to RM422.4 million in the FYE 31 December 2011.

As a result, our Group's net profit attributable to the shareholders also trended upwards by RM40.2 million or 18.9% to RM252.3 million from RM212.1 million in 2011.

Bank Islam

Please refer to Section 7 of Appendix III of this AP for the commentary on the financial performance of Bank Islam.

Takaful Malaysia

Over the past few years, Takaful Malaysia has been on a transformation journey to establish a stronger market presence by growing its assets and enhancing its revenue and profit. The Company's financial results for the FYE 31 December 2012 would indicate success of this initiative. Takaful Malaysia's assets grew 9% to end the year at RM6.4 billion while its PBZT increased by 23.8% from RM101.4 million in FYE 31 December 2011 to RM125.5 million. This was due mainly to higher surplus transfers as well as higher net income from wakalah fees.

Efforts by Takaful Malaysia to improve sales led to a 19.5% increase in operating revenue from RM1,345.5 million in the preceding year to RM1,607.5 million. This was contributed mainly by the family takaful business, which generated gross earned contributions of RM987.7 million compared to RM694.7 million in FYE 31 December 2011. Also contributing to the 42.2% growth in gross earned contribution for group family takaful products was the release of unearned contribution reserves arising from the change in reserving estimates.

Sales of general takaful products also increased, with gross earned contribution growing to RM457.1 million from RM401.7 million in FYE 31 December 2011.

The surplus transferred from family takaful recorded an increase of RM31.4 million to RM129.2 million in FYE 31 December 2012 while the surplus transferred from general takaful is lower by RM23.7 million as compared to RM85.5 million in the previous year. The higher surplus transfer from family takaful was mainly due to better underwriting, investment results and release of unearned contribution reserves, while the lower figure reported by general takaful can be explained by a shift to wakalah model products.

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8. HISTORICAL PRICES

The monthly highest and lowest closing market prices of our Shares as traded on Bursa Securities for the past 12 months from November 2012 to October 2013 are set out below:-

	High RM	Low RM
2012		
November	3.07	2.91
December	3.01	2.81
2013		
January	3.07	2.85
February	3.12	2.93
March	3.54	3.07
April	3.69	3.38
May	3.91	3.50
June	4.10	3.70
July	4.18	3.92
August	4.97	4.12
September	4.88	4.20
October	4.97	4.60

The last transacted price of our Shares on 31 July 2013, being the last day on which our Shares were traded, prior to the date of announcement of the Corporate Exercises, was RM4.02.

The last transacted price of our Shares on 7 November 2013, being the last day on which our Shares were traded, prior to the ex-date for the Rights Issue with Warrants, was RM4.95.

The last transacted price of our Shares on 14 October 2013, being the LPD, was RM4.88.

(Source: Bloomberg)

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1. HISTORY AND BUSINESS

Bank Islam was incorporated as a public limited company in Malaysia under the Act on 1 March 1983. Bank Islam is principally involved in Islamic banking. Please refer to Section 6 of this Appendix for the principal activities of the subsidiary companies of Bank Islam.

2. SHARE CAPITAL

As at the LPD, the authorised and issued and paid-up share capital of Bank Islam are as follows:-

	No. of Bank Islam Shares	Par value (RM)	Amount (RM)
Authorised	2,540,000,000	1.00	2,540,000,000
Issued and paid-up share capital	2,265,490,000	1.00	2,265,490,000

As at the LPD, Bank Islam does not have any convertible securities.

3. CHANGES IN ISSUED AND PAID-UP CAPITAL

There has been no change to the issued and paid-up share capital of Bank Islam for the past three (3) years preceding the LPD.

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of Bank Islam (holding 5% or more of issued and paid-up share capital) and their respective shareholdings as at the LPD are as follows:-

Substantial shareholders	Country of incorporation	<-----------Direct---------->		<------------Indirect-------------->	
		No. of Bank Islam Shares	%	No. of Bank Islam Shares	%
LTH	Malaysia	419,894,000	18.53	1,155,400,000[(a)]	51.00
DFG	United Arab Emirates	690,196,000	30.47	-	-
BHB	Malaysia	1,155,400,000	51.00	-	-

Note:-

(a) LTH is deemed to have an indirect interest through its shareholding of 51.07% in BHB by virtue of Section 6A of the Act.

5. BOARD OF DIRECTORS

5.1 Details of Directors

The particulars of the Directors of Bank Islam as at the LPD are as follows:-

Name	Nationality	Designation	Address	Age	Profession
Datuk Muhamad Chali @ Zamani bin Abdul Ghani	Malaysian	Chairman (Independent Non-Executive Director)	Lot 11245, Jalan Melor 1 Sungai Kantan (Off Saujana Impian) 43000 Kajang Selangor Darul Ehsan	65	Chairman/ Company Director
Dato' Sri Zukri bin Samat	Malaysian	Managing Director (Non-Independent Executive Director)	No. 35, Jalan Merah Pulasan U9/4, Kayangan Heights 40150 Shah Alam Selangor Darul Ehsan	55	Managing Director
Dato' Paduka Ismee bin Ismail	Malaysian	Non-Independent Non-Executive Director	No. 22, Jalan Awan Larat U8/74 Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	48	Group Managing Director/Chief Executive Officer, LTH
Johan bin Abdullah	Malaysian	Non-Independent Non-Executive Director	No. 10, Jalan P2 Taman Melawati 53100 Kuala Lumpur	57	Group Managing Director/Chief Executive Officer, BHB
Abdullah Abdulrahman Abdullah Sharafi	United Arab Emirates	Non-Independent Non-Executive Director	Villa #22, 39th Street Al Wasal Rd P.O. Box 71425, Dubai United Arab Emirates	58	Company Director
Mohammed Abdul Ghaffar Ghualoom Hussain Abdulla	United Arab Emirates	Non-Independent Non-Executive Director	P.O. Box 552, Nad Al Hamar Dubai United Arab Emirates	37	Company Director
Zahari @ Mohd Zin bin Idris	Malaysian	Independent Non-Executive Director	No.23, Jalan Kelewang 11/4B 40100 Shah Alam Selangor Darul Ehsan	70	Company Director
Datuk Zaiton binti Mohd Hassan	Malaysian	Independent Non-Executive Director	Lot 1955, Jalan G1, Fasa 3A Taman Melawati 53100 Kuala Lumpur	57	Company Director
Mohamed Ridza bin Mohamed Abdulla	Malaysian	Independent Non-Executive Director	No.10 SS3/90 Kelana Jaya 47300 Petaling Jaya Selangor Darul Ehsan	44	Company Director

5.2 Directors' Shareholdings

As at the LPD, none of the directors of Bank Islam has any direct and/or indirect shareholdings in Bank Islam.

6. SUBSIDIARY AND ASSOCIATED COMPANIES

As at the LPD, the subsidiary companies of Bank Islam are as follows:-

Name of subsidiary company	Date/Place of incorporation	Principal activities	Issued and paid-up share capital (RM) *(unless otherwise stated)*	Effective equity interest held by Bank Islam (%)
Al-Wakalah Nominees (Tempatan) Sendirian Berhad	26 June 1984/ Malaysia	Provide nominee services	25,000.00	100
BIMB Investment Management Berhad	14 September 1993/ Malaysia	Manage Islamic unit trust funds	15,000,000.00	100
Bank Islam Trust Company (Labuan) Ltd	20 November 2003/ Malaysia	Provide services as a Labuan registered trust company	USD 248,883.52	100
BIMB Foreign Currency Clearing Agency Sdn Bhd	13 March 2000/ Malaysia	Dormant	10,000,000.00	100
Farihan Corporation Sdn Bhd	9 September 2001/ Malaysia	Provide services in relation to Islamic pawn broking business	2,500,000.00	100
Subsidiary of Bank Islam Trust Company (Labuan) Ltd				
BIMB Offshore Company Management Services Sdn Bhd	23 July 2002/ Malaysia	Provide service of resident corporate secretary and director for offshore companies	2.00	100

As at the LPD, Bank Islam does not have any associated company.

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7. PROFIT AND DIVIDEND RECORDS

The profit and dividend record of the Bank Islam group of companies based on its audited consolidated financial statements for the 18-month FPE 31 December 2010, FYE 31 December 2011, FYE 31 December 2012 and the unaudited consolidated financial statements for the six (6)-month FPE 30 June 2013 are as follows:-

FYE/FPE	<-----Audited	-----	----->	Unaudited
	31 December 2010[(a)(c)]	31 December 2011[(b)]	31 December 2012[(b)]	30 June 2013[(b)]
	RM'000	RM'000	RM'000	RM'000
Total net income	1,354,792	1,109,020	1,289,419	707,030
Personnel expenses	(430,972)	(338,143)	(390,989)	(220,873)
Other overhead expenses	(422,333)	(277,027)	(302,782)	(162,303)
Share of results of associate company	-	(1,383)	1,732	(1,333)
PBZT	501,487	492,467	597,380	322,521
Zakat	(13,832)	(8,059)	(9,287)	(4,529)
Taxation	(78, 943)	(109,082)	(160,834)	(85,894)
Profit for the year / period	408,712	375,326	427,259	232,098
Attributable to:				
Equity holders of Bank Islam	408,763	375,268	427,259	232,098
Non-controlling interest	(51)	58	-	-
Profit for the year / period	408,712	375,326	427,259	232,098
EPS:-				
Basic (sen)	21.44[(d)]	16.57	18.86	10.24
Diluted (sen)	21.44[(d)]	16.57	18.86	10.24
Profit margin:-				
Gross (%)[(e)]	37.02	44.41	46.33	45.62
Net (%)[(f)]	30.17	33.84	33.14	32.83

Notes:-

(a) Change in accounting year from 30 June to 31 December, with transitional financial period of 18 months for 2010. Accordingly, 18-month FPE 31 December 2010 and the FYE 31 December 2011 are not comparable.

(b) Based on Malaysian Financial Reporting Standards.

(c) Based on Financial Reporting Standards in 2010.

(d) EPS is calculated based on the adjusted net profit attributable to the equity holders of Bank Islam (after adjustment for dividends paid on the convertible redeemable non-cumulative preference shares amounting to RM19,115,000) and the weighted average number of Bank Islam Shares outstanding during the year of 1,816,965,410.

(e) Gross profit margin is derived by dividing the PBZT by the total net income.

(f) Net profit margin is derived by dividing the profit for the year/period by the total net income.

Commentaries:-

FYE 31 December 2011

The Bank Islam group of companies recorded a PBZT of RM492.47 million for the FYE 31 December 2011 with total net income of RM1,109.02 million.

Bank Islam continues to reshape its future by innovating new solutions, rebalancing its asset mix, embarking on service transformation initiatives, re-engineering business processes, harnessing key IT enablers and building a solid brand presence in Malaysia.

FYE 31 December 2012

The Bank Islam group of companies recorded a PBZT of RM597.38 million for the FYE 31 December 2012 with total net income of RM1,289.42 million.

The PBZT of RM597.38 million in FYE 31 December 2012, represents an increase of RM104.91 million or 21.30% as compared to the PBZT of RM492.47 million in FYE 31 December 2011. This was mainly due to financing growth and revenue from non-fund based income, as well as healthy asset quality.

The profit for the FYE 31 December 2012 has been the highest in 29-year Bank Islam's history. This was driven by financing growth, revenue from non-fund based income, and improved asset quality.

8. FINANCIAL STATEMENTS OF BANK ISLAM

Bank Islam is a licensed financial institution regulated by BNM. The financial statements of Bank Islam for the FPE and FYE as mentioned in Section 7 of this Appendix have been published and made available to the general public in accordance with the provisions of the Islamic Banking Act, 1983 (which was the governing legislation when the financial statements were issued) and are available on the website of Bank Islam at www.bankislam.com.my.

9. RATIONALE FOR NOT INCLUDING ACCOUNTANT'S REPORT OF BANK ISLAM IN THIS AP

Part I, Division 5 - Abridged Prospectus, Chapter 7.04 of the SC's Prospectus Guidelines requires that an accountant's report ("**Accountant's Report**") should be prepared for any corporation proposed to be acquired (i.e. Bank Islam), which acquisition is to be paid for wholly or partly out of the proceeds of the rights issue.

The Accountant's Report must include the following information:-

(a) the income statement for each of the three financial years immediately preceding the last date of the financial statements; and

(b) the balance sheet for each of the past three financial years immediately preceding the last date of the financial statements.

The Accountant's Report has not been included in this AP because:-

(a) Bank Islam is a 51%-owned subsidiary of BHB and is the largest contributor to BHB's consolidated revenue, PBZT and total assets for the 18-month FPE 31 December 2010, FYE 31 December 2011 and FYE 31 December 2012 (between 76.7% and 85.3%) ("**Financial Statements**"). Thus, the Financial Statements of Bank Islam are already reflected in and form a substantial portion of the consolidated financial results of BHB;

(b) the Financial Statements of Bank Islam have been published and made available to general public in accordance with the provisions of the Islamic Banking Act, 1983 (which was the governing legislation when the Financial Statements were issued). As such, the Financial Statements of Bank Islam are publicly available. The information contained in the Accountant's Report will primarily be a reproduction of the statement of profit and loss and other comprehensive income, and the statements of financial position in the Financial Statements of Bank Islam. As such, the Accountant's Report would not provide additional key financial information to shareholders of BHB. In addition, this Appendix also sets out key financial information on Bank Islam. Please refer to www.bankislam.com.my for the Financial Statements of Bank Islam; and

(c) there would be cost savings given that an expert would not have to be appointed to prepare the Accountant's Report.

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KPMG

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Chartered Accountants
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Selangor Darul Ehsan, Malaysia

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Private and confidential
The Board of Directors
BIMB Holdings Berhad
Level 31, Menara Bank Islam,
22, Jalan Perak,
50450 Kuala Lumpur,
Malaysia

Attention: Encik Johan Bin Abdullah

30 October 2013

Dear Sirs

BIMB Holdings Berhad ("BHB" or the "Company")
Unaudited Proforma Consolidated Statements of Financial Position

Renounceable rights issue of 426,715,958 new ordinary shares of RM1.00 each in BHB ("BHB Shares" or "Shares") ("Rights Shares") together with 426,715,958 free detachable warrants ("Warrants") at an issue price of RM4.25 per Rights Share on the basis of two (2) Rights Shares and two (2) Warrants for every five (5) existing BHB shares held as at 5.00 P.M. on 12 November 2013 ("Rights Issue with Warrants")

We have completed our assurance engagement to report on the compilation of unaudited proforma consolidated statements of financial position as at 31 December 2012 of the Company and its subsidiaries (the "Group") prepared by the Directors of the Company as set out in Appendix I to this report that have stamped by us for identification purposes.

The unaudited proforma consolidated statements of financial position have been compiled by the Directors for inclusion in the Abridged Prospectus based on the requirements as specified in the Prospectus Guidelines – Abridged Prospectus issued by Securities Commission Malaysia ("Securities Commission") and notes to the unaudited proforma consolidated statements of financial position of the Company as at 31 December 2012 ("Applicable Criteria").

The unaudited proforma consolidated statements of financial position have been compiled by the Directors solely to illustrate the impact of events or transactions set out in the Applicable Criteria. As part of this process, information about the Group's financial position have been extracted by the Board of Directors from the Company's financial statements for the year ended 31 December 2012, on which an audit report has been published.

Board of Director's Responsibility for the Unaudited Proforma Consolidated Statements of Financial Position

The Directors are responsible for the compilation of the unaudited proforma consolidated statements of financial position on the basis of the Applicable Criteria.

KPMG

BIMB Holdings Berhad
Reporting Accountants' Report on the Proforma Consolidated Statements of Financial Position of BIMB Holdings Berhad as at 31 December 2012

30 October 2013

Our Responsibilities

Our responsibility is to express an opinion as required by the Securities Commission, about whether the unaudited proforma consolidated statements of financial position have been properly compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus,* issued by the Malaysian Institute of Accountants ("MIA"). This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the unaudited proforma consolidated statements of financial position on the basis of the Applicable Criteria.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions made on any historical financial information used in compiling the unaudited proforma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited proforma consolidated statements of financial position.

The purpose of unaudited proforma consolidated statements of financial position included in an abridged prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purpose of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the unaudited proforma consolidated statements of financial position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the unaudited proforma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those criteria; and
- The unaudited proforma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the unaudited proforma consolidated statements of financial position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluation of the overall presentation of the unaudited proforma consolidated statements of financial position.

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

KPMG

BIMB Holdings Berhad
Reporting Accountants' Report on the Proforma Consolidated Statements of Financial Position of BIMB Holdings Berhad as at 31 December 2012

30 October 2013

Opinion

In our opinion:

(i) the unaudited proforma consolidated statements of financial position of the Group, which have been prepared by the Directors of the Group, have been properly compiled on the basis of the Applicable Criteria using financial statements prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group; and

(ii) each material adjustment made to the information used in the preparation of the unaudited proforma consolidated statements of financial position is appropriate for the purposes of preparing the unaudited proforma consolidated statements of financial position.

Other matters

This letter is issued for the sole purpose of complying with the Prospectus Guidelines – Abridged Prospectus issued by the Securities Commission in connection with the Rights Issue with Warrants. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any other purpose other than the Rights Issues with Warrants described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Rights Issue with Warrants.

Yours faithfully,

KPMG Desa Megat & Co	Ow Peng Li
Firm Number: AF 0759	Approval Number: 2666/09/15
Chartered Accountants	Chartered Accountant
Petaling Jaya	

Appendix 1

BIMB HOLDINGS BERHAD ("BHB")
UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

The unaudited proforma consolidated statements of financial position of BIMB Holdings Berhad ("BHB" or "the Company") and its subsidiaries, hereinafter collectively referred to as BHB Group, set out below are provided for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of BHB as at 31 December 2012 had the Acquisitions, Rights Issue with Warrants and Sukuk Issue as described in Note 1 been effected and completed on that date, and should be read in conjunction with the accompanying notes.

The total purchase consideration for the Acquisitions is based on RM2,860,637,446, being the RM equivalent of USD884,603,069 based on the exchange rate of USD1 = RM3.2338 (rounded to nearest four (4) decimal points), which is the weighted average exchange rate the Company had procured for the purchase of the USD in respect of the purchase consideration for the Acquisition of DFG Block (as defined herein) amounting to USD550,000,000.

BIMB HOLDINGS BERHAD ("BHB")
UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

	Note	As at 31 December 2012 RM'000	Proforma I After Fund Raising RM'000	Proforma II After Proforma I and completion of Acquisitions and utilisation of proceeds RM'000	Proforma III After Proforma II and assuming full exercise of Warrants RM'000
ASSETS					
Cash and short term funds	4(a)	2,063,444	4,952,255	2,079,917	4,094,017
Deposits and placements with financial institutions		519,646	519,646	519,646	519,646
Financial assets held-for-trading		1,831,606	1,831,606	1,831,606	1,831,606
Derivative financial assets		16,736	16,736	16,736	16,736
Financial assets available-for-sale		16,862,202	16,862,202	16,862,202	16,862,202
Financial assets held-to-maturity		468,721	468,721	468,721	468,721
Financing, advances and others		19,507,799	19,507,799	19,507,799	19,507,799
Other assets		473,983	473,983	473,983	473,983
Takaful assets		531,316	531,316	531,316	531,316
Statutory deposits with Bank Negara Malaysia		1,059,900	1,059,900	1,059,900	1,059,900
Current tax assets		6,604	6,604	6,604	6,604
Deferred tax assets		55,830	55,830	55,830	55,830
Investments in associates		22,913	22,913	22,913	22,913
Property, plant and equipment		454,413	454,413	454,413	454,413
Investment properties		29,136	29,136	29,136	29,136
Assets classified as held for sale		3,374	3,374	3,374	3,374
TOTAL ASSETS		**43,907,623**	**46,796,434**	**43,924,096**	**45,938,196**

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BIMB HOLDINGS BERHAD ("BHB")
UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

	Note	As at 31 December 2012 RM'000	Proforma I After Fund Raising RM'000	Proforma II After Proforma I and completion of Acquisitions and utilisation of proceeds RM'000	Proforma III After Proforma II and assuming full exercise of Warrants RM'000
LIABILITIES AND EQUITIES					
Deposits from customers		32,379,000	32,379,000	32,379,000	32,379,000
Deposits and placements of banks and other financial institutions		860,278	860,278	860,278	860,278
Derivative financial liabilities		14,339	14,339	14,339	14,339
Bills and acceptances payables		385,138	385,138	385,138	385,138
Other liabilities		869,414	869,414	869,414	869,414
Takaful liabilities		5,580,755	5,580,755	5,580,755	5,580,755
Sukuk liabilities	4(b)	-	1,086,469	1,086,469	1,086,469
Zakat and taxation		51,506	51,506	51,506	51,506
Total liabilities		**40,140,430**	**41,226,899**	**41,226,899**	**41,226,899**
Equity					
Share capital	4(c)	1,066,790	1,493,506	1,493,506	1,920,222
Share premium	4(d)	603,630	1,462,320	1,462,320	3,576,040
Warrants reserves	4(e)	-	526,336	526,336	-
Other reserves		428,433	428,433	428,433	428,433
Acquisition reserves	4(f)	-	-	(1,348,785)	(1,348,785)
Accumulated losses	4(g)	(79,275)	(88,675)	(91,775)	(91,775)
Total equity attributable to owners of the Company		2,019,578	3,821,920	2,470,035	4,484,135
Non-controlling interest	4(h)	1,747,615	1,747,615	227,162	227,162
Total equity		**3,767,193**	**5,569,535**	**2,697,197**	**4,711,297**
TOTAL LIABILITIES AND EQUITY		**43,907,623**	**46,796,434**	**43,924,096**	**45,938,196**
Note:					
a) Net assets per share (RM)		1.89	2.56	1.65	2.34
b) Gearing ratio (times)		-	0.28	0.44	0.24

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BIMB HOLDINGS BERHAD ("BHB")
NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

1. Basis of compilation

(a) The unaudited proforma consolidated statements of financial position, for which the Board of Directors of BHB are solely responsible, have been prepared for illustrative purposes, based on the consolidated statements of financial position as at 31 December 2012 of BHB as extracted from the audited financial statements for the financial year ended 31 December 2012, approved by the Directors for issuance on 22 March 2013. The financial statements were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") in Malaysia. The unaudited proforma consolidated statements of financial position have been prepared in a manner consistent with the accounting policies of BHB as adopted for the audited financial statements for the financial year ended 31 December 2012 to provide information on how the consolidated financial position of BHB Group as at 31 December 2012 might have been affected had the following been completed on that date:

1) Acquisitions of
   - 690,196,000 ordinary shares of RM1.00 each in Bank Islam Malaysia Berhad ("Bank Islam") from Dubai Financial Group LLC ("DFG"), representing approximately 30.47% of the issued and paid-up share capital of Bank Islam ("DFG Block"), for a cash consideration of USD550,000,000("Acquisition of DFG Block"); and
   - 419,894,000 ordinary shares of RM1.00 each in Bank Islam from Lembaga Tabung Haji ("LTH"), representing approximately 18.53% of the issued and paid-up share capital of Bank Islam, for a cash consideration of RM equivalent of USD334,603,069;

   (collectively known as "Acquisitions")

2) Renounceable rights issue of 426,715,958 new ordinary shares of RM1.00 each in BHB ("BHB Shares") ("Rights Shares") together with 426,715,958 new free detachable warrants ("Warrants") on the basis of two (2) Rights Shares and two (2) Warrants for every five (5) existing BHB Shares held by the entitled shareholders of BHB as at 5.00 p.m. on 12 November 2013 ("Entitlement Date") at an issue price of RM4.25 per Rights Share to raise gross proceeds of RM1,813,542,822 ("Rights Issue with Warrants"); and

3) Proposed issue of ten (10)-year Islamic securities of an issue size of RM1.660 billion in nominal value to raise gross proceeds of RM1,086,469,477 (" Sukuk Issue").

(the Rights Issue with Warrants and the Sukuk Issue are collectively referred to as "Fund Raising")

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BIMB HOLDINGS BERHAD ("BHB")
NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

2. Effects of the Fund Raising

For illustrative purpose, the unaudited proforma consolidated statements of financial position have been prepared assuming the completion of the Fund Raising and Acquisitions based on the following:

- Rights issue with warrants of 426,715,958 Rights Shares together with 426,715,958 Warrants in BHB on the basis of two (2) Rights Shares and two (2) Warrants for every five (5) existing BHB Shares, at an issue price of RM4.25 per Rights Share;
- Proposed sukuk issue of an issue size of RM1.660 billion in nominal value which would raise gross proceeds of RM1,086,469,477;
- Acquisitions of the remaining 49.0% issued and paid-up share capital in Bank Islam from DFG and LTH; and
- Full exercise of the 426,715,958 Warrants by the end of the ten (10) years tenure at an exercise price at theoretical ex-rights price ("TERP") of RM4.72 per Warrant into 426,715,958 BHB Shares.

i) Proforma I: After Fund Raising

Proforma I incorporates the effects of the following:

1. *Rights Issue with Warrants*

Proforma I incorporates the issuance of 426,715,958 Rights Shares together with 426,715,958 Warrants on the basis of two (2) Rights Shares and two (2) Warrants for every five (5) existing BHB Shares held.

The Rights Shares are issued at an issue price of RM4.25 per Rights Share which would raise gross proceeds of RM1,813,542,822.

BIMB HOLDINGS BERHAD ("BHB")
NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

2. Effects of the Fund Raising (Cont'd)

i) Proforma I: After Fund Raising (Cont'd)

1. Rights Issue with Warrants (Cont'd)

For the purpose of Proforma I, the carrying amount of the Warrants Reserves which approximates RM526.336 million is determined based on the following formulae:

$$\frac{\text{Fair value of Warrants}}{\text{Fair value of Warrants + TERP of BHB Shares}} \times \text{Proceeds from Rights Issue with Warrants}$$

The fair value of Warrants of RM1.93 each is estimated using the trinomial pricing model based on the following key assumptions:

(1)	Underlying share price	RM4.72 [1] per share
(2)	Exercise price	RM4.72 per warrant
(3)	Tenure of the Warrants	10 years
(4)	Risk free interest rate	4.259%
(5)	Expected dividend yield	1.271%
(6)	Expected share price volatility	31.018%

The estimated expenses for the issue of Rights Shares of RM1.8 million are assumed to be directly attributable to the Rights Issue with Warrants and as such adjusted against the share premium account.

2. Sukuk Issue

Proforma I also incorporates the proposed issuance of a 10-year redeemable, non-transferable and non-tradeable unlisted unrated sukuk. The sukuk is expected to be issued at a discount. The issue size of the sukuk is RM1.660 billion in nominal value which carries a profit rate of 1.50% per annum, is payable annually in arrears, and carries a 6.25% yield-to-maturity per annum.

The Sukuk Issue would raise gross proceeds of RM1,086,469,477.

The estimated expenses for the Sukuk Issue of RM9.4 million are taken to profit or loss.

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[1] TERP based on 5-day volume-weighted average market price of BHB up to and including 18 October 2013 and the issue price of RM4.25 per Rights Share

BIMB HOLDINGS BERHAD ("BHB")
NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

2. Effects of the Fund Raising (Cont'd)

ii) Proforma II: After Proforma I, completion of Acquisitions and utilisation of proceeds

Proforma II incorporates the effects of Proforma I and the effects of both the completion of Acquisitions as well as the utilisation of proceeds.

Purchase consideration to be paid is a total of USD884,603,069 which is equivalent to RM2,860,637,446 based on exchange rate of USD to MYR of RM3.2338 (rounded to nearest four (4) decimal points).

The net assets acquired of RM1.520 billion (i.e. acquired interest in Bank Islam of 49% multiplied by shareholders' funds in Bank Islam as at 31 December 2012) are adjusted to the non-controlling interest account to reflect the changes in BHB's relative interest in the subsidiary. The differences between consideration paid, and net assets acquired are taken to equity and classified as "Acquisition Reserves".

The estimated stamp duty amounting to RM8.6 million are adjusted against Acquisition Reserves, while the estimated expenses for Acquisitions amounting to RM3.1 million are recorded in profit or loss.

iii) Proforma III: After Proforma II and assuming full exercise of Warrants

Proforma III incorporates the effects of Proforma II and assumes full exercise of 426,715,958 Warrants into BHB Shares at an exercise price at TERP of RM4.72 per Warrant.

3. Others

In arriving at the unaudited proforma consolidated statements of financial position, the corporate tax rate of 25% is used and it is assumed that total transaction costs are incurred and allocated as follows:

	RM'000
Rights Issue with Warrants	1,800
Sukuk Issue	9,400
Acquisitions	
- Stamp duty	8,600
- Others	3,100
Total	22,900

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BIMB HOLDINGS BERHAD ("BHB")
NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

4. **Explanation of proforma movement**

(a) Movement in cash and short term funds

	RM'000
Balance as at 31 December 2012	2,063,444
Effects of Proforma I	
i) Rights Issue with Warrants	1,813,542
Payment of estimated issuance costs	(1,800)
ii) Sukuk Issue	1,086,469
Payment of estimated issuance costs	(9,400)
Proforma I	4,952,255
Effects of Proforma II – Acquisitions and utilisation of proceeds	(2,860,638)
Payment of estimated acquisition costs	(11,700)
Proforma II	2,079,917
Effects of Proforma III – Full exercise of Warrants	2,014,100
Proforma III	4,094,017

(b) Movement in sukuk liabilities

	RM'000
Balance as at 31 December 2012	-
Effects of Proforma I –Sukuk Issue	1,086,469
Proforma I, II and III	1,086,469

(c) Movement in share capital

	RM'000
Balance as at 31 December 2012	1,066,790
Effects of Proforma I – Rights Issue with Warrants	426,716
Proforma I and II	1,493,506
Effects of Proforma III – Full exercise of Warrants	426,716
Proforma III	1,920,222

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BIMB HOLDINGS BERHAD ("BHB")
NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

4. Explanation of proforma movement (Cont'd)

(d) Movement in share premium

	RM'000
Balance as at 31 December 2012	603,630
Effects of Proforma I – Rights Issue with Warrants	860,490
Estimated issuance cost of Rights Issue with Warrants set off against share premium	(1,800)
Proforma I and II	1,462,320
Effects of Proforma III – Full exercise of Warrants	1,587,384
Warrants reserves set-off against share premium upon full exercise	526,336
Proforma III	3,576,040

(e) Warrants reserves

	RM'000
Balance as at 31 December 2012	-
Effects of Proforma I – Rights Issue with Warrants	526,336
Proforma I and II	526,336
Effects of Proforma III – Full exercise of Warrants	(526,336)
Proforma III	-

(f) Acquisition reserves

	RM'000
Balance as at 31 December 2012 and Proforma I	-
Effects of Proforma II – Acquisitions and utilisation of proceeds	1,340,185
Estimated acquisition costs – stamp duty	8,600
Proforma II and Proforma III	1,348,785

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BIMB HOLDINGS BERHAD ("BHB")
NOTES TO THE UNAUDITED PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONT'D)

4. Explanation of proforma movement (Cont'd)

(g) Accumulated losses

	RM'000
Balance as at 31 December 2012	79,275
Effects of Proforma I – Estimated issuance cost of Sukuk Issue	9,400
Proforma I	88,675
Effects of Proforma II – Estimated Acquisitions costs	3,100
Proforma II and Proforma III	91,775

(h) Non-controlling interest

	RM'000
Balance as at 31 December 2012 and Proforma I	1,747,615
Effects of Proforma II – Acquisitions	(1,520,453)
Proforma II and Proforma III	227,162

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BIMB Holdings Berhad

(Company No. 423858-X)
(Incorporated in Malaysia)

and its subsidiaries

Reports and financial statements for the financial year ended 31 December 2012

BIMB Holdings Berhad
(Company No. 423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the financial year ended 31 December 2012

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

Principal activities

The Company is principally engaged as an investment holding company with business transacted in accordance with Islamic principles, whilst the principal activities of the subsidiaries are as stated in Note 14 to the financial statements.

There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	252,269	141,466
Non-controlling interests	245,362	-
	497,631	141,466

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Issue of shares and debentures

There were no changes to the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Dividends

The amount of dividends paid by the Company since 31 December 2011 is as follows:

	RM'000
In respect of the financial year ended 31 December 2011:	
Final single tier dividend of 7.25% per ordinary share, paid on 13 June 2012	77,342
In respect of the financial year ended 31 December 2012:	
First interim single tier dividend of 3.50% per ordinary share, paid on 31 October 2012	37,338
Second interim single tier dividend of 3.50% per ordinary share, paid on 27 December 2012	37,338
	152,018

The Directors recommend a final single tier ordinary dividend of 5.00% per ordinary share totalling RM53,339,495 for the financial year ended 31 December 2012.

Impaired financing

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of impairment provisions for impaired financing, and have satisfied themselves that all known bad financing have been written off and adequate impairment provisions made for impaired 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 impairment provisions for impaired financing in the financial statements of the Group and of the Company, inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Company have been written down to their estimated realisable value.

At the date of this report, the Directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company to be 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 Group and of the Company to be 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 Group and of the Company which has arisen since the end of the financial year and which secures the liabilities of any other person, or

(b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year other than those incurred in the ordinary course of the banking business.

No contingent or other liability of any company in the Group 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 Group and of the Company 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 that would render any amount stated in the financial statements of the Group and of the Company misleading.

Items of an unusual nature

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

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

Significant events during the year

The significant events during the financial year are as disclosed in Note 46 to the financial statements.

Subsequent events after the financial year

There were no significant events subsequent to the financial year ended 31 December 2012.

Directors

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

Tan Sri Samsudin bin Osman
Tan Sri Ismail bin Adam
Dato' Paduka Ismee bin Ismail
Datuk Zaiton binti Mohd Hassan
Johan bin Abdullah
Zahari @ Mohd Zin bin Idris
Salih Amaran bin Jamiaan
Rozaida binti Omar
Syed Elias bin Abd Rahman Alhabshi (resigned on 1.7.2012)

As at 31 December 2012, En. Zahari @ Mohd Zin bin Idris holds 90,000 interest in the ordinary shares of the Company.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a firm in which the Director has a substantial financial interest.

There was no arrangement during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Auditors

The auditors, Messrs KPMG Desa Megat & Co., have indicated their willingness to accept re-appointment.

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

....

Tan Sri Samsudin bin Osman

....

Johan bin Abdullah

Kuala Lumpur,

Date: 22 MAR 2013

BIMB Holdings Berhad

(Company No. 423858-X)
(Incorporated in Malaysia)

and its subsidiaries

Statements of Financial Position as at 31 December 2012

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Assets							
Cash and short-term funds	3	2,063,444	3,785,354	3,076,068	68,329	89,898	63,815
Deposits and placements with financial institutions	4	519,646	1,692,220	875,747	-	-	-
Financial assets held-for-trading	5	1,831,606	1,403,344	2,464,462	-	-	-
Derivative financial assets	6	16,736	15,877	80,108	-	-	-
Financial assets available-for-sale	7	16,862,202	14,271,540	15,781,738	17,290	12,296	12,229
Financial assets held-to-maturity	8	468,721	636,913	509,134	-	-	-
Financing, advances and others	9	19,507,799	14,161,837	11,858,599	-	-	-
Other assets	10	473,983	278,212	302,162	10,446	432	252
Takaful assets	11	531,316	525,238	435,355	-	-	-
Statutory deposits with Bank Negara Malaysia	12	1,059,900	912,000	10,000	-	-	-
Current tax assets		6,604	8,226	30,824	2,463	1,826	1,682
Deferred tax assets	13	55,830	41,201	59,023	10	10	1,659
Investments in subsidiaries	14	-	-	-	1,704,433	1,711,113	1,557,642
Investments in associates	15	22,913	21,181	1	1	1	1
Property, plant and equipment	16	454,413	439,166	424,279	2,589	944	433
Investment properties	17	29,136	32,980	32,124	-	-	-
Assets classified as held for sale		3,374	668	-	-	-	-
Total assets		43,907,623	38,225,957	35,939,624	1,805,561	1,816,520	1,637,713

Company No. 423858-X

Statements of Financial Position as at 31 December 2012 (continued)

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
Liabilities and equity							
Deposits from customers	18	32,379,000	28,208,203	26,798,107	-	-	-
Deposits and placements of banks and other financial institutions	19	860,278	384,628	378,129	-	-	-
Derivative financial liabilities	6	14,339	23,299	66,708	-	-	-
Bills and acceptances payable		385,138	259,153	163,191	-	-	-
Other liabilities	20	869,414	736,526	667,922	1,458	1,731	684
Takaful liabilities	21	5,580,755	5,124,602	4,707,810	-	-	-
Zakat and taxation		51,506	34,615	37,975	-	-	-
Total liabilities		40,140,430	34,771,026	32,819,842	1,458	1,731	684
Equity							
Share capital	22	1,066,790	1,066,790	1,066,790	1,066,790	1,066,790	1,066,790
Reserves	23	952,788	765,811	587,568	737,313	747,999	570,239
Equity attributable to owners of the Company		2,019,578	1,832,601	1,654,358	1,804,103	1,814,789	1,637,029
Non-controlling interests		1,747,615	1,622,330	1,465,424	-	-	-
Total equity		3,767,193	3,454,931	3,119,782	1,804,103	1,814,789	1,637,029
Total liabilities and equity		43,907,623	38,225,957	35,939,624	1,805,561	1,816,520	1,637,713
Commitments and contingencies	45	10,928,790	9,423,109	13,544,287	-	-	-

The notes on pages 16 to 164 are an integral part of these financial statements.

BIMB Holdings Berhad
(Company No. 423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2012

		Group		Company	
		2012	2011	2012	2011
	Note	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	24	1,650,642	1,393,918	-	-
Income derived from investment of shareholders' funds	25	350,978	281,597	174,447	104,142
Net income from Takaful business	26	472,333	403,464	-	-
Allowance for impairment on financing and advances	27	(66,073)	(21,124)	-	-
Reversal of/(Allowance for) impairment on investments	28	577	(15,406)	-	156,027
Allowance for impairment on other assets		3,413	-	-	-
Provision for contingent liability		(14,769)	(15,231)	-	-
Direct expenses		(31,153)	(28,425)	-	-
Total distributable income		2,365,948	1,998,793	174,447	260,169
Income attributable to depositors	29	(590,595)	(473,133)	-	-
Total net income		1,775,353	1,525,660	174,447	260,169
Personnel expenses	30	(524,459)	(456,043)	(5,830)	(5,569)
Other overhead expenses	31	(535,187)	(479,310)	(2,843)	(1,676)
		715,707	590,307	165,774	252,924
Share of results of associate company, net of tax		1,732	(1,383)	-	-
Profit before zakat and tax		717,439	588,924	165,774	252,924
Zakat		(10,121)	(9,196)	-	-
Tax expense	33	(209,687)	(157,281)	(24,308)	(25,093)
Profit for the year		497,631	422,447	141,466	227,831
Attributable to:					
Owners of the Company		252,269	212,140	141,466	227,831
Non-controlling interests		245,362	210,307	-	-
Profit for the year		497,631	422,447	141,466	227,831
Earnings per share (sen)	34	23.65	19.88		
Dividend per ordinary share-net (sen)	35	14.25	4.70		

BIMB Holdings Berhad
(Company No. 423858-X)
(Incorporated in Malaysia)
and its subsidiaries

Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2012 (continued)

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit for the year		497,631	422,447	141,466	227,831
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences in respect of foreign operations		5,235	(8,491)	-	-
Net gain on revaluation of financial assets available-for-sale		6,725	39,905	(134)	68
Other comprehensive income for the year, net of tax		11,960	31,414	(134)	68
Total comprehensive income for the year		509,591	453,861	141,332	227,899
Attributable to:					
Owners of the Company		259,965	228,749	141,332	227,899
Non-controlling interests		249,626	225,112	-	-
Total comprehensive income for the year		509,591	453,861	141,332	227,899

The notes on pages 16 to 164 are an integral part of these financial statements.

BIMB Holdings Berhad
(Company No. 423858-X)
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Statements of Changes in Equity for the financial year ended 31 December 2012

		Attributable to owners of the Company						
		Non-distributable						
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Other reserves RM'000**	**Accumulated losses RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 January 2011		1,066,790	603,630	1,190,028	(1,206,090)	1,654,358	1,465,424	3,119,782
Profit for the year		-	-	-	212,140	212,140	210,307	422,447
Other comprehensive income								
Currency translation differences in respect of foreign operations		-	-	(4,562)	-	(4,562)	(3,929)	(8,491)
Net gain on revaluation of financial assets Available-for-sale		-	-	21,171	-	21,171	18,734	39,905
Total comprehensive income for the year		-	-	16,609	212,140	228,749	225,112	453,861
Transfer to statutory reserve		-	-	89,381	(89,381)	-	-	-
Acquisition of additional interest from non-controlling interests		-	-	-	(367)	(367)	(533)	(900)
Dividends paid to shareholders	35	-	-	-	(50,139)	(50,139)	-	(50,139)
Dividends paid to non-controlling interests		-	-	-	-	-	(67,673)	(67,673)
At 31 December 2011		1,066,790	603,630	1,296,018	(1,133,837)	1,832,601	1,622,330	3,454,931
		Note 22		Note 23				

Company No. 423858-X

Statements of Changes in Equity for the financial year ended 31 December 2012 (continued)

		← Attributable to owners of the Company →						
		← Non-distributable →						
Group	Note	Share capital RM'000	Share premium RM'000	Other reserves RM'000	Accumulated Losses RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2012		1,066,790	603,630	1,296,018	(1,133,837)	1,832,601	1,622,330	3,454,931
Profit for the year		-	-	-	252,269	252,269	245,362	497,631
Other comprehensive income								
Currency translation differences in respect of foreign operations		-	-	4,061	-	4,061	1,174	5,235
Net gain on revaluation of financial assets available-for-sale		-	-	3,635	-	3,635	3,090	6,725
Total comprehensive income for the year		-	-	7,696	252,269	259,965	249,626	509,591
Transfer to statutory reserve		-	-	105,237	(46,266)	58,971	(58,971)	-
Dividends paid to shareholders	35	-	-	-	(152,018)	(152,018)	-	(152,018)
Dividends paid to non-controlling interests		-	-	-	-	-	(85,530)	(85,530)
Disposal of interest in subsidiary		-	-	-	20,059	20,059	20,160	40,219
Zerorisation of accumulated losses in subsidiary		-	-	(349,011)	349,011	-	-	-
Transfer to accumulated losses		-	-	(631,507)	631,507	-	-	-
At 31 December 2012		1,066,790	603,630	428,433	(79,275)	2,019,578	1,747,615	3,767,193
		Note 22		Note 23				

The notes on pages 16 to 164 are an integral part of these financial statements.

Company No. 423858-X

Statements of Changes in Equity for the financial year ended 31 December 2012 (continued)

		← Non-distributable →				
Company	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Fair value reserves RM'000**	**(Accumulated losses)/ Retained earnings RM'000**	**Total equity RM'000**
At 1 January 2011		1,066,790	603,630	199	(33,590)	1,637,029
Profit for the year		-	-	-	227,831	227,831
Other comprehensive income						
Net gain on revaluation of financial assets available-for-sale		-	-	68	-	68
Total comprehensive income for the year		-	-	68	227,831	227,899
Dividends paid to shareholders	35	-	-	-	(50,139)	(50,139)
At 31 December 2011/ 1 January 2012		1,066,790	603,630	267	144,102	1,814,789
Profit for the year		-	-	-	141,466	141,466
Other comprehensive income						
Net gain on revaluation of financial assets available-for-sale		-	-	(134)	-	(134)
Total comprehensive income for the year		-	-	(134)	141,466	141,332
Dividends paid to shareholders	35	-	-	-	(152,018)	(152,018)
At 31 December 2012		1,066,790	603,630	133	133,550	1,804,103
		Note 22				

The notes on pages 16 to 164 are an integral part of these financial statements.

BIMB Holdings Berhad
(Company No. 423858-X)
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Statements of Cash Flow for the financial year ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash flows from operating activities				
Profit before zakat and tax	717,439	588,924	165,774	252,924
Adjustments for:				
Depreciation	56,838	59,688	494	196
Impairment losses on financial assets available-for-sale	8,304	18,158	-	-
Reversal of impairment losses on financial assets held-to-maturity	(577)	(2,752)	-	-
Reversal of impairment on investment in subsidiaries	-	-	-	(156,027)
Reversal of impairment on other assets	(9,994)	(240)	-	-
Allowance for impairment on financing and others	66,073	21,124	-	-
Provision for contingent liability	14,769	15,231	-	-
Dividends from securities	(38,382)	(37,854)	(500)	(349)
Dividends from subsidiaries	-	-	(137,714)	(100,869)
Loss on disposal of investment properties	-	(3,088)	-	-
(Gain)/Loss on disposal of property, plant and equipment	(84)	297	39	-
Gain on disposal of assets held for sale	(62)	-	-	-
Net gain on sale of financial assets held-for-trading	(4,351)	(6,818)	-	-
Net gain on sale of financial assets available-for-sale	(142,708)	(152,408)	-	-
Fair value gain on financial assets held-for-trading	(23,600)	(29,043)	-	-
Share of (profit)/losses of associate companies	(1,732)	1,383	-	-
Net derivative (gain)/losses	(9,805)	8,618	-	-
Property, plant and equipment write off	315	709	140	-
Gain on disposal of interest in subsidiary	-	-	(33,539)	-
Gain on redemption on financial assets held-to-maturity	-	(1,452)	-	-
Operating profit/(loss) before working capital changes	632,443	480,477	(5,306)	(4,125)

Company No. 423858-X

Statements of Cash Flows for the financial year ended 31 December 2012 (continued)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Operating profit/(loss) before working capital changes	632,443	480,477	(5,306)	(4,125)
Changes in working capital:				
Deposits and placements of banks and other financial institutions	475,650	6,499	-	-
Financing of customers	(5,426,804)	(2,339,593)	-	(112)
Statutory deposits with Bank Negara Malaysia	(147,900)	(902,000)	-	-
Other assets	(190,613)	(208,337)	-	(65)
Deposits from customers	4,170,797	1,410,096	-	-
Other liabilities	589,041	509,497	(25,200)	(23,832)
Bills payable	125,985	95,962	-	-
Cash generated from/(used in) operations	228,599	(947,399)	(30,506)	(28,134)
Zakat paid	(6,737)	(13,153)	-	-
Tax paid	(211,487)	(136,246)	(18)	(51)
Tax refund	2,300	3,816	-	996
Net cash generated from/(used in) operating activities	12,675	(1,092,982)	(30,524)	(27,189)
Cash flows from investing activities				
Net proceeds from (purchase)/disposal of securities	(2,681,075)	2,804,516	(5,128)	-
Purchase of property, plant and equipment	(73,403)	(79,012)	(2,329)	(707)
Purchase of investment properties	-	(5,535)	-	-
Proceeds from disposal of property, plant and equipment	435	3,281	11	-
Proceeds from disposal of investment properties	-	7,403	-	-
Proceeds from disposal of assets held for sale	596	-	-	-
Dividends from securities	38,382	37,854	500	349
Dividends from subsidiaries	-	-	127,700	100,869
Redemption of investment in subsidiary	-	-	-	2,900
Disposal of investment in subsidiary	40,219	-	40,219	-
Acquisition of non-controlling interests	-	(900)	-	-
Acquisition of investment in an associate company	-	(22,563)	-	-
Net cash (used in)/generated from investing activities	(2,674,846)	2,745,044	160,973	103,411

Company No. 423858-X

Statements of Cash Flows for the financial year ended 31 December 2012 (continued)

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Dividends paid to holding company	(152,018)	(50,139)	(152,018)	(50,139)
Dividends paid to non-controlling interests	(85,530)	(67,673)	-	-
Net cash used in financing activities	(237,548)	(117,812)	(152,018)	(50,139)
Net (decrease)/increase in cash and cash equivalents	(2,899,719)	1,534,250	(21,569)	26,083
Cash and cash equivalents at 1 January	5,477,574	3,951,815	89,898	63,815
Foreign exchange differences	5,235	(8,491)	-	-
Cash and cash equivalents at 31 December	2,583,090	5,477,574	68,329	89,898
Cash and cash equivalents comprise:				
Cash and short-term funds	2,063,444	3,785,354	68,329	89,898
Deposits and placements with financial institutions	519,646	1,692,220	-	-
	2,583,090	5,477,574	68,329	89,898

The notes on pages 16 to 164 are an integral part of these financial statements.

BIMB Holdings Berhad

(Company No. 423858-X)
(Incorporated in Malaysia)

and its subsidiaries

Notes to the financial statements for the financial year ended 31 December 2012

1. Principal activities and general information

BIMB Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business are as follows:

Registered office and principal place of business

31st Floor, Menara Bank Islam
22 Jalan Perak
50450 Kuala Lumpur

The consolidated financial statements for the financial year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interest in an associate.

The Company is principally engaged in investment holding activities while the other Group entities are primarily involved in Islamic banking business, managing family and general takaful, and stock-broking businesses.

The ultimate holding corporation of the Company during the financial year is Lembaga Tabung Haji, a statutory body established under the Tabung Haji Act 1995 (Act 535).

These financial statements were authorised for issue by the Board of Directors on 22 MAR 2013.

2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements to all periods presented in these financial statements.

2.1 Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the applicable Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), the provisions of the Companies Act, 1965 and Shariah requirements. These are the Group's and the Company's first financial statements prepared in accordance with MFRS and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied.

In the previous years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards (FRS). The financial impacts of transition to MFRS are disclosed in Note 47 to the financial statements.

The Group and the Company have early adopted the amendments to MFRS 101, Presentation of Financial Statements which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The following accounting standards, amendments and interpretations have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (2011)*
- MFRS 127, *Separate Financial Statements (2011)*
- MFRS 128, *Investment in Associates and Joint Ventures (2011)*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (continued)

- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (2009)*
- MFRS 9, *Financial Instruments (2010)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures*

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- From the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013;
- From the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014; and
- From the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

Material impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are discussed below:

(i) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities.

The adoption of MFRS 9 may result in a change in accounting policy for financial assets. The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(ii) MFRS 10, *Consolidated Financial Statements*

MFRS 10 introduces a new single control model to determine which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation – Special Purpose Entities.* There are three elements to the definition of control in MFRS 10:

- Power by investor over an investee;
- Exposure, or rights, to variable returns from investor's involvement with the investee; and
- Investor's ability to affect those returns through its power over the investee.

The initial application of the other standards, amendments and interpretations are not expected to have any material financial impacts to the current and prior period financial statements of the Group and the Company upon their first adoption.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policy notes:

- Financial assets held-for-trading
- Financial assets available-for-sale
- Derivative financial instruments

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Group's and the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand (RM'000), unless otherwise stated.

(d) Use of estimates and judgements

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

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note:

- Note 2.5 – Financial instruments: Determination of fair value
- Note 2.11 – Impairment
- Note 2.14 – General Takaful Fund
  – Expense reserves
  – Provision for outstanding claims
- Note 2.15 – Family Takaful Fund
  – Actuarial reserves
  – Expenses reserves
  – Provision for outstanding claims
- Note 2.23 – Deferred tax assets

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation

(a) Subsidiary companies

Subsidiary companies are entities that the Group has power to govern the financial and operating policies of, in order to obtain benefits from their activities. Potential voting rights are considered when assessing control. The financial results of subsidiary companies are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Investments in subsidiary companies are stated in the Company's statement of financial position at cost less impairment loss, if any. Where there is indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Acquisition on or after 1 January 2011
For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in the profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(b) Business combinations (continued)

Acquisition before 1 January 2011
As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(c) Acquisition or disposal of non-controlling interests

The Group treats all changes in its ownership interest in subsidiary that do not result in loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(d) Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured as fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset available-for-sale depending on the level of influence retained.

(e) Associate company

Associate company is an entity in which the Group has significant influence, but not control. Significant influence is the power to participate in the financial and operating policy decisions of the associate company, but not the power to exercise control over the policies.

Investment in an associate company is accounted for in the Group's consolidated financial statements using the equity method less any impairment losses. The cost of investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(e) Associate company (continued)

When the Group's share of losses exceeds its interest in the associate company, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate company.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the profit or loss. Any retained interest in the former associate at the date when significant influence is lost is re-measured at fair value and this amount is regarded as the initial carrying amount of a financial asset.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss.

In the Company's separate financial statements, the investment in associate company is stated at cost less impairment losses, if any. The cost of investment includes transaction costs.

(f) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and other comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

(g) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2.3 Foreign currency

(a) Foreign currency transaction and balances

In preparing the financial statements of the individual entities, transactions in foreign currencies are translated into the respective entity's functional currency at the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing exchange rate ruling at the financial position date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(b) Foreign operations

The assets and liabilities of operations in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates prevailing at the financial position date. The income and expenses of foreign operations are translated to RM at average exchange rates for the period.

2. Summary of significant accounting policies (continued)

2.3 Foreign currency (continued)

(b) Foreign operations (continued)

All resulting exchange differences are recognised in other comprehensive income in Translation Reserve.

The closing rate used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	31.12.2012	31.12.2011	1.1.2011
1 USD	RM3.05800	RM3.16845	RM3.08250
1 LKR	RM0.02395	RM0.02782	RM0.02778
100 IDR	RM0.03170	RM0.03460	RM0.03430

2.4 Cash and cash equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions.

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below.

Recognition and derecognition

Purchases and sales of financial instruments are recognised on the date that the Group and the Company commits to purchase or sell the instruments. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognised from the statement of financial position when the obligation specified in the contract is expired.

Initial measurement

A financial instrument is initially recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial assets.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Financial assets

The Group and the Company categorise financial assets as follows:

(a) Financing and receivables

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

These financial assets are subsequently measured at amortised cost using effective profit rate method, less any impairment loss.

(b) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at fair value through profit or loss are either:

(i) Held-for-trading

Financial assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

(ii) Designated under fair value option

Financial assets meet at least one of the following criteria upon designation:

- it eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets, or recognising gains or losses on them, using different bases; or
- the financial asset contains an embedded derivative that would otherwise need to be separately recorded

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

(c) Financial assets held-to-maturity ("HTM")

Financial assets held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These financial assets are subsequently measured at amortised cost using effective profit rate method, less any impairment loss.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Financial assets (continued)

(c) Financial assets held-to-maturity (continued)

Any sale or reclassification of more than an insignificant amount of financial assets held-to-maturity not close to their maturity would result in the reclassification of all financial assets held-to-maturity to financial assets available-for-sale and the Group would be prevented from classifying any financial assets as financial assets held-to-maturity for the current and following two financial years.

(d) Financial assets available-for-sale ("AFS")

Financial assets available-for-sale are financial assets that are either designated in this category or not classified in any other category and are measured at fair value.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any impairment loss.

Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income until the securities are sold, disposed off or impaired, at which time the cumulative gains or losses previously recognised in equity will be transferred to the profit or loss. Profit or loss from sale of the available-for-sale securities is recognised in profit or loss.

(e) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective interest method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment. See Note 2.11 Impairment.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and profit rate exposures. Foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Derivative financial instruments (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial liabilities

Financial liabilities are initially recognised at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost using the effective profit rate method, except for derivatives that are liabilities, which shall be measured at fair value with the gain or losses recognised in the profit or loss.

A financial liability is removed or derecognised from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash transferred or liabilities assumed, is recognised in the profit or loss.

2. Summary of significant accounting policies (continued)

2.5 Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee is initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, each guarantee is measured at the higher of the initial amount less amortisation calculated to recognise the initial measurement in the profit or loss over the period of the financial guarantee and the best estimate of the amount required to settle the guarantee.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

Determination of fair value

The fair values of financial instruments traded in active markets (such as over-the-counter securities and derivatives) are based on quoted market prices at the statement of financial position date. For unquoted financial instruments, fair value is determined using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.

Reclassification of financial assets

A non-derivative financial asset held-for-trading may be reclassified if the financial asset is no longer held for the purpose of selling in the near term. In addition, a financial asset that meets the definition of financing and receivables may be reclassified out of held-for-trading or available-for-sale categories if the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. The fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective profit rates for financial assets reclassified to financing and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective profit rate prospectively.

2. Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other overhead expenses" respectively in the profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Company will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative years are as follows:

• Buildings	50 years
• Building improvement and renovations	6 - 10 years
• Furniture, fixtures and fittings	2 - 10 years
• Office equipment	2 - 6 years
• Motor vehicles	4 - 5 years
• Computer equipment and software	2 - 7 years

Depreciation methods, useful lives and residual values are reassessed at the statement of financial position date.

2.7 Investment property

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production of supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use. Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2.6.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use or no future economic benefit are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2. Summary of significant accounting policies (continued)

2.8 Leased assets – Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic profit rate on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

2.9 Leased assets – Operating lease

Leases, where the Group does not assume substantially all risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.10 Bills and other receivables

Bills and other receivables are stated at cost less any allowance for impairment.

2. Summary of significant accounting policies (continued)

2.11 Impairment

Financial assets

The Group and the Company assess at each reporting date whether there is objective evidence that financing and receivables, financial assets held-to-maturity or financial assets available-for-sale are impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and prior to the statement of financial position date ("a loss event") and that loss event or events has an impact on the estimated future cash flow of the financial asset or the group of financial assets as that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

(a) Financing, advances and others

For financing, advances and others, the criteria that is used to determine that there is objective evidence of an impairment loss include:

i) significant financial difficulty of the issuer or obligor; or
ii) a breach of contract, such as default or delinquency in profit or principal payments; or
iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
iv) consecutive downgrade of two notches for external ratings.

Financing is classified as impaired when the principal or profit or both are past due for three (3) months or more or where a financing is in arrears for less than three (3) months, the financing exhibits indications of credit weakness.

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

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The amount of the loss is recognised using an allowance account and recognised in the profit or loss.

2. Summary of significant accounting policies (continued)

2.11 Impairment (continued)

Financial assets (continued)

(a) Financing, advances and others (continued)

For the purposes of a collective evaluation of impairment, financing and receivables are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows for a group of financing and receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the year on which the historical loss experience is based and remove the effects of conditions in the historical year that do not currently exist.

When a financing is uncollectable, it is written off against the related allowance for impairment. Such financing are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequently recoveries of amounts previously written off are credited to the profit or loss.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance for impairment account. The amount of reversal is recognised in the profit or loss.

2. Summary of significant accounting policies (continued)

2.11 Impairment (continued)

Financial assets (continued)

(b) Available-for-sale financial assets

In the case of available-for-sale equity securities, a significant or prolonged decline in their fair value of the security below its cost is also considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the profit or loss. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt instruments are recognised in the other comprehensive income. Reversals of impairment of equity shares are not recognised in the profit or loss, increases in the fair value of equity shares after impairment are recognised directly in equity.

(c) Unquoted equity instruments

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

(d) Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective interest method.

If there is objective evidence that the takaful receivable is impaired, the Group reduces the carrying amount of the takaful receivable accordingly and recognises that impairment loss in profit or loss. The Group gather the objective evidence that a takaful receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for those financing, advances and others. These processes are described in Note 2.11 (a).

2. Summary of significant accounting policies (continued)

2.11 Impairment (continued)

Other assets

The carrying amounts of other assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.12 Bills and acceptances payable

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

2.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

2.14 General Takaful Fund

The general takaful fund is maintained in accordance with the Takaful Act, 1984 (Amendment). Included in general takaful fund is fund arising from:

- General takaful; and
- General retakaful funds

The general takaful underwriting results are determined for each class of takaful business after taking into account retakaful, unearned contributions, claims incurred and administrative fees.

2. Summary of significant accounting policies (continued)

2.14 General Takaful Fund (continued)

Contribution income

Contributions are recognised in a financial year in respect of risks assumed during that particular financial year based on the inception date. Inward treaty retakaful contributions are recognised on the basis of periodic advices received from ceding takaful operators.

Unearned contributions reserve

The Unearned Contribution Reserves ("UCR") represent the portion of the net contributions of takaful certificates written that relate to the unexpired years of the certificates at the end of the financial year/years.

In determining the UCR at the statement of financial position date, the method that most accurately reflects the actual unearned contributions is used, as follows:

a) $1/365^{th}$ method for all General Takaful business within Malaysia.
b) $1/8^{th}$ method for all classes of General Treaty Inward Retakaful business

Provision for outstanding claims

A liability for outstanding claims is recognised in respect of direct takaful business. The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries, if any, to settle the present obligation at the statement of financial position date. Any difference between the current estimated cost and subsequent settlement is dealt with in the takaful revenue accounts for the Group and Company in the year in which the settlement takes place.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported ("IBNR") at statement of financial position date, using a mathematical method of estimation by a qualified external actuary where historical claims experience are used to project future claims. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claims settlement pattern as well as uncertainties in the projection model and underlying assumptions.

2. Summary of significant accounting policies (continued)

2.14 General Takaful Fund (continued)

Expense reserves

The expense liability is reported as a liability in Shareholder Fund. Arising from the adoption of guidelines on valuation basis for liabilities of General Takaful Business (issued by Bank Negara Malaysia ("BNM")), with effect from 1 January 2012, for mudharabah certificates, the expense liability is calculated based on best estimate of the provision for unexpired expense risk ("UER") and the provision of risk margin for adverse deviation ("PRAD"). As for wakalah certificates, the expense liability refers to the higher of/aggregate of the Unearned Wakalah Fee ("UWF") for all lines of business or best estimate of the provision for UER and the PRAD at total fund level.

2.15 Family Takaful Fund

Included in family takaful fund is fund arising from:

- Family takaful;
- Group family takaful; and
- Family retakaful funds.

The family takaful fund is maintained in accordance with the requirements of the Takaful Act, 1984 (Amendment) and includes the amounts attributable to participants which represents the participants' share of the underwriting surplus and return on the investments, where applicable and are distributable in accordance with the terms and conditions prescribed by the Group.

The surplus transfer from the family takaful fund to the profit or loss is based on the predetermined profit sharing ratio of the underwriting surplus and return on investments.

Contribution income

Contribution is recognised as soon as the amount of the contribution can be reliably measured. Initial contribution is recognised from inception date and subsequent contribution is recognised when it is due. For individual family takaful contribution, recognition is up to the extent of one due amount.

At the end of each financial period, all due contributions are accounted for to the extent that they can be reliably measured.

Investment-linked business

Investments of the investment-linked business are stated at closing market prices. Any increase or decrease in value of these investments is taken into the investment-linked business revenue accounts.

2. Summary of significant accounting policies (continued)

2.15 Family Takaful Fund (continued)

Actuarial reserves

Arising from the adoption of guidelines on valuation basis for liabilities of Family Takaful Business (issued by BNM), with effect from 1 January 2012, actuarial reserves comprise the Prospective Actuarial Valuation, Cash Flow Projection Valuation and Unearned Contribution Valuation as explained below :

(a) Prospect Actuarial Valuation

For credit-related products, the liabilities of family takaful fund shall be valued based on the sum of present value of future benefits and any expected future expenses payable from the takaful funds, less the present value of future gross tabarru' arising from the certificate, discounted at the appropriate risk discount rate as defined in the valuation guidelines.

For a credit-related takaful certificate whose sustainability of tabarru' deductions is depended on the performance of Participants Investment Fund ("PIF"), the calculation is subject to adjusting the future gross tabarru' cash flow such that it is limited to the period where the PIF can sustain the tabarru' and assuming that the takaful coverage is in force for the full duration of the takaful contract.

(b) Cash Flow Projection Valuation

For products with PIF other than credit-related products, the liabilities shall be valued by projecting future cash flows to ensure that all future obligations can be met without recourse to additional finance or capital support at any future time during the duration of the certificate. The cash flow projection shall use a basis that is consistent with the requirements of the valuation guidelines.

(c) Unearned Contribution Valuation

For yearly renewable products or extensions shall be valued according to the following:

(i) For a certificate covering death or survival, the liabilities shall be valued on an unexpired risk basis using a prospective estimate of expected future payments arising from future events covered as at the valuation date. These future payments shall include allowance for direct claims related expenses, direct investment-related expenses, cost of retakaful and expected future contribution refunds expected during the unexpired period.

(ii) For a certificate covering contingencies other than death or survival, the net liability is the maximum of unexpired risk reserve or unearned contribution reserve.

2. Summary of significant accounting policies (continued)

2.15 Family Takaful Fund (continued)

Actuarial reserves (continued)

Before 1 January 2012, actuarial reserves comprise the unearned contribution reserves and the reserve computed under the net contribution valuation as explained below:

(i) Unearned contribution reserve

The Unearned Contribution Reserve ("UCR") of group family fund (except for Mortgage Reducing Term Takaful ("MRTT") as detailed below) and family retakaful fund represents the portion of the net contributions of takaful certificates written that relate to the unexpired years of the certificates at the end of the financial year.

In determining the UCR at statement of financial position date, the method that most accurately reflects the actual unearned contributions is used, as follows:

(a) $1/365^{th}$ method for all group family takaful business within Malaysia.
(b) A pro-rata basis based on a time apportionment method for family retakaful business.

(ii) Net contribution valuation

The actuarial liabilities for MRTT products managed under group family fund and Ordinary Participants' Special Account ("PSA") are calculated using the net contribution method of valuation ("NCV"). The liability is ascertained by deducting the present value of future net contribution from the present value of the future amount-at-risk. As with all projections, there are elements of uncertainty and the projected liability may be different from actual.

These uncertainties arise from changes in underlying risks, changes in spread of risks, claims settlement pattern as well as uncertainties in the projection model and underlying assumptions.

2. Summary of significant accounting policies (continued)

2.15 Family Takaful Fund (continued)

Expense reserves

The expense liability is reported as a liability in Shareholder's Fund.

Arising from the adoption of guidelines on valuation basis for liabilities of Family Takaful Business (issued by BNM), with effect from 1 January 2012, expense reserves consists the followings:

(a) **Expense liabilities**

The method used to value expense liabilities shall be consistent with the method used to value takaful liabilities of the corresponding family takaful certificate (for example, for a long-term ordinary takaful certificate, the valuation method for expense liabilities should also be long-term in nature).

(b) **Deficiency Reserve for Skim Anuiti Takaful KWSP**

In addition to the expense liabilities above, an additional requirement is also complied as stipulated below:

If PIF is expected to be insufficient to meet future annuity certain benefit and/or future life annuity tabarru', another provision shall be set aside that is in line with requirement of the valuation guideline. Upon PIF insufficiency, the Shareholders' Fund shall honour the annuity certain benefit payment to participants as well as the tabarru' to PRF.

Before 1 January 2012, expense reserves consists the followings:

(i) **Investment-linked products**

Provision is made to recognise future expected losses to the Shareholders' Fund, if any, arising from servicing of individual certificate contracts with participants.

Provision is estimated based on the methodology stated in the Guidelines on Investment Linked Insurance/Takaful Business (BNM/RH/GL 010-15) issued by BNM where best estimated cash flows are discounted to ensure that there are no negative net cash flows arising in the future in the Shareholders' Fund. The best estimate assumptions used are consistent with that used in the valuation of the Investment Linked Risk Fund.

(ii) **Single Contribution Wakalah Plans (Mortgage and Group Credit Wakalah)**

Provision is estimated based on actuarial present value of future maintenance expense. The assumptions used in calculating the provision are best estimate assumptions.

2. Summary of significant accounting policies (continued)

2.15 Family Takaful Fund (continued)

Provision for outstanding claims

Claims and provisions for claims arising on family and group family takaful certificates, including settlement costs, are accounted for using the case basis method and for this purpose the benefits payable under a family takaful certificate are recognised as follows:

(a) Maturity or other policy benefit payments due on specified dates are accounted for as claims payable on the due dates.

(b) Death, surrender and other benefits without due dates are treated as claims payable on the date of receipts of intimation of death of the participant or occurrence of contingency covered.

(c) For individual family, group health and medical business, provision is made for the cost of claims (together with related expenses) and IBNR at the end of the reporting period, using a mathematical method of estimation by a qualified internal actuary where historical claims experience are used to project future claims. The provision includes a risk margin for adverse deviation. As with all projections, there are elements of uncertainty and the projected claims may be different from actual. These uncertainties arise from changes in underlying risk, changes in spread of risks, claim settlement pattern as well as uncertainties in the projection model and underlying assumptions.

2.16 Product classification

The Family Takaful Fund and General Takaful Fund consist of certificate contracts that transfer takaful risk.

Takaful contracts are those contracts that transfer significant takaful risk. A takaful contract is a contract under which the fund has accepted significant takaful risk from another party (the certificate holders) by agreeing to compensate the participants if a specified uncertain future event (the takaful event) adversely affects the participants. As a general guideline, to determine whether a contract has significant takaful risk, benefits paid are compared with benefits payable if the takaful event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk. There are no contracts that are classified as investment contracts in the Family and General Takaful Funds.

2. Summary of significant accounting policies (continued)

2.16 Product classification (continued)

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its life-time, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Takaful contracts in the current portfolio are classified as being without discretionary participation features ("DPF") as it does not satisfy the criteria for DPF. DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

2.17 Retakaful

The fund cedes takaful risk in the normal course of business. Retakaful assets represent balances receivable and recoverable from retakaful operators. Amounts recoverable from retakaful operators are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the retakaful's certificates and are in accordance with the related retakaful contracts.

Ceded retakaful arrangements do not relieve the fund from its obligations to participants. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Family and General Takaful Fund may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Family and General Takaful Fund will receive from the retakaful operator. The impairment loss is recorded in profit or loss.

Gains or losses on buying retakaful, if any, are recognised in profit or loss immediately at the date of purchase and are not amortised.

2. Summary of significant accounting policies (continued)

2.17 Retakaful (continued)

The fund also assumes retakaful risk in the normal course of business for Family Takaful and General Takaful contracts when applicable.

Contributions and claims on assumed retakaful are recognised as revenue or expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the retakaful business. Retakaful liabilities represent balances due to retakaful operators. Amounts payable are estimated in a manner consistent with the related retakaful contract.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Retakaful contracts that do not transfer significant takaful risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified contributions or fees to be retained by the retakaful operators. Investment income on these contracts is accounted for using the effective yield method when accrued.

2.18 Contingent liabilities

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

2.19 Contingent assets

Where it is not possible that there is an inflow of economic benefits, or the amount cannot be estimated reliably, the asset is not recognised in the statements of financial position and is disclosed as a contingent asset, unless the probability of inflow of economic benefits is remote. Possible benefits, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets unless the probability of inflow of economic benefits is remote.

2. Summary of significant accounting policies (continued)

2.20 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director cum Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.21 Share capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

2.22 Recognition of income

Financing income – banking business
Financing income is recognised in the profit or loss on an accrual basis using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter year to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group has considered all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, income is recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Financing income – Takaful business
Income from financing are recognised on an accrual basis, except where financing is considered impaired, i.e. where repayments are in arrears for more than 90 days, in which case recognition of such income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

Income is recognised on a time proportion basis that takes into account the effective yield of the asset.

2. Summary of significant accounting policies (continued)

2.22 Recognition of income (continued)

Wakalah fees

Wakalah fees are recognised as income or expenses by the respective funds based on a predetermined percentage of gross contributions upon inception of certificates. Wakalah surplus/(deficit) is arrived at after deducting commission and management expenses against the Wakalah fees charged.

Fee and other income recognition

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

Dividend income from subsidiary and associated companies and other investments are recognised when the Company's rights to receive payment is established.

2.23 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither, accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply to the temporary differences when they reverse, based on the laws that have been enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2. Summary of significant accounting policies (continued)

2.23 Income tax (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future profits will be available against which the unutilised tax incentive can be utilised.

Additional taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

2.24 Zakat

This represents business zakat. It is an obligatory amount payable by the Group and the Company to comply with the principles of Shariah.

2.25 Employee benefits

Short-term employee benefits

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

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

The Group's and the Company's contributions to the Employee Provident Fund is charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Company has no further payment obligations.

2. Summary of significant accounting policies (continued)

2.26 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets, property and equipment and investment properties once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity accounted investees ceases once classified as held for sale.

2.27 Earnings per ordinary shares

The Group presents basic data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held.

3. Cash and short-term funds

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Group			
Cash and balances with banks and other financial institutions	1,228,798	910,167	878,846
Money at call and interbank placements with remaining maturity	834,646	2,875,187	2,197,222
	2,063,444	3,785,354	3,076,068
Company			
Cash and balances with banks and other financial institutions	68,329	89,898	63,815
	68,329	89,898	63,815

Included in cash and balances with banks and other financial institutions of the Group are clients' monies held in trust of RM2,736,000 (31.12.2011: RM3,406,000; 1.1.2011: RM1,768,000)

4. Deposits and placements with financial institutions

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Licensed banks	519,646	1,692,220	872,949
Other financial institutions	-	-	2,798
	519,646	1,692,220	875,747

5. Financial assets held-for-trading

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
At fair value:			
Quoted securities in Malaysia			
- Shares	40,502	29,747	26,927
Quoted securities outside Malaysia			
- Shares	32,330	31,251	-
- Unit trusts	29,580	25,971	56,868
	102,412	86,969	83,795
Unquoted securities in Malaysia			
- Malaysian Government Investment Issues	20,190	71,804	50,573
- Islamic Commercial Papers	49,884	9,852	-
- Bank Negara Negotiable Notes	846,786	1,116,264	2,202,117
- Islamic Debt Securities	698,158	46,292	40,795
- Investment funds	59,662	63,906	79,649
- Malaysian Islamic Treasury Bills	9,807	-	-
Unquoted securities outside Malaysia			
- Islamic Debt Securities	44,707	8,257	7,533
	1,729,194	1,316,375	2,380,667
	1,831,606	1,403,344	2,464,462

6. Derivative financial assets/liabilities

The following tables summarise the contractual or underlying principal amounts of derivatives financial instruments held at fair value through profit or loss and hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

	Principal	Fair value	
	Amount	Assets	Liabilities
Group	**RM'000**	**RM'000**	**RM'000**
31.12.2012			
Forward contracts	680,789	2,523	(1,365)
Profit rate swaps	1,434,000	12,200	(10,961)
Structured deposits	114,095	2,013	(2,013)
	2,228,884	16,736	(14,339)
31.12.2011			
Forward contracts	1,684,899	5,589	(4,854)
Cross currency profit rate swaps	171,740	7,549	(7,509)
Profit rate swaps	500,000	-	(8,197)
Structured deposits	137,005	2,739	(2,739)
	2,493,644	15,877	(23,299)
1.1.2011			
Forward contracts	5,208,060	42,284	(26,788)
Cross currency profit rate swaps	171,740	10,055	(9,964)
Profit rate swaps	500,000	-	(2,187)
Structured deposits	462,995	27,769	(27,769)
	6,342,795	80,108	(66,708)

7. Financial assets available-for-sale

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At fair value			
Quoted securities in Malaysia			
- Unit trusts	88,253	52,236	51,247
- Shares	516,460	410,633	390,461
Quoted securities outside Malaysia			
- Unit trusts	88,941	50,375	32,881
- Shares	52	5,629	104
	693,706	518,873	474,693
At fair value			
Unquoted securities in Malaysia			
- Malaysian Government Islamic Papers	664,459	581,415	554,450
- Malaysian Government Investment Issues	1,893,477	2,593,521	4,444,171
- Negotiable Islamic Debt Certificates	2,239,370	1,170,238	2,277,443
- Islamic Debt Securities	11,063,793	8,648,873	6,359,212
- Promissory Notes	-	5,108	5,108
- Bank Negara Negotiable Notes	-	-	149,364
- Islamic Commercial Papers	-	208,566	872,867
- Accepted Bills	-	243,500	384,155
- Shares	380	380	604
- Unit trusts	284,981	257,086	206,024
Unquoted securities outside Malaysia			
- Shares	43	47	46
- Islamic Debt Securities	10,617	32,132	41,800
- Islamic Development Bank Unit Trusts	1,530	1,923	1,923
	16,158,650	13,742,789	15,297,167
At cost			
Unquoted securities in Malaysia			
- Unquoted shares in Malaysia	22,477	22,448	22,061
Less: Accumulated impairment loss*	(13,761)	(14,258)	(13,871)
	8,716	8,190	8,190
Unquoted securities outside Malaysia			
- Unquoted shares outside Malaysia	1,130	1,688	1,688
	16,862,202	14,271,540	15,781,738

* Movement in accumulated impairment loss due to translation differences.

7. Financial assets available-for-sale (continued)

	Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At fair value			
Quoted securities in Malaysia			
- Unit trusts	17,290	12,296	12,229

8. Financial assets held-to-maturity

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Quoted securities outside Malaysia			
- Bonds	-	63,369	61,650
Unquoted securities in Malaysia			
- Malaysian Government Islamic Papers	145,502	145,609	145,712
- Islamic Debt Securities	327,156	417,493	306,363
Less: Accumulated impairment loss	(19,738)	(20,315)	(23,067)
Unquoted securities outside Malaysia			
- Islamic Debt Securities	15,801	30,757	18,476
	468,721	636,913	509,134

9. Financing, advances and others

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) By type			
At amortised cost			
Cash line	618,555	406,590	254,278
Term financing			
House financing	5,186,253	4,393,020	3,911,363
Syndicated financing	426,066	164,649	82,237
Leasing financing	203,580	280,403	303,884
Bridging financing	151,127	160,779	238,595
Personal financing	6,608,116	3,786,432	3,001,049
Other term financing	4,546,959	3,358,527	2,760,392
Staff financing	165,380	157,510	148,425
Credit cards	430,984	451,538	450,542
Trade bills discounted	1,480,215	1,309,598	1,060,217
Trust receipts	50,314	48,897	59,854
Pawn broking	80,572	47,352	13,897
Gross financing, advances and others	19,948,121	14,565,295	12,284,733
Allowance for impaired financing, advances and others			
- collective assessment allowance	(313,334)	(327,688)	(347,073)
- individual assessment allowance	(126,988)	(75,770)	(79,061)
Net financing, advances and others	19,507,799	14,161,837	11,858,599
(b) By contract			
Bai' Bithaman Ajil	8,720,001	7,291,742	6,209,417
Ijarah	206,889	295,881	334,106
Ijarah Muntahiah Bit-Tamleek	30,627	22,648	11,657
Mudharabah	-	6,000	6,000
Murabahah	1,403,165	1,316,853	1,120,380
At-Tawarruq	7,530,581	3,903,981	2,573,328
Bai Al-Inah	1,729,672	1,435,588	1,662,823
Istisna'	246,614	245,250	353,125
Ar-Rahnu	80,572	47,352	13,897
	19,948,121	14,565,295	12,284,733

9. Financing, advances and others (continued)

		Group	
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
(c) By type of customer			
Domestic non-bank financial institutions	57,558	25,755	1,218
Domestic business enterprise	4,327,447	2,683,710	2,082,941
Small medium industries	493,352	391,947	401,119
Government and statutory bodies	165,550	129,766	151,526
Individuals	14,679,594	10,989,077	9,324,459
Other domestic entities	5,646	73,239	57,741
Foreign entities	218,974	271,801	265,729
	19,948,121	14,565,295	12,284,733
(d) By profit rate sensitivity			
Fixed rate			
House financing	1,552,555	2,087,060	2,198,946
Others	8,926,966	8,680,517	8,005,296
Floating rate			
Others	9,468,600	3,797,718	2,080,491
	19,948,121	14,565,295	12,284,733
(e) By remaining maturity			
Maturity within one year	3,065,264	2,672,329	2,071,456
More than one year to three years	969,154	863,680	705,542
More than three years to five years	1,082,872	818,561	1,385,004
More than five years	14,830,831	10,210,725	8,122,731
	19,948,121	14,565,295	12,284,733
(f) By geographical distribution			
Central Region	8,570,148	6,035,689	5,316,372
Eastern Region	3,635,878	2,643,657	2,088,995
Northern Region	3,165,074	2,321,457	1,968,232
Southern Region	2,920,068	2,334,693	1,830,865
East Malaysia Region	1,656,953	1,229,799	1,080,269
	19,948,121	14,565,295	12,284,733

9. Financing, advances and others (continued)

		Group	
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
(g) By sector			
Primary agriculture	223,163	149,182	182,111
Mining and quarrying	5,334	48,249	897
Manufacturing (including agro-based)	1,016,127	904,779	791,995
Electricity, gas and water	175,743	7,221	150,860
Wholesale & retail trade, and hotels & restaurants	673,210	558,811	479,868
Construction	1,725,523	756,014	508,293
Real estate	572,787	385,261	187,445
Transport, storage and communications	208,945	233,766	408,349
Finance, insurance and business activities	391,521	180,770	154,408
Education, health and others	254,018	122,204	85,375
Household sectors	14,693,126	11,016,473	9,321,823
Other sectors	8,624	202,565	13,309
	19,948,121	14,565,295	12,284,733

(h) **Movement in impaired financing and advances ("impaired financing") are as follows:**

	Group	
	31.12.2012	31.12.2011
	RM'000	RM'000
At 1 January 2012 / 1 January 2011	379,790	552,221
Classified as impaired during the year	427,775	549,075
Reclassified as not impaired during the year	(254,872)	(297,191)
Amount recovered	(92,264)	(238,876)
Amount written off	(151,472)	(187,141)
Exchange differences	(248)	1,702
At 31 December 2012 / 31 December 2011	308,709	379,790
Gross impaired financing as a percentage of gross financing, advances and others	1.55%	2.61%

9. Financing, advances and others (continued)

		Group		
		31.12.2012	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000
(i)	**Impaired financing by geographical distribution**			
	Central Region	130,400	155,544	202,422
	Eastern Region	26,053	45,950	64,264
	Northern Region	66,894	58,028	99,382
	Southern Region	22,199	44,940	80,780
	East Malaysia Region	63,163	75,328	105,373
		308,709	379,790	552,221
(j)	**Impaired financing by sector**			
	Primary agriculture	207	3,511	10,947
	Mining and quarrying	-	-	851
	Manufacturing (including agro-based)	46,483	42,184	83,810
	Electricity, gas and water	160	-	-
	Wholesale & retail trade, and hotels & restaurants	17,422	23,606	42,729
	Construction	74,341	71,680	130,925
	Real estate	101	1,203	1,263
	Transport, storage and communications	722	1,062	1,538
	Finance, insurance and business activities	9,977	16,255	-
	Education, health and others	-	71	6,112
	Household sectors	159,273	217,371	270,847
	Other sectors	23	2,847	3,199
		308,709	379,790	552,221

(k) **Movement of allowance for impaired financing**

	Group	
	31.12.2012	31.12.2011
	RM'000	RM'000
Collective assessment allowance		
At 1 January 2012 / 1 January 2011	327,688	347,073
Allowance made during the year	102,185	84,268
Amount written off	(116,848)	(100,816)
Exchange differences	309	(2,837)
At 31 December 2012 / 31 December 2011	313,334	327,688

9. Financing, advances and others (continued)

(k) Movement of allowance for impaired financing (continued)

	Group	
	31.12.2012	**31.12.2011**
	RM'000	**RM'000**
Individual assessment allowance		
At 1 January 2012 / 1 January 2011	75,770	79,061
Allowance made during the year	85,042	87,101
Amount written off	(33,824)	(90,392)
At 31 December 2012 / 31 December 2011	126,988	75,770

10. Other assets

Group	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Bills receivables	-	-	306
Clients' and dealers' debit balances	160,871	79,693	94,560
Deposits and prepayments	36,837	35,526	25,332
Other financing	82,322	88,845	93,134
Other receivables	193,953	74,148	88,830
	473,983	278,212	302,162
Company			
Amount due from subsidiaries	9,955	112	-
Deposits and prepayments	491	320	252
	10,446	432	252

Other financing of the Group are stated net of impairment allowances of RM1,935,000 (31.12.2011: RM4,070,000 ; 1.1.2011: RM8,975,000).

Other receivables of the Group are stated net of impairment allowances of RM92,967,000 (2011: RM96,330,000 ; 1.1.2011: RM96,330,000)

11. Takaful assets

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Retakaful assets:				
- Claims liabilities	21(a)(i)	301,150	262,019	239,303
- Contribution liabilities	21(a)(ii)	72,297	88,597	48,213
- Actuarial liabilities	21(a)(iii)	63,856	64,808	40,617
		437,303	415,424	328,133
Takaful receivables				
- Due contributions		82,378	96,402	112,324
- Due from retakaful/co-takaful		22,518	28,501	31,051
		104,896	124,903	143,375
Less: Allowance for impaired receivables		(10,883)	(15,089)	(36,153)
		94,013	109,814	107,222
		531,316	525,238	435,355

12. Statutory deposits with Bank Negara Malaysia

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

13. Deferred tax assets

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Total		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing and advances	-	-	41,160	-	-	-	-	-	41,160
Property, plant and equipment	63	148	81	(33,495)	(27,906)	(27,437)	(33,432)	(27,758)	(27,356)
Investment properties	783	121	121	-	-	-	783	121	121
Unabsorbed capital allowances	30,246	34,589	21,694	-	-	-	30,246	34,589	21,694
Provisions	58,233	37,737	23,404	-	(3,488)	-	58,233	34,249	23,404
Tax assets/(liabilities)	89,325	72,595	86,460	(33,495)	(31,394)	(27,437)	55,830	41,201	59,023
Company									
Tax assets	10	10	1,659	-	-	-	10	10	1,659

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

	31.12.2012	31.12.2011	1.1.2011
Group	RM'000	RM'000	RM'000
Unutilised tax losses	-	7,457	7,457
Unabsorbed capital allowances	30,424	30,424	43,784
	30,424	37,881	51,241

14. Investments in subsidiaries

	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At cost			
Quoted shares in Malaysia	100,306	106,986	106,986
Unquoted shares in Malaysia	1,604,127	1,604,127	1,613,648
	1,704,433	1,711,113	1,720,634
Less: Accumulated impairment loss	-	-	(162,992)
	1,704,433	1,711,113	1,557,642

Details of the subsidiaries are as follows:

Name of Company	Principal activities	Effective Ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Bank Islam Malaysia Berhad	Islamic banking business	51	51	51
Subsidiaries of Bank Islam Malaysia Berhad				
BIMB Investment Management Berhad*	Managing Islamic Unit Trust Funds	100	100	100
BIMB Foreign Currency Clearing Agency Sdn. Bhd.	Foreign currency clearing house	100	100	100
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provide nominee services	100	100	100
Farihan Corporation Sdn. Bhd.	Managing Islamic pawn broking business	100	100	80
Bank Islam Trust Company (Labuan) Ltd.	Provide services as Labuan registered trust company	100	100	100
Subsidiary of Bank Islam Trust Company (Labuan) Ltd.				
BIMB Offshore Company Management Services Sdn. Bhd.	Dormant	100	100	100
Syarikat Takaful Malaysia Berhad	Family and General Takaful business	61.14	65.22	65.22

* The consolidated financial statements of the Group for the financial year ended 31 December 2012 include the management accounts of the subsidiary of Bank Islam Malaysia Berhad as at 31 December 2012, which is not material to the Group.

14. Investments in subsidiaries (continued)

Name of Company	Principal activities	Effective Ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Subsidiaries of Syarikat Takaful Malaysia Berhad				
ASEAN Retakaful International (L) Ltd**	Offshore retakaful business	63.09	63.09	63.09
P.T. Syarikat Takaful Indonesia*#	Investment holding	56	56	56
Subsidiaries of P.T. Syarikat Takaful Indonesia				
P.T. Asuransi Takaful Umum*#	General Takaful business	64.70	64.70	64.70
P.T. Asuransi Takaful Keluarga*#	Family Takaful business	74.78	74.78	74.78
BIMB Securities (Holdings) Sdn. Bhd.	Investment holding	100	100	100
Subsidiary of BIMB Securities (Holdings) Sdn. Bhd.				
BIMB Securities Sdn. Bhd.	Stockbroking	100	100	100
Subsidiaries of BIMB Securities Sdn. Bhd.				
BIMSEC Asset Management Sdn. Bhd.	Investment management services	100	100	100
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100	100
BIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	100	100	100
Syarikat Al-Ijarah Sdn. Bhd.	Leasing of assets	100	100	100

* Incorporated in Indonesia.
^ Audited by a firm of auditors affiliated with KPMG Desa Megat & Co.
\# Audited by a firm of auditors other than KPMG Desa Megat & Co.

** Members' Voluntary Winding-up commenced on 21 May 2012. The subsidiary has been consolidated based on management accounts.

15. Investments in associates

	Group			Company		
	31.12.20112 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At cost						
Unquoted shares	27,582	27,582	5,019	5,019	5,019	5,019
Less:						
- Share of results of associate company	349	(1,383)	-	-	-	-
- Accumulated impairment loss	(5,018)	(5,018)	(5,018)	(5,018)	(5,018)	(5,018)
	22,913	21,181	1	1	1	1

The principal activities of the associates and the interest of the Group are as follows:

Name of company	Principal activities	Place of incorporation	Effective interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Islamic Banking and Finance Institute Malaysia Sdn. Bhd.	Provide training and consultancy services	Malaysia	48	48	48
Amana Bank Limited	Provide Islamic finance services	Sri Lanka	20	20	-

The summarised financial information of Amana Bank Ltd. is not adjusted for the percentage ownership held by the Group as follows:

Group	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Total assets	405,556	402,133	-
Total liabilities	329,797	320,020	-
Operating revenue	21,772	6,306	-
Profit/(Loss) after tax	8,622	(6,917)	-

Company No. 423858-X

16. Property, plant and equipment

Group	**Land and building RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Total RM'000
Cost						
At 1 January 2011	278,505	163,077	68,370	2,984	336,851	849,787
Additions	4,439	34,190	9,756	603	30,024	79,012
Reclassifications	(1,486)	1,349	137	-	-	-
Disposals	(1,067)	(175)	(201)	(328)	(13,034)	(14,805)
Write off	(1,816)	(2,878)	(4,583)	-	(6)	(9,283)
Transferred to investment properties	(5,271)	-	-	-	-	(5,271)
Exchange difference	133	165	25	13	72	408
At 31 December 2011 / 1 January 2012	273,437	195,728	73,504	3,272	353,907	899,848
Additions	4,460	27,472	11,078	1,190	29,203	73,403
Reclassifications	(658)	603	55	-	-	-
Disposals	(537)	(433)	(1,741)	(427)	(1,560)	(4,698)
Write off	(579)	(2,201)	(3,430)	-	(187)	(6,397)
Exchange difference	(1,283)	(987)	(32)	(78)	(91)	(2,471)
At 31 December 2012	274,840	220,182	79,434	3,957	381,272	959,685

Company No. 423858-X

16. Property, plant and equipment (continued)

Group	**Land and building RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Total RM'000
Depreciation						
At 1 January 2011	23,775	113,570	43,155	1,624	243,384	425,508
Depreciation for the year	7,968	20,832	5,788	377	24,272	59,237
Reclassifications	-	-	(156)	-	156	-
Disposals	(1,067)	(156)	(186)	(225)	(12,978)	(14,612)
Write off	(1,615)	(2,649)	(4,304)	-	(6)	(8,574)
Transferred to investment properties	(1,141)	-	-	-	-	(1,141)
Exchange difference	15	145	23	10	71	264
At 31 December 2011 / 1 January 2012	27,935	131,742	44,320	1,786	254,899	460,682
Depreciation for the year	5,994	18,158	7,706	527	23,941	56,326
Reclassifications	(54)	2	52	-	-	-
Disposals	(429)	(342)	(1,669)	(396)	(1,511)	(4,347)
Write off	(439)	(2,151)	(3,403)	-	(89)	(6,082)
Exchange difference	(254)	(885)	(30)	(47)	(91)	(1,307)
At 31 December 2012	32,753	146,524	46,976	1,870	277,149	505,272

Company No. 423858-X

16. Property, plant and equipment (continued)

Group	**Land and building RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Motor vehicles RM'000	Computer equipment and software RM'000	Total RM'000
Carrying amounts						
At 1 January 2011	254,730	49,507	25,215	1,360	93,467	424,279
At 31 December 2011	245,502	63,986	29,184	1,486	99,008	439,166
At 31 December 2012	242,087	73,658	32,458	2,087	104,123	454,413

Company No. 423858-X

16. Property, plant and equipment (continued)

** Land and building - Group	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Building improvements and renovations RM'000	Total RM'000
Cost						
At 1 January 2011	57,394	122,932	12,375	52,084	33,720	278,505
Additions	-	-	-	208	4,231	4,439
Reclassifications	-	-	-	-	(1,486)	(1,486)
Disposals	-	-	-	-	(1,067)	(1,067)
Write off	-	-	-	-	(1,816)	(1,816)
Transferred to investment properties	(1,660)	(2,501)	-	(1,110)	-	(5,271)
Exchange difference	1	1	-	128	3	133
At 31 December 2011 / 1 January 2012	55,735	120,432	12,375	51,310	33,585	273,437
Additions	-	-	-	-	4,460	4,460
Reclassifications	-	-	-	-	(658)	(658)
Disposals	-	-	-	-	(537)	(537)
Write off	-	-	-	-	(579)	(579)
Exchange difference	(11)	(13)	-	(1,255)	(4)	(1,283)
At 31 December 2012	55,724	120,419	12,375	50,055	36,267	274,840

Company No. 423858-X

16. Property, plant and equipment (continued)

** Land and building - Group	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Building improvements and renovations RM'000	Total RM'000
Depreciation						
At 1 January 2011	-	1,609	638	2,033	19,495	23,775
Depreciation for the year	-	2,564	174	1,452	3,778	7,968
Reclassifications	-	-	-	-	-	-
Disposals	-	-	-	-	(1,067)	(1,067)
Write off	-	-	-	-	(1,615)	(1,615)
Transferred to investment properties	-	(720)	-	(421)	-	(1,141)
Exchange difference	-	-	-	12	3	15
At 31 December 2011 / 1 January 2012	-	3,453	812	3,076	20,594	27,935
Depreciation for the year	-	2,553	174	1,468	1,799	5,994
Reclassifications	-	-	-	-	(54)	(54)
Disposals	-	-	-	-	(429)	(429)
Write off	-	-	-	-	(439)	(439)
Exchange difference	-	-	-	(250)	(4)	(254)
At 31 December 2012	-	6,006	986	4,294	21,467	32,753

Company No. 423858-X

16. Property, plant and equipment (continued)

** Land and building	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Building improvements and renovations RM'000	Total RM'000
Carrying amounts						
At 1 January 2011	57,394	121,323	11,737	50,051	14,225	254,730
At 31 December 2011	55,735	116,979	11,563	48,234	12,991	245,502
At 31 December 2012	55,724	114,413	11,389	45,761	14,800	242,087

16. Property, plant and equipment (continued)

Company	Furniture, fixtures and fittings RM'000	Renovation RM'000	Motor vehicles RM'000	Office equipment and computer RM'000	Total RM'000
Cost					
At 1 January 2011	46	854	169	201	1,270
Additions	9	690	-	8	707
At 31 December 2011 / 1 January 2012	55	1,544	169	209	1,977
Additions	452	1,245	415	217	2,329
Reclassifications	603	(658)	-	55	-
Disposals	-	(210)	(169)	-	(379)
Write off	-	(575)	-	(29)	(604)
At 31 December 2012	1,110	1,346	415	452	3,323
Depreciation					
At 1 January 2011	40	493	148	156	837
Depreciation for the year	7	143	21	25	196
At 31 December 2011 / 1 January 2012	47	636	169	181	1,033
Depreciation for the year	205	162	69	58	494
Reclassifications	2	(54)	-	52	-
Disposals	-	(160)	(169)	-	(329)
Write off	-	(435)	-	(29)	(464)
At 31 December 2012	254	149	69	262	734
Carrying amounts					
At 1 January 2011	6	361	21	45	433
At 31 December 2011	8	908	-	28	944
At 31 December 2012	856	1,197	346	190	2,589

17. Investment properties

Group	Freehold land RM'000	Freehold building RM'000	Leasehold land RM'000	Leasehold building RM'000	Total RM'000
Cost					
At 1 January 2011	4,831	13,242	630	13,421	32,124
Additions	-	5,535	-	-	5,535
Disposals	-	(7,700)	-	-	(7,700)
Transferred from property, plant, and equipment	1,660	2,501	-	1,110	5,271
Reclassified to asset held for sale	-	-	-	(668)	(668)
Exchange difference	-	-	6	4	10
At 31 December 2011 / 1 January 2012	6,491	13,578	636	13,867	34,572
Reclassified to asset held for sale	-	(1,490)	-	(1,750)	(3,240)
Exchange difference	-	-	(51)	(41)	(92)
At 31 December 2012	6,491	12,088	585	12,076	31,240
Depreciation					
At 1 January 2011	-	-	-	-	-
Depreciation for the year	-	232	-	219	451
Transferred from property plant, and equipment	-	720	-	421	1,141
At 31 December 2011 / 1 January 2012	-	952	-	640	1,592
Depreciation for the year	-	226	-	286	512
At 31 December 2012	-	1,178	-	926	2,104
Carrying amounts					
At 1 January 2011	4,831	13,242	630	13,421	32,124
At 31 December 2011	6,491	12,626	636	13,227	32,980
At 31 December 2012	6,491	10,910	585	11,150	29,136

As at 31 December 2012, the fair value of the Group's investment properties approximates RM32.1 million (31.12.2011: RM30.8 million ; 1.1.2011: RM29.9 million)

18. Deposits from customers

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(a) By type of deposit			
Non Mudharabah fund			
Demand deposits	8,962,434	8,412,372	7,090,732
Savings deposits	2,515,341	2,599,243	2,576,870
Negotiable Islamic Debt Certificates (NIDC)	1,638,528	1,690,306	2,434,020
Waheed-i	2,217,203	3,812,710	2,969,517
Ziyad *	101,664	104,736	105,299
An-Najah *	-	18,000	312,452
Others	78,562	103,256	78,923
	15,513,732	16,740,623	15,567,813
Mudharabah fund			
Savings deposits	1,942,190	1,263,591	987,346
General investment deposits	2,173,818	1,851,695	2,449,607
Special investment deposits	12,749,260	8,352,294	7,793,341
	16,865,268	11,467,580	11,230,294
	32,379,000	28,208,203	26,798,107

* Structured deposits

Maturity structure of NIDCs, Waheed-i, Ziyad, An-Najah and investment deposits are as follows:

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Due within six months	16,813,222	13,335,657	10,366,464
More than six months to one year	1,243,158	1,444,323	4,616,743
More than one year to three years	775,333	1,020,357	638,204
More than three years to five years	48,760	29,404	20,955
More than five years	-	-	421,870
	18,880,473	15,829,741	16,064,236

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
(b) By type of customer			
Government and statutory bodies	7,378,695	7,769,225	6,795,607
Business enterprises	8,771,118	7,191,916	8,538,290
Individuals	5,263,990	4,750,716	4,510,064
Others	10,965,197	8,496,346	6,954,146
	32,379,000	28,208,203	26,798,107

19. Deposits and placements of banks and other financial institutions

	Group		
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Non-Mudharabah fund			
Licensed banks	1,475	1,424	1,286
Other financial institutions	50,153	81,506	19,667
	51,628	82,930	20,953
Mudharabah fund			
Licensed banks	768,360	251,698	306,676
Other financial institutions	40,290	50,000	50,500
	808,650	301,698	357,176
	860,278	384,628	378,129

20. Other liabilities

	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Group			
Accruals and other payables	714,982	657,060	577,165
Clients' and dealers' credit balances	154,432	79,290	90,036
Trust account	-	176	721
	869,414	736,526	667,922
Company			
Accruals and other payables	1,458	1,731	680
Amount due to subsidiaries	-	-	4
	1,458	1,731	684

The amount due to subsidiaries is non-trade, unsecured, not subject to financing charge and repayable on demand.

21. Takaful liabilities

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Takaful contract liabilities	21(a)	5,448,143	5,059,326	4,644,854
Expense reserves	21(b)	89,486	19,739	12,502
Takaful payables	21(c), 38.3(b)	43,126	45,537	50,454
		5,580,755	5,124,602	4,707,810

(a) Takaful contract liabilities

The takaful contract liabilities comprise the following:

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Provision for outstanding claims	21(a)(i)	733,074	634,182	516,460
Provision for unearned contributions	21(a)(ii)	295,439	352,154	312,042
Participants' fund	21(a)(iii)	4,419,630	4,072,990	3,816,352
		5,448,143	5,059,326	4,644,854

(i) Provision for outstanding claims

The provision for outstanding claims and its movements are further analysed as follows:

	Note	Gross RM'000	Group Retakaful RM'000	Net RM'000
31.12.2012				
Provision for claims reported by participants	38.3(b)	417,944	(224,743)	193,201
Provision for IBNR*		315,130	(76,407)	238,723
Provision for outstanding claims		733,074	(301,150)	431,924
			Note 11	

21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(i) Provision for outstanding claims (continued)

			Group	
	Note	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2011				
Provision for claims reported by participants	38.3(b)	417,879	(216,653)	201,226
Provision for IBNR*		216,303	(45,366)	170,937
Provision for outstanding claims		634,182	(262,019)	372,163
			Note 11	
1.1.2011				
Provision for claims reported by participants	38.3(b)	383,047	(212,089)	170,958
Provision for IBNR*		133,413	(27,214)	106,199
Provision for outstanding claims		516,460	(239,303)	277,157
			Note 11	

* Incurred-but-not-reported ("IBNR")

21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(i) Provision for outstanding claims (continued)

Movement of provision for outstanding claims:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
At 1 January 2011	516,460	(239,303)	277,157
Claims incurred during the year	662,803	(92,122)	570,681
Adjustment to claims incurred in prior accident years	(8,241)	25,765	17,524
Claims paid during the year	(618,544)	61,015	(557,529)
Increase in IBNR	82,890	(18,152)	64,738
Effect of movement in exchange rates	(1,186)	778	(408)
At 31 December 2011 / 1 January 2012	634,182	(262,019)	372,163
Claims incurred during the year	675,824	(81,515)	594,309
Adjustment to claims incurred in prior accident years	(18,639)	15,631	(3,008)
Claims paid during the year	(654,024)	55,998	(598,026)
Increase in IBNR	98,827	(31,041)	67,786
Effect of movement in exchange rates	(3,096)	1,796	(1,300)
At 31 December 2012	733,074	(301,150)	431,924

21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(ii) Provision for unearned contributions

The provision for unearned contributions and its movements are further analysed as follows:

		Group	
	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2012	295,439	(72,297)	223,142
		Note 11	
31.12.2011	352,154	(88,597)	263,557
		Note 11	
1.1.2011	312,042	(48,213)	268,829
		Note 11	

Movement of provision for unearned contributions:

		Group	
	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2011	312,042	(48,213)	263,829
Contributions written during the year	441,499	(154,871)	286,628
Contributions earned during the year	(401,357)	114,401	(286,956)
Effect of movement in exchange rates	(30)	86	56
At 31 December 2011 / 1 January 2012	352,154	(88,597)	263,557
Contributions written during the year	400,960	(105,688)	295,272
Contributions earned during the year	(456,652)	121,955	(334,697)
Effect of movement in exchange rates	(1,023)	33	(990)
At 31 December 2012	295,439	(72,297)	223,142

21. Takaful liabilities (continued)

(a) Takaful contract liabilities (continued)

(iii) Participants' fund

Participants' fund balance at end of the reporting period comprises the following:

	Gross RM'000	Group Retakaful RM'000	Net RM'000
31.12.2012			
Actuarial liabilities	3,273,504	(63,856)	3,209,648
Unallocated surplus / accumulated surplus	877,426	-	877,426
AFS reserve	107,790	-	107,790
Translation reserve	1,335	-	1,335
Net assets value attributable to unitholders	159,575	-	159,575
	4,419,630	(63,856)	4,355,774
		Note 11	
31.12.2011			
Actuarial liabilities	3,124,963	(64,808)	3,060,155
Unallocated surplus / accumulated surplus	676,659	-	676,659
AFS reserve	120,090	-	120,090
Translation reserve	1,678	-	1,678
Net assets value attributable to unitholders	149,600	-	149,600
	4,072,990	(64,808)	4,008,182
		Note 11	
1.1.2011			
Actuarial liabilities	2,909,664	(40,617)	2,869,047
Unallocated surplus / accumulated surplus	621,741	-	621,741
AFS reserve	124,005	-	124,005
Translation reserve	1,590	-	1,590
Net assets value attributable to unitholders	159,352	-	159,352
	3,816,352	(40,617)	3,775,735
		Note 11	

21. Takaful liabilities (continued)

(b) Expense reserves

	Group 2012 RM'000	Group 2011 RM'000
At 1 January	19,739	12,502
Provision for the year, net	70,110	7,317
Effect of movement in exchange rates	(363)	(80)
At 31 December	89,486	19,739

(c) Takaful payables

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000
Due to retakaful companies	31,743	34,194	33,925
Due to Intermediaries/Participants	11,383	11,343	16,529
	43,126	45,537	50,454

22. Share capital

	Group and Company 31.12.2012 '000	Group and Company 31.12.2011 '000	Group and Company 1.1.2011 '000
Authorised:			
Ordinary shares of RM1 each	2,000,000	2,000,000	2,000,000
	RM'000	RM'000	RM'000
Issued and fully paid:			
Ordinary shares of RM1 each	1,066,790	1,066,790	1,066,790

23. Reserves

23.1 Share premium and reserves

Breakdown of share premium and reserves are as follows:

	Note	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Share premium		603,630	603,630	603,630
Other reserves	23.2	428,433	1,296,018	1,190,028
Accumulated losses		(79,275)	(1,133,837)	(1,206,090)
		952,788	765,811	587,568

	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Share premium	603,630	603,630	603,630
Fair value reserves	133	267	199
Retained earnings / Accumulated losses	133,550	144,102	(33,590)
	737,313	747,999	570,239

23. Reserves (continued)

23.2 Other reserves

Group	Capital reserve RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Translation reserve RM'000	Total RM'000
At 1 January 2011	638,370	513,112	44,370	(5,824)	1,190,028
Foreign exchange translation differences	-	-	-	(4,562)	(4,562)
Unrealised net gain on revaluation of financial assets available-for-sale	-	-	21,171	-	21,171
Transfer from current year profit	-	89,381	-	-	89,381
At 31 December 2011 / 1 January 2012	638,370	602,493	65,541	(10,386)	1,296,018
Foreign exchange translation differences	-	-	-	4,061	4,061
Unrealised net gain on revaluation of financial assets available-for-sale	-	-	3,635	-	3,635
Transfer from current year profit	-	105,237	-	-	105,237
Zerorisation of accumulated losses in subsidiary	-	(349,011)	-	-	(349,011)
Transfer to accumulated losses	(631,507)	-	-	-	(631,507)
At 31 December 2012	6,863	358,719	69,176	(6,325)	428,433

The capital reserve arose out of the issuance of bonus issues in a subsidiary of RM6,863,000

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

24. Income derived from investment of depositors' funds

	Group	
	2012	2011
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	120,644	132,729
(ii) Other deposits	1,529,998	1,261,189
	1,650,642	1,393,918

(i) **Income derived from investment of general investment deposits**

	Group	
	2012	2011
	RM'000	RM'000
Financing income and hibah		
Financing, advances and others	82,259	86,808
Financial assets:		
- Held-for-trading	847	381
- Available-for-sale	25,918	32,475
- Held-to-maturity	4,360	747
Money at call and deposits with financial institutions	4,004	6,347
	117,388	126,758
Other dealing income		
Net gain from sale of financial assets held-for-trading	321	641
Net gain on revaluation of financial assets held-for-trading	1,273	2,015
	1,594	2,656
Other operating income		
Net gain from sale of financial assets available-for-sale	1,662	3,188
Gain on redemption of financial assets held-to-maturity	-	127
	1,662	3,315
	120,644	132,729
Of which		
Financing income earned on impaired financing	2,043	4,392

24. Income derived from investment of depositors' funds (continued)

(ii) Income derived from investment of other deposits

	Group 2012 RM'000	Group 2011 RM'000
Financing income and hibah		
Financing, advances and others	1,045,032	823,211
Financial assets:		
- Held-for-trading	11,279	3,649
- Available-for-sale	328,135	306,923
- Held-to-maturity	55,732	7,417
Money at call and deposits with financial institutions	49,974	59,849
	1,490,152	1,201,049
Other dealing income		
Net gain from sale of financial assets held-for-trading	4,009	6,177
Net gain on revaluation of financial assets held-for-trading	15,993	18,858
	20,002	25,035
Other operating income		
Net gain from sale of financial assets available-for-sale	19,844	33,780
Gain on redemption of financial assets held-to-maturity	-	1,325
	19,844	35,105
	1,529,998	1,261,189
Of which		
Financing income earned on impaired financing	26,408	42,120

25. Income derived from investment of shareholders' funds

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financing income and hibah				
Financing, advances and others	6,796	8,714	-	-
Financial assets available-for-sale	104,320	86,929	-	-
Money at call and deposits with financial institutions	4,785	6,364	2,508	2,576
	115,901	102,007	2,508	2,576
Other dealing income				
Net gain from foreign exchange transactions	51,599	31,808	-	-
Net gain/(loss) from sale of financial assets held-for-trading	21	(44)	-	-
Net gain on revaluation of financial assets held-for-trading	39	-	-	-
Net derivatives gains/(losses)	9,805	(8,618)	-	-
	61,464	23,146	-	-
Other operating income				
Net gain from sale of financial assets available-for-sale	-	17,843	-	-
Profit on sale of foreign currencies	3,124	2,335	-	-
Reversal of allowance for diminution in value of investments	-	38	80	346
Reversal of allowance for doubtful debts	240	240	-	-
Gross dividend income from securities:				
- Quoted in Malaysia	8	-	-	-
- Unit trusts in Malaysia	587	351	573	351
- Unit trusts outside Malaysia	56	57	-	-
- Unquoted in Malaysia	3,217	10,426	-	-
Gross dividend income from subsidiary companies	-	-	137,714	100,869
Fees and commission	164,116	119,885	-	-
Net gain/(loss) on disposal of property, plant and equipment	114	2,429	(146)	-
Net gain on disposal of shares in subsidiary	-	-	33,539	-
Rental income	1,594	2,642	-	-
Others	557	198	179	-
	173,613	156,444	171,939	101,566
	350,978	281,597	174,447	104,142

26. Net income from Takaful business

	Note	Group 2012 RM'000	Group 2011 RM'000
Net earned contributions			
Gross earned contributions		1,444,313	1,096,076
Contribution ceded to retakaful		(168,824)	(143,072)
	26(a)	1,275,489	953,004
Other income			
Administration income		23,345	24,708
Investment income		231,034	201,988
Realised gains and losses		121,289	97,329
Fair value gains and losses		6,334	8,170
Other operating income		16,543	86,979
		398,545	419,174
Net benefits and claims			
Gross benefits and claims paid		(654,024)	(618,544)
Claims receded to retakaful		55,998	61,015
Gross change to contract liabilities		(101,988)	(116,153)
Change to contract liabilities ceded to takaful		40,927	21,771
	26(b)	(659,087)	(651,911)
Expense reserves		(70,110)	(7,317)
Income from takaful business		944,837	712,950
Profits attributable to participants/takaful operator		(472,504)	(309,486)
Net income from takaful business		472,333	403,464

26. Net income from Takaful business (continued)

(a) Net earned contributions

	Group 2012 RM'000	Group 2011 RM'000
Gross contributions	1,373,965	1,140,843
Change in actuarial reserves/unearned contributions reserves	70,348	(44,767)
Gross earned contributions	1,444,313	1,096,076
Retakaful	(151,486)	(182,479)
Change in actuarial reserves/unearned contributions reserve	(17,338)	39,407
Net earned contributions	1,275,489	953,004

(b) Net benefits and claims

	Group 2012 RM'000	Group 2011 RM'000
Gross benefits/claims paid	(654,024)	(618,544)
Retakaful recoveries	55,998	61,015
Net benefits/claims paid	(598,026)	(557,529)
Gross change in contract liabilities:		
At 31 December	(733,074)	(634,182)
Less:		
At 1 January	(634,182)	(516,460)
Effect of movement in exchange rates	(3,096)	1,569
	(101,988)	(116,153)
Change in contract liabilities ceded to retakaful companies:		
At 31 December	301,150	262,019
Less:		
At 1 January	262,019	239,303
Effect of movement in exchange rates	1,796	(945)
	40,927	21,771
	(659,087)	(651,911)

27. Allowance for impairment on financing and advances

	Group 2012 RM'000	Group 2011 RM'000
Allowance for impaired financing, advances and others		
- collective assessment allowance	102,185	84,268
- individual assessment allowance	85,042	87,101
Bad debts and financing recovered	(121,154)	(150,245)
	66,073	21,124

28. (Reversal of)/Allowance for impairment on investments

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Financial assets:				
- available-for-sale	-	18,158	-	-
- held-to-maturity	(577)	(2,752)	-	-
	(577)	15,406	-	-
Investments in subsidiaries	-	-	-	(156,027)
	(577)	15,406	-	(156,027)

29. Income attributable to depositors

	Group 2012 RM'000	Group 2011 RM'000
Deposits from customers		
- Mudharabah Fund	387,899	263,713
- Non-Mudharabah Fund	190,924	190,205
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	11,772	19,215
	590,595	473,133

30. Personnel expenses

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Salaries and wages	419,514	375,873	2,280	2,713
Employees' Provident Fund	50,141	41,241	428	401
Directors' remuneration	16,193	11,821	2,680	1,569
Others	38,611	27,108	442	886
	524,459	456,043	5,830	5,569

(a) Aggregate remuneration of Directors of the Group and the Company categorised into appropriate components are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Directors of the Company				
Executive Director:				
Fees and allowances	231	209	-	-
Salaries, bonuses and EPF contributions	1,749	1,001	1,749	1,001
Benefits-in-kind	115	102	76	73
	2,095	1,312	1,825	1,074
Non-Executive Directors:				
Fees and allowances	1,826	1,498	771	455
Benefits-in-kind	227	125	84	40
Total	4,148	2,935	2,680	1,569
Directors of the subsidiary companies				
Executive Director:				
Salaries, bonuses and EPF contributions	10,129	7,402	-	-
Benefits-in-kind	301	234	-	-
	10,430	7,636	-	-
Non-Executive Directors:				
Fees and allowances	1,491	1,225	-	-
Benefits-in-kind	124	25	-	-
Total	12,045	8,886	-	-

30. Personnel expenses (continued)

(a) Aggregate remuneration of Directors of the Group and the Company categorised into appropriate components are as follows (continued):

		Group		Company	
		2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
	Grand Total	16,193	11,821	2,680	1,569
	Total (excluding benefits -in-kind)	15,426	11,335	2,520	1,456
(b)	Shariah Supervisory Council	330	309	-	-

31. Other overhead expenses

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Promotion	166,694	141,645	206	188
Establishment	207,554	194,772	1,654	910
General expenses	160,939	142,893	983	578
	535,187	479,310	2,843	1,676

Included in other overhead expenses are:

Auditors' remuneration				
- Statutory audit - KPMG	1,222	1,107	60	55
- Other auditors	96	79	-	-
- Other services - KPMG	508	390	25	22
Depreciation of property, plant and equipment	56,326	59,237	494	196
Depreciation of investment properties	512	451	-	-
Rental of properties	48,976	37,230	592	391
Property, plant and equipment write off	315	709	140	-
(Gain)/loss on disposal of property, plant and equipment	(84)	(2,429)	39	-
Rental of equipment	5,786	5,648	-	-

32. Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group.

The compensation for key management personnel other than Directors' remuneration is as follows:

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Other key management personnel:				
- Short-term employee benefits	35,668	22,538	1,049	837
- Benefits-in-kind	579	437	52	51
	36,247	22,975	1,101	888

33. Tax expense

Major components of tax expense

	Group		Company	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Current tax expense:				
Malaysia - current year	223,893	138,736	24,320	23,900
- prior years	423	723	(12)	(456)
	224,316	139,459	24,308	23,444
Deferred tax expense:				
Origination and reversal of temporary differences	(14,437)	31,682	-	(15)
(Over)/Under provision in prior years	(192)	(13,860)	-	1,664
	(14,629)	17,822	-	1,649
	209,687	157,281	24,308	25,093

33. Tax expense (continued)

A reconciliation of effective tax expense for the Group and Company are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before tax	717,439	588,924	165,774	252,924
Income tax using Malaysia tax rate of 25%	179,360	147,231	41,444	63,231
Non-deductible expenses	51,280	45,068	1,905	462
Recognition of previously unrecognised deferred tax assets	-	(3,340)	-	-
Non-taxable income	(21,184)	(18,541)	(19,029)	(39,808)
	209,456	170,418	24,320	23,885
Under/(Over) provision in prior years	423	723	(12)	(456)
(Over)/Under provision of deferred tax	(192)	(13,860)	-	1,664
Tax expense	209,687	157,281	24,308	25,093

34. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year:

	Group	
	2012 RM'000	2011 RM'000
Profit attributable to owners of the Company	252,269	212,140

34. Earnings per share (continued)

Basic earnings per ordinary share (continued)

	Group 2012 '000	Group 2011 '000
Weighted average number of ordinary shares	1,066,790	1,066,790

	Group 2012 Sen	Group 2011 Sen
Basic earnings per ordinary share	23.65	19.88

35. Dividends

Dividends recognised by the Company:

2012	Sen per share (net of tax)	Total amount RM'000	Date of payment
Final 2011 ordinary	7.25	77,342	13 June 2012
First interim 2012 ordinary	3.50	37,338	31 October 2012
Second interim 2012 ordinary	3.50	37,338	27 December 2012
Total amount	14.25	152,018	
2011			
Final 2010 ordinary	1.20	12,802	15 June 2011
Interim 2011 ordinary	3.50	37,337	6 October 2011
Total amount	4.70	50,139	

After the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial year upon approval by the owners of the Company.

2012	Sen per share (net of tax)	Total amount RM'000
Final ordinary	5.00	55,339

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 where the parties are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group or the Company has a related party relationship with its subsidiaries (see Note 14), associates (see Note 15) and holding corporation of the Company.

(a) The significant related party transactions of the Group and the Company, other than key management personnel compensation, are as follows:

	Group transactions for		**Company transactions for**	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Holding Company				
Net gain on forex transaction	150	133	-	-
Income payable attributable on deposits placed	30,126	43,087	-	-
Rental of premises payable	20,177	6,727	-	-
Brokerage income	1,838	1,417	-	-
Contribution income for Family Takaful	-	452	-	-
Contribution income for General Takaful	2,204	2,149	-	-
Claims paid for Family Takaful	600	2,051	-	-
Claims paid for General Takaful	183	871	-	-
Others	-	250	-	-
Subsidiaries				
Income receivable attributable on deposits placed	-	-	1,284	736
Office rental payable	-	-	422	-
Related company of a substantial holder				
Income receivable from financing, advances and others	-	983	-	-
Other related companies				
Income receivable from financing, advances and others	13,146	2,682	-	-

36. Related party transactions (continued)

(b) The significant outstanding balances of the Group and the Company with related party, are as follows:

	Group Net balance outstanding as at		Company Net balance outstanding as at	
	2012 RM'000	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Holding company				
Amount due to				
Demand and investment deposits	2,665,880	1,295,005	-	-
Profit payable to investment deposits	51	199	-	-
Commitment and contingencies	127	-	-	-
Others	-	9,922	-	-
Subsidiaries				
Amount due from				
Current account and investment deposits	-	-	58,778	5,404
Related company of a substantial holder				
Amount due from				
Financing, advances and others	-	15,270	-	-
Allowance on impairment	-	(12,880)	-	-
Financing after impairment *	-	2,390	-	-
Other related companies				
Amount due from				
Financing, advances and others	48,041	93,456	-	-
Commitment and contingencies	6,731	6,651		
Amount due to				
Demand and investment deposits	209,601	299,800	-	-

* The unsecured financing of RM53.4 million to a related company of a substantial shareholder had defaulted during the financial year ended 31 December 2011 which has since been settled.

37. Capital adequacy

The Risk Weighted Capital Ratio ("RWCR") computation consists of the capital adequacy ratios of Bank Islam Malaysia Berhad and its subsidiaries ("Bank Islam" or "the Bank").

The Company is not required to maintain any capital adequacy ratios.

Capital Adequacy Ratios
The Bank is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by BNM. The Bank was in compliance with all prescribed capital ratios throughout the year.

The Bank's capital adequacy ratios remained strong. The table below shows the composition of the regulatory capital and capital adequacy ratios as at December 2012 determined according to the requirements of the Capital Adequacy Framework for Islamic Banks ("CAFIB") as required under the Islamic Banking Act ("IBA") 1983.

The RWCR of Bank Islam as at 31 December 2012 is as follows:

(a) **The capital adequacy ratios of Bank Islam as at 31 December 2012:**

	31.12.2012	31.12.2011	1.1.2011
	%	%	%
Before proposed dividend			
Tier 1 Capital Ratio	13.17	15.81	16.26
Risk-Weighted Capital Ratio	14.21	16.98	17.46
After proposed dividend			
Tier 1 Capital Ratio	12.94	15.55	15.71
Risk-Weighted Capital Ratio	13.99	16.72	16.92

37. Capital adequacy (continued)

(b) Tier I and Tier II capital components of Bank Islam as at 31 December 2012:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Tier I capital			
Paid-up share capital	2,265,490	2,265,490	2,265,490
Share premium	-	500,020	500,020
Retained earnings/(Accumulated losses)	209,318	(1,040,270)	(1,110,195)
Other reserves	505,651	974,594	795,013
Less: Deferred tax assets	(18,455)	(23,386)	(44,224)
Total Tier I capital	2,962,004	2,676,448	2,406,104
Tier II capital			
Collective assessment allowance*	257,769	218,864	177,889
Total Tier II capital	257,769	218,864	177,889
Total capital	3,219,773	2,895,312	2,583,993
Less: Investments in subsidiaries	(22,912)	(21,180)	-
Capital base	3,196,861	2,874,132	2,583,993

* Excludes portion of collective assessment allowance restricted from Tier II capital by BNM amounting to RM55,565,000 (31.12.2011: RM108,824,000; 1.1.2011: RM169,184,000).

(c) The breakdown of risk-weighted assets by each major risk category is as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Credit risk	19,369,281	14,495,066	12,507,496
Market risk	917,234	501,309	572,562
Operational risk	2,207,161	1,929,294	1,718,698
	22,493,676	16,925,669	14,798,756

37. Capital adequacy (continued)

(d) The off-balance sheet and counterparties credit risk for the Group of Bank Islam is as follows:

31 December 2012 **Nature of item**	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Asset RM'000**
Credit related exposures				
Direct credit substitutes	562,654		562,654	555,499
Assets sold with recourse	2		2	2
Transaction related contingent items	910,688		455,344	444,161
Short-term self-liquidating trade related contingencies	338,488		67,698	64,913
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	82		16	6
- exceeding one year	662,657		331,329	302,722
Unutilised credit card lines	949,115		189,823	142,367
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	5,276,220		-	-
	8,699,906		1,606,866	1,509,670
Derivative Financial Instruments				
Foreign exchange related contracts less than one year	680,789	2,523	7,390	4,223
Profit rate related contracts				
- less than one year	100,000	70	100	20
- one year to less than five years	600,000	2,210	15,000	3,000
- five years and above	734,000	9,920	42,462	23,262
Equity related contracts				
- one year to less than five years	114,095	2,013	9,128	4,564
	2,228,884	16,736	74,080	35,069
Other Treasury related exposures				
Obligations under an on-going underwriting agreement	-		-	-
	-		-	-
Total	10,928,790	16,736	1,680,946	1,544,739

37. Capital adequacy (continued)

(d) **The off-balance sheet and counterparties credit risk for the Group of Bank Islam is as follows (continued):**

31 December 2011 **Nature of item**	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Asset RM'000**
Credit related exposures				
Direct credit substitutes	452,553		452,553	444,839
Assets sold with recourse	2		2	2
Transaction related contingent items	884,095		442,048	435,825
Short-term self-liquidating trade related contingencies	288,665		57,733	57,221
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	1		-	-
- exceeding one year	589,414		294,707	274,384
Unutilised credit card lines	817,113		163,423	122,567
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	3,897,622		-	-
	6,929,465		1,410,466	1,334,838
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	1,644,655	5,589	14,344	8,409
- one year to less than five years	40,244	-	2,754	1,944
Profit rate related contracts				
- less than one year	171,740	7,549	5,582	1,116
- one year to less than five years	500,000	-	12,000	2,400
Equity related contracts				
- less than one year	20,000	-	1,959	392
- one year to less than five years	117,005	2,739	9,360	4,680
	2,493,644	15,877	45,999	18,941
Other Treasury related exposures				
Obligations under an on-going underwriting agreement	-		-	-
	-		-	-
Total	9,423,109	15,877	1,456,465	1,353,779

37. Capital adequacy (continued)

(d) **The off-balance sheet and counterparties credit risk for the Group of Bank Islam is as follows (continued):**

1 January 2011 **Nature of item**	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount RM'000**	**Risk Weighted Asset RM'000**
Credit related exposures				
Direct credit substitutes	459,840		459,840	439,315
Assets sold with recourse	242		242	242
Transaction related contingent items	846,719		423,360	396,877
Short-term self-liquidating trade related contingencies	312,745		62,549	61,078
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- not exceeding one year	1,003		201	224
- exceeding one year	618,138		309,068	251,715
Unutilised credit card lines	768,840		153,768	115,326
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	4,118,965		-	-
	7,126,492		1,409,028	1,264,777
Derivative Financial Instruments				
Foreign exchange related contracts				
- less than one year	5,208,060	42,284	93,866	26,161
Profit rate related contracts				
- one year to less than five years	671,740	10,055	27,304	7,007
Equity related contracts				
- less than one year	324,800	20,239	19,488	3,898
- one year to less than five years	138,195	7,530	11,404	5,117
	6,342,795	80,108	152,062	42,183
Other Treasury related exposures				
Obligations under an on-going underwriting agreement	75,000		37,500	37,500
	75,000		37,500	37,500
Total	13,544,287	80,108	1,598,590	1,344,460

38. Financial risk management policies

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk

The Group's exposures to the above risks are mainly attributed to its main operating subsidiaries, Bank Islam Malaysia Berhad ("Bank Islam" or "the Bank") and Syarikat Takaful Malaysia Berhad ("Takaful"). The Company's exposure to these risks is not presented separately as it is not material to the Group.

38.1 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its financing, advances and others and investment securities. The Company's exposure to credit risk arises principally from investment securities.

(a) Banking

Bank Islam's credit risk arises from all transactions that could lead to actual, contingent or potential claims against any party, borrower or obligor. The Bank recognises four kinds of credit risk in its portfolio: Default Risk, Settlement Risk, Country Risk and Contingent Financing Risk.

Credit risk governance
The management of credit risk is principally carried out by using sets of policies and guidelines approved by Bank Islam's Board Risk Committee ("BRC"), guided by the Risk Appetite Statement approved by Bank Islam's Board of Directors.

The Bank's Management Risk Control Committee ("MRCC") is responsible under the authority delegated by the Bank's BRC for managing credit risk at strategic level. The Bank's MRCC reviews the Bank's credit risk frameworks and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

The Bank's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which documents the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

38. Financial risk management policies (continued)

38.1 Credit risk (continued)

(a) Banking (continued)

Management of Credit Risk

The management of credit risk is being performed by two distinct departments within the Bank's Risk Management Department ("RMD"), Credit Analysis and Credit Risk Management and three departments outside of the RMD domain, namely, Credit Administration, Credit Recovery and Credit Monitoring Unit of Internal Audit. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Bank's overall strategy and risk appetite;
- To ensure that the Bank is compensated for the risk taken, balancing/optimising the risk /return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas;
- To conform with statutory, regulatory and internal credit requirements.

The Bank monitors its credit exposures either on a portfolio basis or individual basis by annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain part of) the portfolio. The affected portfolio or financing is placed on a watch list to enforce close monitoring and prevent financing from turning non-performing and to increase chances of full recovery.

A comprehensive limit structure is in place to ensure that risks taken are within the risk appetite as set by the Bank's Board and to avoid credit risk contagion to a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which includes counter parties limits and permissible acquisition of private entities' instruments, subject to specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

(b) Takaful

Takaful has takaful and other receivables and investment securities balances that are subject to credit risk. To mitigate the risk of the counterparties not paying the amount due, Takaful has established certain business and financial guidelines for brokers/retakaful approval, incorporating ratings by major agencies where applicable and considering currently available market information. Takaful also periodically review the financial stability of brokers/retakaful companies from public and other sources and the settlement trend of amounts due from these parties.

38. Financial risk management policies (continued)

38.1 Credit risk (continued)

Maximum exposure to credit risk

The following table presents the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

		Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Cash and short-term funds	2,063,444	3,785,354	3,076,068
Deposits and placements with banks and other financial institutions	519,646	1,692,220	875,747
Financial assets held-for-trading (excluding shares, unit trusts, and investment funds)	1,669,532	1,252,469	2,301,018
Derivative financial assets	16,736	15,877	80,108
Financial assets available-for-sale (excluding shares, unit trusts and investment funds)	15,888,332	13,500,393	15,113,707
Financial assets held-to-maturity	468,721	636,913	509,134
Financing, advances and others	19,507,799	14,161,837	11,858,599
Other assets (net of prepayments)	460,265	259,605	285,955
Takaful assets	531,316	525,238	435,355
Statutory deposits with Bank Negara Malaysia	1,059,900	912,000	10,000
Sub-total	42,185,691	36,741,906	34,545,691
Credit related obligation:			
Credit commitments	8,699,906	6,929,465	7,126,492
Other Treasury related exposures	-	-	75,000
Sub-total	8,699,906	6,929,465	7,201,492
Total credit exposures	50,885,597	43,671,371	41,747,183

38. Financial risk management policies (continued)

38.1 Credit risk (continued)

(i) Credit quality of gross financing and advances

Gross financing and advances of the main subsidiary, Bank Islam, are classified as follows:

- **Neither past due nor impaired financing**
  Financing which the borrower has not missed a contractual payment (profit or principal) when contractually due and is not impaired as there is no objective evidence of impairment.

- **Past due but not impaired financing**
  Those financing which its contractual profit or principal payments are past due, but the Group believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group.

- **Impaired financing**
  Financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The table below summarises the credit quality of the Group's gross financing and advances according to the above classifications:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Financing, advances and others			
Neither past due nor impaired			
- Excellent to good	15,185,608	10,409,626	6,052,669
- Satisfactory	3,722,405	2,945,123	3,657,993
- Fair	338,170	511,297	1,625,518
	19,246,183	13,866,046	11,336,180
Past due but not impaired	393,229	319,459	396,332
Impaired	308,709	379,790	552,221
	19,948,121	14,565,295	12,284,733
Allowance for impaired financing, advances and others			
- collective assessment allowance	(313,334)	(327,688)	(347,073)
- individual assessment allowance	(126,988)	(75,770)	(79,061)
	19,507,799	14,161,837	11,858,599

38. Financial risk management policies (continued)

38.1 Credit risk (continued)

(i) Credit quality of gross financing and advances (continued)

For management of credit risk, the Bank applies an internal credit risk rating for its neither past due nor impaired financing which is defined as follows:

- Excellent to Good: Sound financial position with no difficulty in meeting its obligations.
- Satisfactory: Adequate safety of meeting its obligations but more time is required to meet its obligation in full.
- Fair: High risks on payment obligations. Financial performance may continue to deteriorate.

The aging of gross financing and advances past due but not impaired as at the end of the reporting period is as follows:

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
By aging			
Month-in-arrears 1	268,737	210,518	255,656
Month-in-arrears 2	124,492	108,941	140,676
	393,229	319,459	396,332

38. Financial risk management policies (continued)

38.1 Credit risk (continued)

(ii) Credit quality of investments' portfolio

Investments' portfolio (excluding equity securities, unit trusts and investment units in closed end funds) of the Group by external party rating are as follows:

Group	Financial assets held-for-trading RM'000	Derivative assets RM'000	Financial assets available -for-sale RM'000	Financial assets held-to -maturity RM'000	Total RM'000
As at 31 December 2012					
AAA	508,543	-	3,849,231	-	4,357,774
AA	113,890	-	2,916,795	-	3,030,685
A	-	-	14,214	48,501	62,715
Below A	-	-	1,800	112,854	114,654
Unrated	634	-	342,655	161,863	505,152
Sovereign	988,125	-	8,747,021	145,503	9,880,649
Unit-linked	58,340	-	-	-	58,340
Financial institution	-	16,736	-	-	16,736
	1,669,532	16,736	15,871,716	468,721	18,026,705
As at 31 December 2011					
AAA	24,947	-	3,433,544	48,423	3,506,914
AA	15,936	-	1,908,031	24,758	1,948,725
A	-	-	25,846	149,980	175,826
Below A	-	-	18,396	-	18,396
Unrated	-	-	285,707	268,143	553,850
Sovereign	1,188,069	-	7,811,829	145,609	9,145,507
Unit-linked	23,517	-	-	-	23,517
Financial institution	-	15,877	-	-	15,877
	1,252,469	15,877	13,483,353	636,913	15,388,612
As at 1 January 2011					
AAA	10,450	-	3,793,566	48,352	3,852,368
AA	-	-	2,072,070	-	2,072,070
A	-	-	86,871	61,650	148,521
Below A	-	-	10,084	-	10,084
Unrated	-	-	285,879	253,420	539,299
Sovereign	2,268,997	-	8,840,100	145,712	11,254,809
Unit-linked	21,571	-	-	-	21,571
Financial institution	-	80,108	-	-	80,108
	2,301,018	80,108	15,088,570	509,134	17,978,830

38. Financial risk management policies (continued)

38.1 Credit risk (continued)

(iii) Credit quality of takaful receivables

The table below summarises the credit quality of the Group's takaful receivables:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Takaful receivables			
Neither past due nor impaired	77,408	91,047	105,140
Past due but not impaired	16,605	18,767	2,082
Impaired	10,883	15,089	36,153
	104,896	124,903	143,375
Allowance for impairment	(10,883)	(15,089)	(36,153)
	94,013	109,814	107,222

The aging of takaful receivables past due but not impaired as at the end of the reporting period based on days past due is as follows:

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Days past due			
1-30 days	2,341	1,490	450
31-60 days	1,305	1,452	122
61-90 days	753	1,102	85
91-180 days	3,723	2,143	88
> 180 days	8,483	12,580	1,337
	16,605	18,767	2,082

Impairment loss of takaful receivables
A reconciliation of the allowance for impairment loss for takaful receivables is as follows:

	RM'000
At 1 January 2011	36,153
Writeback of impairment loss	(21,064)
At 31 December 2011/1 January 2012	15,089
Writeback of impairment loss	(4,206)
At 31 December 2012	10,883

38. Financial risk management policies (continued)

38.2 Market risk

Overview

All the Group's businesses are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. Furthermore, significant or sudden movements in rates could affect the Group's liquidity / funding position. The Group is exposed to the following main market factors:

- **Rate of Return or Profit Rate Risk**: the potential impact on the Group's profitability caused by changes in the market rate of return, either due to general market movements or due to issuer / borrower specific causes;
- **Foreign Exchange Risk**: the impact of exchange rate movements on the Group's currency positions;
- **Equity Investment Risk**: the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values;
- **Commodity Inventory Risk**: the risk of loss due to movements in commodity prices;
- **Displaced Commercial Risk**: the risk arising from assets managed by the Group on behalf of depositors / investors as the Group follows the practice of potentially foregoing part or all of its Mudharib share of profit on these assets.

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

The key features of the Group's market risk management practices and policies are represented by the Banking and Takaful segments.

(a) Banking

Bank Islam separates exposures to market risk into either trading or non-trading portfolios. Trading portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions so designated as per the approved Trading Book Policy Statements. Non-trading portfolios primarily arise from the re-pricing mismatches of the Bank's customer driven assets and liabilities and from the Bank's investment of its surplus funds.

Market risk governance

The management of market risk is principally carried out by using risk limits approved by the Bank's BRC, guided by the Risk Appetite Statement approved by the Board of Directors of the Bank.

The Asset and Liability Management Committee ("ALCO") is responsible under the authority delegated by the Bank's BRC for managing market risk at strategic level.

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

Management of market risk

Bank Islam's market risk exposures are managed by its Treasury. The aim is to ensure that all market risks are consolidated at Treasury, which has the necessary skills, tools, management and governance to manage such risks professionally. Limits are set for portfolios, products and risk types, with market liquidity and credit quality being the principal factors in determining the level of limits set.

The Bank's Market Risk Management Department ("MRMD") is an independent risk control function, responsible for ensuring efficient implementation of market risk management policies. The Bank's MRMD is also responsible for developing market risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excesses against the prescribed limits are reported immediately to the Senior Management. Strict escalation procedures are documented and approved by the Bank's BRC. In addition, the market risk exposures and limits are regularly reported to the Bank's ALCO and BRC.

Other controls to ensure market risk exposures remain within tolerable levels include stress testing, rigorous new product approval procedures and a list of permissible instruments than can be traded. Stress test results are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the profitability, capital adequacy and liquidity of the respective operating subsidiaries. The stress test provides the Bank's Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the respective businesses.

(i) Profit rate risk

The table below summarises the Bank's exposure to profit rate risk. The table indicates average profit rates at the reporting date and the period in which the financial instruments reprice or mature, whichever is earlier

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam	← Non trading book					→			
As at 31 December 2012	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash, balances and placements with banks	903,366	10,004	-	-	-	782,538	-	1,695,908	2.74
Financial assets held-for-trading	-	-	-	-	-	-	1,610,558	1,610,558	3.46
Derivative financial assets	-	-	-	-	-	-	16,736	16,736	0.75
Financial assets available-for-sale	749,025	1,615,996	2,108,217	5,438,251	3,004,566	-	-	12,916,055	4.00
Financial assets held-to-maturity	20,933	7,630	6,577	47,544	95,607	-	-	178,291	6.33
Financing, advances and others									
- non-impaired	11,170,474	738,517	613,625	3,089,041	4,027,755	-	-	19,639,412	6.78
- impaired net of allowances *	-	-	-	-	-	(131,613)	-	(131,613)	-
Other assets	-	-	-	-	-	1,497,544	-	1,497,544	-
Total assets	12,843,798	2,372,147	2,728,419	8,574,836	7,127,928	2,148,469	1,627,294	37,422,891	
								Note 44	

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

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38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam As at 31 December 2012	Non trading book Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Liabilities									
Deposits from customers	17,902,252	916,898	127,964	103,891	-	13,499,985	-	32,550,990	1.99
Deposits and placements of banks and other financial institutions	858,802	1,476	-	-	-	-	-	860,278	1.37
Derivative financial liabilities	-	-	-	-	-	-	14,339	14,339	0.64
Bills and acceptances payable	65,414	111,416	-	-	-	208,308	-	385,138	-
Other liabilities	-	-	-	-	-	509,181	-	509,181	-
Total liabilities	18,826,468	1,029,790	127,964	103,891	-	14,217,474	14,339	34,319,926	
								Note 44	
Equity									
Equity attributable to equity holders of the Bank	-	-	-	-	-	3,102,965	-	3,102,965	
Total equity	-	-	-	-	-	3,102,965	-	3,102,965	
Total liabilities and shareholders' equity of the Bank	18,826,468	1,029,790	127,964	103,891	-	17,320,439	14,339	37,422,891	

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38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam	Non trading book							
As at 31 December 2012	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-12 months RM'000**	**1-5 years RM'000**	**Over 5 years RM'000**	**Non profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
On-balance sheet profit sensitivity gap	(5,982,670)	1,342,357	2,600,455	8,470,945	7,127,928	(15,171,970)	1,612,955	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	400,000	600,000	-	(600,000)	(400,000)	-	-	-
Total profit sensitivity gap	(5,582,670)	1,942,357	2,600,455	7,870,945	6,727,928	(15,171,970)	1,612,955	-

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam	Non trading book								
As at 31 December 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash, balances and placements with banks	2,593,040	425,000	335,000	-	-	871,321	-	4,224,361	2.63
Financial assets held-for-trading	-	-	-	-	-	-	1,228,952	1,228,952	3.62
Derivative financial assets	-	-	-	-	-	-	15,877	15,877	0.64
Financial assets available-for-sale	497,432	1,252,541	1,514,284	5,382,883	2,342,995	14,986	-	11,005,121	4.19
Financial assets held-to-maturity	23,287	9,000	153,461	35,000	106,586	-	-	327,334	3.61
Financing, advances and others									
- non-impaired	4,174,586	110,680	3,361,000	4,130,242	2,361,645	47,352	-	14,185,505	7.11
- impaired net of allowances*	-	-	-	-	-	(23,668)	-	(23,668)	-
Other assets	-	-	-	-	-	1,243,836	-	1,243,836	-
Total assets	7,288,345	1,797,221	5,363,745	9,548,125	4,811,226	2,153,827	1,244,829	32,207,318	
								Note 44	

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

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38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam	Non trading book								
As at 31 December 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Liabilities									
Deposits from customers	13,720,453	1,832,130	236,327	104,736	-	12,386,032	-	28,279,678	1.83
Deposits and placements of banks and other financial institutions	377,930	-	6,698	-	-	-	-	384,628	1.92
Derivative financial liabilities	-	-	-	-	-	-	23,299	23,299	0.93
Bills and acceptances payable	-	-	-	-	-	259,153	-	259,153	3.09
Other liabilities	-	-	-	-	-	452,717	-	452,717	-
Total liabilities	14,098,383	1,832,130	243,025	104,736	-	13,097,902	23,299	29,399,475	
								Note 44	
Equity									
Equity attributable to equity holders of the Bank	-	-	-	-	-	2,807,843	-	2,807,843	
Total equity	-	-	-	-	-	2,807,843	-	2,807,843	
Total liabilities and share-holders' equity of the Bank	14,098,383	1,832,130	243,025	104,736	-	15,905,745	23,299	32,207,318	

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38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam	Non trading book							
As at 31 December 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Trading book RM'000	Total RM'000
On-balance sheet profit sensitivity gap	(6,810,038)	(34,909)	5,120,720	9,443,389	4,811,226	(13,751,918)	1,221,530	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	100,000	400,000	-	(500,000)	-	-	-	-
Total profit sensitivity gap	(6,710,038)	365,091	5,120,720	8,943,389	4,811,226	(13,751,918)	1,221,530	-

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38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam As at 1 January 2011	Non trading book Up to 1 month RM'000	 >1-3 months RM'000	 >3-12 months RM'000	 1-5 years RM'000	 Over 5 years RM'000	 Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Assets									
Cash, balances and placements with banks	1,949,340	-	100,000	-	-	823,153	-	2,872,493	2.18
Financial assets held-for-trading	-	-	-	-	-	-	2,279,447	2,279,447	2.54
Derivative financial assets	-	-	-	-	-	-	80,108	80,108	1.26
Financial assets available-for-sale	1,251,770	1,941,514	1,479,525	5,985,931	2,089,294	14,986	-	12,763,020	3.66
Financial assets held-to-maturity	-	-	-	146,742	69,202	-	-	215,944	3.43
Financing, advances and others									
- non-impaired	1,102,446	773,502	626,960	2,740,830	6,488,775	-	-	11,732,513	7.39
- impaired net of allowances*	-	-	-	-	-	126,086	-	126,086	-
Other assets	-	-	-	-	-	314,917	-	314,917	-
Total assets	4,303,556	2,715,016	2,206,485	8,873,503	8,647,271	1,279,142	2,359,555	30,384,528	
								Note 44	

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

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam	Non trading book								
As at 1 January 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective profit rate %
Liabilities									
Deposits from customers	13,743,929	1,031,074	1,210,525	138,195	-	10,742,832	-	26,866,555	1.87
Deposits and placements of banks and other financial institutions	371,431	-	-	6,698	-	-	-	378,129	3.24
Derivative financial liabilities	-	-	-	-	-	-	66,708	66,708	1.05
Bills and acceptances payable	163,191	-	-	-	-	-	-	163,191	2.23
Other liabilities	-	-	-	-	-	375,716	-	375,716	-
Total liabilities	14,278,551	1,031,074	1,210,525	144,893	-	11,118,548	66,708	27,850,299	
								Note 44	
Equity									
Equity attributable to equity holders of the Bank	-	-	-	-	-	2,533,754	-	2,533,754	
Non-controlling interests	-	-	-	-	-	475	-	475	
Total equity	-	-	-	-	-	2,534,229	-	2,534,229	
Total liabilities and shareholders' equity of the Bank	14,278,551	1,031,074	1,210,525	144,893	-	13,652,777	66,708	30,384,528	

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38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(i) Profit rate risk (continued)

Bank Islam	Non trading book							
As at 1 January 2011	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	1-5 years RM'000	Over 5 years RM'000	Non profit sensitive RM'000	Trading book RM'000	Total RM'000
On-balance sheet profit sensitivity gap	(9,974,995)	1,683,942	995,960	8,728,610	8,647,271	(12,373,635)	2,292,847	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	100,000	400,000	-	(500,000)	-	-	-	-
Total profit sensitivity gap	(9,874,995)	2,083,942	995,960	8,228,610	8,647,271	(12,373,635)	2,292,847	-

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(ii) Profit rate risk in the non-trading portfolio

Profit rate risk in the non-trading portfolio is managed and controlled using measurement known as economic value of equity ("EVE") and earnings-at-risk ("EaR"). EVE and EaR limits are approved by the Bank's BRC and independently monitored monthly by the Bank's MRMD. Exposures and limits are regularly discussed and reported to the Bank's ALCO and BRC.

The table below shows the projected sensitivity at the Bank's level to a 100 basis points parallel shift to profit rates across all maturities applied on the Bank's profit rate sensitivity gap as at reporting date.

	2012		2011 (reinstatement)	
	-100bps	+100bps	-100bps	+100bps
	Increase/(Decrease) RM million			
Bank Islam				
Impact on EaR	52.07	(52.07)	62.82	(62.82)
Impact on EVE	225.22	(225.22)	227.98	(227.98)

Note: EVE and EaR as at 31 December 2011 were reinstated due to the new EVE behavioural assumptions that were approved by the Bank's BRC in July 2012.

Profit rate risk in the banking book is defined as the exposure of the non-trading products of the Bank to profit rates. Non-trading portfolios are subject to prospective profit rate movements which could reduce future earnings. Profit rate risk arises principally from mismatches between future yields on assets and their funding costs.

The Bank manages market risk in non-trading portfolios by monitoring the sensitivity of projected EaR and EVE under varying profit rate scenarios (simulation modelling). For simulation modelling, a combination of standard scenarios and non-standard scenarios relevant to the local market are used. The standard scenarios monitored monthly include a 100 and 200 basis points parallel fall or rise in profit rates and historical simulation of past events. The scenarios assume no management action. Hence, they do not incorporate actions that would be taken by the Bank's Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, the Bank's Treasury would proactively seek to change the profit rate exposure profile to minimise losses and to optimize net revenues. The nature of the hedging and risk mitigation strategies corresponds to the market instruments available. These strategies range from the use of traditional market instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(ii) Profit rate risk in the non-trading portfolio (continued)

Other controls to contain profit rate risk in the non-trading portfolio include stress testing and applying sensitivity limits to the available-for-sale financial assets. Sensitivity is measured by the present value of a 1 basis point change ("PV01") and is independently monitored by the Bank's MRMD on a weekly basis against limits approved by the BRC. PV01 exposures and limits are regularly discussed and reported to the Bank's ALCO and BRC.

(iii) Market risk in the trading portfolio

Market risk in the trading portfolio is monitored and controlled using value-at-risk ("VaR"). VaR limit is approved by the Bank's BRC and independently monitored daily by MRMD. Exposures and limits are regularly discussed and reported to the Bank's ALCO and BRC.

A summary of the VaR position of the Bank's trading portfolios at the reporting date is as follows:

	As at	1.1.2012 to 31.12.2012		
	31.12.2012	Average	Maximum	Minimum
Bank Islam	**RM'million**	**RM'million**	**RM'million**	**RM'million**
Profit rate risk	2.55	1.66	4.16	0.13
Foreign exchange risk	0.03	0.16	0.93	0.01
Overall	2.58	1.82	5.09	0.14

Value-at-risk

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR models used by Bank Islam are based on historical simulation. These models derive plausible future scenarios from past series of recorded market rates and prices, taking into account inter-relationships between different markets and rates such as profit rates and foreign exchange rates.

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(iii) Market risk in the trading portfolio (continued)

Value-at-risk (continued)

The historical simulation models used by the Bank incorporate the following features:

- potential market movements are calculated with reference to data from the past four years;
- historical market rates and prices are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated to a 99 per cent confidence level and for a one-day holding period. The nature of the VaR models means that an increase in observed market volatility will lead to an increase in VaR without any changes in the underlying positions.

Statistically, the Bank would expect to see losses in excess of VaR only 1 per cent of the time over a one-year period. The actual number of excesses over this period can therefore be used to gauge how well the models are performing.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- The use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- The use of a 99 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the close of business and therefore does not necessarily reflect intra-day exposures; and
- VaR is unlikely to reflect the loss potential on exposures that might arise under significant market movements.

The Bank recognises these limitations by augmenting the VaR limits with other limits such as maximum loss limits, position limits and PV01 limits structures. These limits are approved by the Bank's BRC and independently monitored daily by the Bank's MRMD. Exposures and limits are regularly discussed and reported to the Bank's ALCO and BRC.

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(iii) Market risk in the trading portfolio (continued)

Value-at-risk (continued)
Other controls to contain market risk at an acceptable level are through stress testing, rigorous new product approval processes and a list of permissible instruments to be traded. Stress tests are produced monthly to determine the impact of changes in profit rates, foreign exchange rates and other main economic indicators on the Bank's profitability, capital adequacy and liquidity. The stress-testing provides the Bank's Management and BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Bank.

(iv) Foreign exchange risk

Trading positions
In addition to VaR and stress testing, the Bank controls the foreign exchange risk within the trading portfolio by limiting the open exposure to individual currencies, and on an aggregate basis.

Overall (trading and non-trading positions)
The Bank controls the overall foreign exchange risk by limiting the open exposure to non-Ringgit positions on an aggregate basis.

Foreign exchange limits are approved by the Bank's BRC and independently monitored daily by the Bank's MRMD. Exposures and limits are regularly discussed and reported to the Bank's ALCO and BRC.

Sensitivity Analysis
Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group as at reporting date is summarised as follows:

	2012		2011	
	-1% Depreciation	+1% Appreciation	-1% Depreciation	+1% Appreciation
Bank Islam	**RM'000**	**RM'000**	**RM'000**	**RM'000**
US Dollar	1,762	(1,762)	(2,214)	2,214
British Pound	(35)	35	(8)	8
Japanese Yen	5,371	(5,371)	(533)	533
Sri Lanka Rupee	(29,994)	29,994	(25,713)	25,713
Others	(40,229)	40,229	(85,405)	85,405

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(a) Banking (continued)

(v) Displaced Commercial Risk

Overview

Displaced Commercial Risk ("DCR") refers to the risk arising from assets managed on behalf of the Bank's profit sharing investment account holders ("PSIAH") which is effectively transferred to the Bank's own capital because the Bank forgoes part or all of its Mudharib's share (profit) of on such fund, when it considers this necessary as a result of commercial pressure in order to increase the return that would otherwise be payable to the Bank's PSIAH's.

In other words, the Bank's DCR refers to the risk of losses which the Bank absorbs to make sure that PSIAH are paid in a rate of return ("ROR") that exceeds the actual return that was supposedly to be earned by the Bank's investment account holders based on the contractual profit sharing ratio.

The management of Displaced Commercial Risk
The Bank uses the following approach to manage the DCR:

a) Forgoing part or all of the Bank's share of profit as Mudharib to the Bank's PSIAH by way of varying the percentage of profit taken as the Mudharib share in order to increase the share attributed to the Bank's PSIAH in any particular year;
b) Transferring the Bank's current profits or retained earnings to the Bank's PSIAH on the basis of hibah (gift); and
c) Utilising the Waiver of Entitlement Clause based on the Tanazul (waiver) principle. In this context, when a partner who has agreed to a certain profit sharing ratio may waive the rights to profits to be given to another partner on the basis of Tanazul at the time of profit realisation and distribution as well as at the time of the contract.

The Bank does not use or maintain Profit Equalisation Reserve to manage its DCR.

(vi) Capital treatment for Market Risk

The Bank adopts the Standardised Approach to compute the market risk capital requirement under BNM's Capital Adequacy Framework for Islamic Banks (CAFIB).

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(b) Takaful

The key features of Takaful's market risk management practices and policies are as follows:

- A group-wide market risk policy setting out the evaluation and determination of components of market risk for the Takaful Group. Compliance with the policy is monitored and reported monthly to Takaful's Risk Management Committee ("RMC") and exposures and breaches are reported as soon as practicable.

- Set asset allocation, portfolio limit structure and diversification benchmark to ensure that assets back specific contract liabilities and that assets are held to deliver income and gains for certificate holders in line with terms of the respective contracts expectations of policies. Takaful's policies on asset allocation, portfolio limit structure and diversification benchmark have been set in line with Takaful's risk management policy after taking cognisance of the regulatory requirements in respect of maintenance of assets and solvency.

Takaful also issue unit-linked investment policies. In the unit-linked business, the certificate holders bear investment risk on the assets held in the unit-linked funds as the certificate benefits are directly linked to value of the assets in the funds. Takaful's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

(i) Profit yield risk

Profit yield risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit yield.

Floating rate/yield instruments expose Takaful to cash flow profit risk, whereas fixed rate/yield instruments expose Takaful to fair value profit risk.

Takaful's profit risk policy requires its Management to manage the risk by maintaining an appropriate mix of variable and fixed rate/yield instruments. The policy also requires the Takaful management to manage the maturities of profit-bearing financial assets and liabilities. Floating rate/yield instruments will be re-priced at intervals of not more than one (1) year. Profit on fixed rate/yield instruments is priced at inception of the financial instrument and is fixed until maturity.

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(b) Takaful (continued)

(i) Profit yield risk (continued)

The profit yield profile of the Takaful Group and its subsidiaries' significant profit-bearing financial instruments based on carrying amount as at the end of the reporting period was as follows:

Fixed rate instruments	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
31 December 2012				
AFS financial assets	220,743	2,318,556	430,967	2,970,266
FVTPL financial assets	634	58,340	-	58,974
HTM financial assets	1,585	253,271	35,575	290,431
Loans and receivables	157,914	632,130	137,110	927,154
	380,876	3,262,297	603,652	4,246,825
31 December 2011				
AFS financial assets	121,663	1,995,157	376,441	2,493,261
FVTPL financial assets	-	23,517	-	23,517
HTM financial assets	4,152	270,931	34,496	309,579
Loans and receivables	197,444	778,239	203,542	1,179,225
	323,259	3,067,844	614,479	4,005,582
1 January 2011				
AFS financial assets	43,307	1,957,796	345,573	2,348,676
FVTPL financial assets	-	21,571	-	21,571
HTM financial assets	2,916	258,666	34,524	296,106
Loans and receivables	214,332	650,543	181,359	1,046,234
	260,555	2,888,576	561,456	3,712,587

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(b) Takaful (continued)

(i) Profit yield risk (continued)

Takaful has no significant concentration of profit yield risk.

A change of 50 basis points in profit rates at the end of the reporting period would have increased/(decreased) other comprehensive income ("OCI")/equity, Family and General Takaful participants' fund by the amounts shown below. The analysis assumes that all other variables remain constant.

	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on Participants' fund RM'000
31 December 2012					
AFS financial assets	+50bps	-	(5,218)	-	(93,295)
FVTPL financial assets	+50bps	-	-	(217)	(217)
		-	(5,218)	(217)	(93,512)
AFS financial assets	-50bps	-	5,284	-	104,755
FVTPL financial assets	-50bps	-	-	223	223
		-	5,284	223	104,978
31 December 2011					
AFS financial assets	+50bps	-	(1,580)	-	(73,034)
FVTPL financial assets	+50bps	-	-	(285)	(285)
		-	(1,580)	(285)	(73,319)
AFS financial assets	-50bps	-	2,347	-	78,534
FVTPL financial assets	-50bps	-	-	290	290
		-	2,347	290	78,824
1 January 2011					
AFS financial assets	+50bps	-	(491)	-	(65,538)
FVTPL financial assets	+50bps	-	-	(235)	(235)
		-	(491)	(235)	(65,773)
AFS financial assets	-50bps	-	502	-	70,656
FVTPL financial assets	-50bps	-	-	240	240
		-	502	240	70,896

*impact on equity reflects adjustments for tax, when applicable.

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(b) Takaful (continued)

(ii) Other price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit yield risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

Takaful's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices (excluding those investment securities held for the account of unit-linked business).

Takaful's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector, market and issuer, having regard also to such limits stipulated by BNM. Takaful and its subsidiaries comply with BNM stipulated limits during the financial year and has no significant concentration of price risk.

Equity price risk sensitivity analysis
The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on OCI/equity for Takaful Operator, and showing the impact on operating surplus/participants' fund for Investment-linked Fund, and participants' fund for Family Takaful Fund and General Takaful Fund accordingly. The correlation of variables will have a significant effect in determining the ultimate impact on price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on individual basis. It should be noted that movements in these variables are non-linear.

	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating Surplus RM'000	Impact on Participants' fund RM'000
31 December 2012					
Market price	+15bps	-	7,967	(15,249)	105,941
Market price	-15bps	-	(7,967)	(15,249)	(105,941)

38. Financial risk management policies (continued)

38.2 Market risk (continued)

(b) Takaful (continued)

(ii) Other price risk (continued)

Equity price risk sensitivity analysis (continued)

	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on operating surplus RM'000	Impact on Participants' fund RM'000
31 December 2011					
Market price	+15bps	-	6,432	13,045	80,259
Market price	-15bps	-	(6,432)	(13,045)	(80,259)
1 January 2011					
Market price	+15bps	-	10,230	12,503	98,955
Market price	-15bps	-	(10,230)	(12,503)	(98,955)

*impact on equity reflects adjustments for tax, when applicable.

(iii) Foreign exchange risk

Takaful's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign exchange risk arises principally with respect to Indonesia Rupiah (Rp) and US Dollar (USD).

As Takaful's business is conducted primarily in Malaysia, the Takaful Group and its subsidiaries' financial assets are also primarily maintained in Malaysia as required under the Takaful Act, 1984, and hence, primarily denominated in the same currency (the local RM) as its takaful and investment contract liabilities. Accordingly, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which takaful and investment contract liabilities are expected to be settled.

As Takaful's main foreign exchange risk from recognised assets and liabilities arises from retakaful transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Takaful has no significant concentration on foreign currency risk.

Takaful's exposure to currency risk is immaterial in the context of the financial statements and hence, sensitivity analysis is not presented.

38. Financial risk management policies (continued)

38.3 Liquidity risk

Overview

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations when they fall due, or might have to fund these obligations at excessive cost. This risk can arise from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms when required.

The management reviews both Banking and Takaful business' liquidity risk based on different maturity brackets due to the different nature of both businesses.

(a) Banking

In respect of Bank Islam, the Bank maintains a diversified and stable funding base comprising core retail, commercial, corporate customer deposits and institutional balances. This is augmented by wholesale funding and portfolios of highly liquid assets.

The objective of the Bank's liquidity and funding management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Current accounts and savings deposits payable on demand or at short notice form a significant part of the Bank's funding, and the Bank places considerable importance on maintaining their stability. For deposits, stability depends upon preserving depositors' confidence in the Bank and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

The management of liquidity and funding is primarily carried out in accordance with the BNM Liquidity Framework and practices and, limits and triggers approved by the Bank's BRC and ALCO. These limits and triggers vary to take account of the depth and liquidity of the local market in which the Bank operates. The Bank maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(a) Banking (continued)

The Bank's liquidity and funding management process includes:

- Daily projection of cash flows and ensuring that the Bank has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintain liabilities of appropriate term relative to the asset base;
- Maintain a diverse range of funding sources with adequate back-up facilities;
- Monitor depositors' concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Manage the maturities and diversify funding liabilities across products and counterparties.

Liquidity and funding risk governance
The management of liquidity and funding risk is principally undertaken using risk limit mandates approved by the Bank's BRC and management action triggers assigned by the Bank's ALCO.

The Bank's ALCO is responsible under the authority delegated by the Bank's BRC for managing liquidity and funding risk at strategic level.

Management of liquidity and funding risk
All liquidity risk exposures are managed by the Bank's Treasury. The aim is to ensure that liquidity and funding risk are consolidated at the Bank's Treasury, which has the necessary skills, tools, management and governance to manage such risks professionally. Limits and triggers are set to meet the following objectives:

- Sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Cash flows are relatively diversified across all maturities;
- Deposit base is not overly concentrated to a relatively small number of depositors;
- Sufficient borrowing capacity in the interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(a) Banking (continued)

Management of liquidity and funding risk (continued)

The Bank's MRMD is the independent risk control function and is responsible for ensuring efficient implementation of liquidity and funding risk management policies. It is also responsible for developing the Bank's liquidity and funding risk management guidelines, measurement techniques, behavioural assumptions and limit setting methodologies. Any excess against the prescribed limits and triggers are reported immediately to the Bank's Senior Management. Strict escalation procedures are documented and approved by the Bank's BRC, with proper authorities to ratify or approve the excess in place. In addition, the market risk exposures and limits are regularly reported to the Bank's ALCO and BRC.

Another control to ensure that liquidity and funding risk exposures remain within tolerable levels includes stress testing. Stress testing and scenario analysis are important tools in the Bank's liquidity management framework. This will also include an assessment of asset liquidity under various stress scenarios. Stress test results are produced monthly to determine the impact of a sudden liquidity shock. The stress-testing provides the Bank's Management and BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Bank.

Another key control feature of the Bank's liquidity and funding risk management are the approved and documented liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimising adverse long-term implications to the Bank.

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38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis
The table below summarises the Bank's assets and liabilities based on remaining contractual maturities:

As at 31 December 2012	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash, balances and placements with banks	782,538	903,366	10,004	-	-	-	1,695,908
Securities portfolio	-	1,084,696	2,001,491	1,333,789	1,015,240	9,269,688	14,704,904
Derivatives financial assets	-	373	1,712	107	402	14,142	16,736
Financing, advances and others	-	11,169,539	738,518	320,277	293,348	6,986,117	19,507,799
Other assets	-	-	-	-	-	1,497,544	1,497,544
Total assets	782,538	13,157,974	2,751,725	1,654,173	1,308,990	17,767,491	37,422,891
							Note 44
Liabilities							
Deposits from customers	13,483,878	17,918,359	916,898	7,455	120,509	103,891	32,550,990
Deposits and placements of banks and other financial institutions	-	858,802	1,476	-	-	-	860,278
Derivative financial liabilities	-	576	631	103	162	12,867	14,339
Other liabilities	-	-	-	-	-	894,319	894,319
Total liabilities	13,483,878	18,777,737	919,005	7,558	120,671	1,011,077	34,319,926
							Note 44

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38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

As at 31 December 2012	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	3,102,965	3,102,965
On-balance sheet net liquidity gap	(12,701,340)	(5,619,763)	1,832,720	1,646,615	1,188,319	13,653,449	-
Commitments and contingencies	2,444,639	1,079,178	1,101,488	799,376	2,158,206	3,345,903	10,928,790
Net liquidity gap	(15,145,979)	(6,698,941)	731,232	847,239	(969,887)	10,307,546	(10,928,790)

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38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

As at 31 December 2011	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash, balances and placements with banks	3,364,180	100,181	425,000	285,000	50,000	-	4,224,361
Securities portfolio	-	820,251	1,335,998	1,967,349	452,523	7,985,286	12,561,407
Derivative financial assets	-	5,346	1,320	169	8,301	741	15,877
Financing, advances and others	-	4,174,586	110,680	1,730,274	1,678,078	6,468,219	14,161,837
Other assets	-	-	-	-	-	1,243,836	1,243,836
Total assets	3,364,180	5,100,364	1,872,998	3,982,792	2,188,902	15,698,082	32,207,318
							Note 44
Liabilities							
Deposits from customers	12,368,826	9,260,314	4,330,227	439,604	1,708,758	171,949	28,279,678
Deposits and placements of banks and other financial institutions	-	377,930	-	-	6,698	-	384,628
Derivative financial liabilities	-	5,555	644	263	8,130	8,707	23,299
Other liabilities	-	-	-	-	-	711,870	711,870
Total liabilities	12,368,826	9,643,799	4,330,871	439,867	1,723,586	892,526	29,399,475
							Note 44

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38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

As at 31 December 2011	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	2,807,843	2,807,843
On-balance sheet net liquidity gap	(9,004,646)	(4,543,435)	(2,457,873)	3,542,925	465,316	11,997,713	-
Commitments and contingencies	822,145	1,458,399	1,242,637	643,234	1,856,794	3,399,900	9,423,109
Net liquidity gap	(9,826,791)	(6,001,834)	(3,700,510)	2,899,691	(1,391,478)	8,597,813	(9,423,109)

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38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

As at 1 January 2011	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash, balances and placements with banks	2,519,695	252,798	-	100,000	-	-	2,872,493
Securities portfolio	-	2,512,603	2,890,112	466,054	1,018,443	8,371,199	15,258,411
Derivative financial assets	-	24,952	9,192	8,106	27,804	10,054	80,108
Financing, advances and others	-	3,097,357	773,502	314,415	312,545	7,360,780	11,858,599
Other assets	-	-	-	-	-	314,917	314,917
Total assets	2,519,695	5,887,710	3,672,806	888,575	1,358,792	16,056,950	30,384,528
Liabilities							
Deposits from customers	10,742,832	9,100,751	4,327,025	624,120	1,887,361	184,466	26,866,555
Deposits and placements of banks and other financial institutions	-	371,430	-	-	-	6,699	378,129
Derivative financial liabilities	-	12,162	3,151	10,240	29,005	12,150	66,708
Other liabilities	-	-	-	-	-	538,907	538,907
Total liabilities	10,742,832	9,484,343	4,330,176	634,360	1,916,366	742,222	27,850,299

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38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(a) Banking (continued)

Maturity analysis (continued)

As at 1 January 2011	On demand RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Equity							
Equity attributable to equity holders of the Bank	-	-	-	-	-	2,533,754	2,533,754
Non-controlling interests	-	-	-	-	-	475	475
On-balance sheet net liquidity gap	(8,223,137)	(3,596,633)	(657,370)	254,215	(557,574)	12,780,499	-
Commitments and contingencies	1,359,102	2,435,647	1,931,970	2,181,283	1,901,751	3,734,534	13,544,287
Net liquidity gap	(9,582,239)	(6,032,280)	(2,589,340)	(1,927,068)	(2,459,325)	9,045,965	(13,544,287)

38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(b) Takaful

The following policies and procedures are in place to mitigate exposure to liquidity risk at Takaful level:-

- Wide liquidity risk policy setting out the evaluation and determination of the components of liquidity risk. Compliance with the policy is monitored and reported monthly and exposures and breaches are reported to the Risk Management Committee as soon as practicable. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Setting up guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding is available to meet takaful contracts obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Takaful's catastrophe excess-of-loss retakaful contracts contains clauses permitting the immediate drawdown of funds to meet claims payments should claims events exceed certain amount.

Maturity analysis

The table below summarises the maturity profile of the financial liabilities of the Takaful Group based on remaining undiscounted contractual obligations, including profit payable.

For takaful contract liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised takaful liabilities. Investment-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column.

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38. Financial risk management policies (continued)

38.3 Liquidity risk (continued)

(b) Takaful (continued)

Maturity analysis (continued)

	Note	Carrying value RM'000	Up to a year* RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	More than 5 years RM'000	No maturity RM'000	Total RM'000
31 December 2012								
Provision for outstanding claims	21(a)(i)	417,944	158,727	181,398	54,683	23,136	-	417,944
Takaful payables	21	43,126	41,423	1,703	-	-	-	43,126
Other payables		236,013	217,965	2,965	83	5,964	9,036	236,013
		697,083	418,115	186,066	54,766	29,100	9,036	697,083
31 December 2011								
Provision for outstanding claims	21(a)(i)	417,879	210,922	132,135	54,628	20,194	-	417,879
Takaful payables	21	45,537	41,967	3,570	-	-	-	45,537
Other payables		224,357	184,344	29,818	808	8,107	1,280	224,357
		687,773	437,233	165,523	55,436	28,301	1,280	687,773
1 January 2011								
Provision for outstanding claims	21(a)(i)	383,047	197,151	118,189	48,017	19,690	-	383,047
Takaful payables	21	50,454	46,313	4,141	-	-	-	50,454
Other payables		213,124	202,749	2,951	109	6,729	586	213,124
		646,625	446,213	125,281	48,126	26,419	586	646,625

* expected utilisation or settlement is within 12 months from the reporting date.

39. Fair value of financial assets and liabilities

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

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

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

39. Fair value of financial assets and liabilities (continued)

The following summarises the carrying and the estimated fair values of the Group's financial assets and liabilities on the financial position:

	Carrying value			Fair value		
	31.12.2012	**31.12.2011**	**1.1.2011**	**31.12.2012**	**31.12.2011**	**1.1.2011**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets held-to-maturity	468,721	636,913	509,134	479,510	651,433	518,571
Financing, advances and others	19,507,799	14,161,837	11,858,599	19,749,406	14,221,103	12,048,950

The carrying amounts of the remaining financial instruments of the Group and of the Company approximate fair value due to the relatively short term nature of these financial instruments. It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

39. Fair value of financial assets and liabilities (continued)

The fair values are based on the following methodologies and assumptions:

Cash and short term funds and deposits and placements with banks and other financial institutions

For cash and short term funds and deposits and placements with banks and other financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing money market profit rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining year to maturity.

Financial assets held-for-trading and financial assets available-for-sale

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Non-market observable inputs also includes valuation technique 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 class in this category are unquoted equity securities.

Financing, advances and others

Their fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financings with similar credit risks and maturities. The fair values are represented by their carrying value, net of specific allowance and income-in-suspense, being the recoverable amount.

Deposits from customers

The fair value of deposits are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

Deposits and placements of banks and other financial institutions

The estimated fair value of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining years to maturity.

39. Fair value of financial assets and liabilities (continued)

Bills and acceptances payable

The estimated fair values of bills and acceptances payable with maturity of less than six months approximate their carrying values. For bills and acceptances payable with maturity of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risks profile.

Investment properties

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

Fair value hierarchy

MFRS 7, "Financial Instruments: Disclosure" specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques adopted are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's assumptions. The fair value hierarchy is as follows:

- Level 1 – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rate swaps and structured debts. The sources of input parameters include BNM indicative yields or counterparty credit risk.
- Level 3 – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The levels of fair value hierarchy into which fair value measurements are categorised in their entirety are as follows:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2012				
Financial assets held-for-trading	102,412	1,669,532	59,662	1,831,606
Financial assets available-for-sale*	690,477	15,856,675	305,204	16,852,356
Derivative assets	-	16,736	-	16,736
Derivative liabilities	-	(14,339)	-	(14,339)
	792,889	17,528,604	364,866	18,686,359

* excludes unquoted securities stated at cost and promissory notes stated at fair value.

39. Fair value of financial assets and liabilities (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 December 2011				
Financial assets held-for-trading	86,969	1,252,469	63,906	1,403,344
Financial assets available-for-sale*	515,644	13,465,001	275,909	14,256,554
Derivative assets	-	15,877	-	15,877
Derivative liabilities	-	(23,299)	-	(23,299)
	602,613	14,710,048	339,815	15,652,476

* excludes unquoted securities stated at cost and promissory notes stated at fair value.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2012 for the Group:

	2012 RM'000	2011 RM'000
At 1 January	339,815	366,388
Gains/(Losses)	12,318	(6,657)
Settlement/Redemption	(2,350)	(111,013)
Purchases	15,087	40,600
Transfer in	-	50,496
Exchange differences	(4)	1
At 31 December	364,866	339,815

The unrealised gains or losses have been recognised in other income or other overhead expenses in the profit or loss.

40. Capital commitments

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Property, plant and equipment			
Contracted but not provided for in the financial statements	49,461	56,812	75,956
Approved but not contracted for and not provided	24,468	24,376	36,633
	73,929	81,188	112,589

41. Lease commitments

Leases as lessee
Non-cancellable operating lease rentals are payable as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Within one year	3,049	9,086	1,195
Between one and five years	11,342	9,094	1,585
	14,391	18,180	2,780

Leases as lessor
The Group leases out its investment properties (see Note 17). The future minimum lease receivables under non-cancellable lease are as follows:

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Within one year	7,046	7,928	3,482
Between one and five years	3,640	9,913	5,696
	10,686	17,841	9,178

42. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor the adequacy of capital on an ongoing basis.

There were no changes in the Group's approach to capital management during the financial year.

Under the Listing Requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The capital requirements in respect of Bank Islam Malaysia Berhad, Syarikat Takaful Malaysia Berhad and BIMB Securities Sdn Bhd are subject to regulatory requirements from BNM and Bursa Malaysia Berhad.

43. Contingent liability

Banking

On 20 April 2010, Bank Islam has referred a dispute in connection with a Services Agreement and Software Agreement (Agreements) with a vendor for arbitration. The Bank claims rescission of the Agreements and a refund of the sum paid (to-date of RM19.03 million) and/or damages, compensation / cost of funds on all sums found to be due to it and an appropriate order as to costs. The vendor has subsequently also filed a counterclaim. The arbitration commenced on 15 February 2012. The arbitrator has yet to make the final award.

44. Operating segment information

Performance is measured based on segment profit/(loss) before zakat and taxation, as included in the internal management reports that are reviewed by the Group Managing Director/Chief Executive Officer. Segment profit/(loss) before zakat and taxation is used to measure performance as management believes that such information is the most relevant in evaluating segmental results relative to other entities that operate within these industries. In the preceding year, performance was measured based on segmental results from operating activities and included items directly attributable to a segment as well as those that could be allocated on a reasonable basis.

The Group operates predominantly in Malaysia and accordingly, information by geographical location on the Group's operation is not presented.

Segment information is presented in respect of the Group's main business segment.

Business segments

The Group comprises of the following main business segments:

Banking	Islamic banking and provision of related services.
Takaful	Underwriting of family and general Islamic insurance ("Takaful").
Others	Investment holding, currency trading, ijarah financing, stockbroking and unit trust.

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44. Operating segment information (continued)

31.12.2012	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Business segments					
Segment result					
Revenue from external customers	1,990,478	594,769	11,142	-	2,596,389
Inter-segment revenue	-	2,535	174,852	(177,387)	-
Total revenue	1,990,478	597,304	185,994	(177,387)	2,596,389
Net income from operations (before allowance for impairment on financing and other assets)	1,397,424	597,304	185,994	(174,928)	2,005,794
Operating overheads	(724,924)	(472,504)	(18,639)	2,832	(1,213,235)
Operating results	672,500	124,800	167,355	(172,096)	792,559
Allowance for impairment on financing	(66,073)	-	-	-	(66,073)
Allowance for contingent liability	(14,769)	-	-	-	(14,769)
Reversal of impairment on other assets	3,990	-	-	-	3,990
Share of results of associate company	1,732	-	-	-	1,732
Profit before zakat and taxation	597,380	124,800	167,355	(172,096)	717,439
Segment assets	37,422,891	6,349,415	2,155,519	(2,020,202)	43,907,623
Segment liabilities	34,319,926	5,831,326	184,533	(195,355)	40,140,430
	Note 38.2(a)(i), 38.3(a)				

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44. Operating segment information (continued)

31.12.2011	Banking RM'000	Takaful RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Business segments					
Segment result					
Revenue from external customers	1,666,313	406,687	8,056	-	2,081,056
Inter-segment revenue	-	2,946	262,633	(265,579)	-
Total revenue	1,666,313	409,633	270,689	(265,579)	2,081,056
Net income from operations (before allowance for impairment on financing and other assets)	1,189,206	409,633	270,689	(261,334)	1,608,194
Operating overheads	(643,595)	(309,486)	(14,514)	1,469	(966,126)
Operating results	545,611	100,147	256,175	(259,865)	642,068
Allowance for impairment on financing	(21,124)	-	-	-	(21,124)
Allowance for contingent liability	(15,231)	-	-	-	(15,231)
Allowance for impairment on other assets	(15,406)	-	-	-	(15,406)
Share of results of associate company	(1,383)	-	-	-	(1,383)
Profit before zakat and taxation	492,467	100,147	256,175	(259,865)	588,924
Segment assets	32,207,318	5,837,275	2,067,638	(1,886,274)	38,225,957
Segment liabilities	29,399,475	5,359,412	85,286	(73,147)	34,771,026
	Note 38.2(a)(i), 38.3(a)				

45. Commitments and contingencies

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. These exclude all contracts cleared in the normal course of the takaful business.

Group

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Credit-related Exposures			
Direct credit substitutes	562,654	452,553	459,840
Assets sold with recourse	2	2	242
Transaction related contingent items	910,688	884,095	846,719
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	662,657	589,414	618,138
Short-term self liquidating trade related contingencies	338,488	288,665	312,745
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	82	1	1,003
Unutilised credit card lines	949,115	817,113	768,840
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	5,276,220	3,897,622	4,118,965
	8,699,906	6,929,465	7,126,492
Derivative Financial Instruments			
Foreign exchange related contracts			
Less than one year	680,789	1,644,655	5,208,060
One year to less than five years	-	40,244	-
Profit rate related contracts			
Less than one year	100,000	171,740	-
One year to less than five years	600,000	500,000	671,740
Five years and above	734,000	-	-
Equity related contracts			
Less than one year	-	20,000	324,800
One year to less than five years	114,095	117,005	138,195
	2,228,884	2,493,644	6,342,795
Obligations under an on-going underwriting agreement	-	-	75,000
	10,928,790	9,423,109	13,544,287

46. Significant events during the financial year

(a) Zerorisation of Accumulated Loss of Bank Islam Malaysia Berhad ("the Bank")

A proposal approved by the Bank's Board of Directors was submitted to BNM on 14 October 2010 requesting to write off the accumulated loss in the books against the Share Premium and Statutory Reserves. BNM via their reply dated 25 February 2011 had no objections on the Bank's proposal.

Nevertheless, the Bank was required to fulfil the requirements of Section 64 of the Companies Act 1965 prior to utilising the share premium which includes obtaining general meeting's approval by way of special resolution and court's approval.

On 23 February 2012, the High Court of Malaya granted the Bank approval to reduce the Bank's Share Premium Account. The amount from the Share Premium account of RM500.02 million and an amount of RM684.34 million from the Statutory Reserve Account have been utilised to write off the outstanding accumulated loss as at 31 December 2011 of RM1,184.36 million (after putting aside the final dividend payable for the financial year ended 31 December 2011 of RM44.69 million).

(b) Transfer of Ar-Rahnu business from Farihan Corporation Sdn. Bhd. (FCSB) to Bank Islam Malaysia Berhad

FCSB is a wholly-owned subsidiary of the Bank which operates Ar-Rahnu (Islamic pawn broking) business under a licence granted by the Ministry of Housing and Local Government, Malaysia under the Pawnbrokers Act 1972.

On 8 July 2011, the Bank has been granted approval from BNM (with certain conditions) to commence Ar-Rahnu business. Consequently upon meeting BNM's conditions, on 13 April 2012, the business, assets and liabilities of FCSB have been transferred to the Bank.

FCSB continues to be in operation providing management services to the Bank for the Ar-Rahnu business.

46. Significant events during the financial year (continued)

(c) BIMB Foreign Currency Clearing Agency Sdn. Bhd. (BIFCA)'s license

The management of Bank Islam Malaysia Berhad had on 21 November 2012 decided to surrender the wholesale license accorded to BIFCA, to BNM effective 25 November 2012, and to proceed with voluntary winding-up of the said entity.

Following this decision, BIFCA had ceased operation with its last trading day being Friday, 23 November 2012.

Presently, preparation is underway with all the needful processes in relation to the winding up process.

The share capital of RM10 million and retained earnings will be paid to the Bank upon completion of the winding up processes.

47. Explanation of transition to MFRSs

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (the group's date of transition of MFRSs).

The transition to MFRSs does not have financial impact to the separate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous Financial Reporting Standards ("FRSs").

An explanation of how the transition from previous FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

Company No. 423858-X

47. Explanation of transition to MFRSs (continued)

47.1 Reconciliation of Statements of Financial Position

		1.1.2011				31.12.2011			
			Effect of transition to MFRS				Effect of transition to MFRS		
		FRSs	Other MFRSs	MFRS 127 Note (h)	MFRSs	FRSs	Other MFRSs	MFRS 127 Note (h)	MFRSs
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets									
Cash and short-term funds		2,762,195	-	313,873	3,076,068	3,460,092	-	325,262	3,785,354
Deposits and placement with financial institutions		412,798	-	462,949	875,747	1,075,330	-	616,890	1,692,220
Financial assets held-for-trading		2,279,891	-	184,571	2,464,462	1,228,952	-	174,392	1,403,344
Derivative financial assets		80,108	-	-	80,108	15,877	-	-	15,877
Financial assets available-for-sale		12,936,655	-	2,845,083	15,781,738	11,281,711	-	2,989,829	14,271,540
Financial assets held-to-maturity		215,944	-	293,190	509,134	331,486	-	305,427	636,913
Financing, advances and others	(b)	11,860,631	(2,032)	-	11,858,599	14,140,970	20,867	-	14,161,837
Other assets		200,727	-	101,435	302,162	181,624	-	96,588	278,212
Takaful assets		-	-	435,355	435,355	-	-	525,238	525,238
Statutory deposits with Bank Negara Malaysia		10,000	-	-	10,000	912,000	-	-	912,000
Current tax assets	(c)	30,316	508	-	30,824	7,718	508	-	8,226
Deferred tax assets	(d)	59,023	-	-	59,023	39,429	1,772	-	41,201
Investments in associates		1	-	-	1	21,181	-	-	21,181
Property, plant and equipment	(d)	207,617	614	216,048	424,279	225,632	614	212,920	439,166
Investment properties		11,958	-	20,166	32,124	18,758	-	14,222	32,980
Assets classified as held for sale		-	-	-	-	-	-	668	668
General Takaful & Family Takaful assets		4,786,882	-	(4,786,882)	-	5,310,032	-	(5,310,032)	-
Total assets		35,854,746	(910)	85,788	35,939,624	38,250,792	23,761	(48,596)	38,225,957

Company No. 423858-X

47. Explanation of transition to MFRSs (continued)

47.1 Reconciliation of Statements of Financial Position (continued)

		1.1.2011				31.12.2011			
			Effect of transition to MFRS				Effect of transition to MFRS		
	Note	FRSs RM'000	Other MFRSs RM'000	MFRS 127 Note (h) RM'000	MFRSs RM'000	FRSs RM'000	Other MFRSs RM'000	MFRS 127 Note (h) RM'000	MFRSs RM'000
Liabilities									
Deposits from customers		26,798,107	-	-	26,798,107	28,208,203	-	-	28,208,203
Deposits and placement with banks and other financial institutions		378,129	-	-	378,129	384,628	-	-	384,628
Derivative financial liabilities		66,708	-	-	66,708	23,299	-	-	23,299
Bills and acceptances payable		163,191	-	-	163,191	259,153	-	-	259,153
Other liabilities		490,560	-	177,362	667,922	578,378	-	158,148	736,526
Takaful liabilities		12,502	-	4,695,308	4,707,810	19,739	(8,522)	5,113,385	5,124,602
Zakat & taxation	(e)	37,975	-	-	37,975	28,890	5,725	-	34,615
General & Family Takaful liabilities		1,078,867	-	(1,078,867)	-	1,210,991	-	(1,210,991)	-
General & Family Takaful participants funds		3,708,015	-	(3,708,015)	-	4,099,041	-	(4,099,041)	-
Total liabilities		32,734,054	-	85,788	32,819,842	34,812,322	(2,797)	(38,499)	34,771,026

Company No. 423858-X

47. Explanation of transition to MFRSs (continued)

47.1 Reconciliation of Statements of Financial Position (continued)

		1.1.2011				31.12.2011			
			Effect of transition to MFRS				Effect of transition to MFRS		
	Note	FRSs RM'000	Other MFRSs RM'000	MFRS 127 Note (h) RM'000	MFRSs RM'000	FRSs RM'000	Other MFRSs RM'000	MFRS 127 Note (h) RM'000	MFRSs RM'000
Equity									
Share capital		1,066,790	-	-	1,066,790	1,066,790	-	-	1,066,790
Reserves	(a),(c),(e),(g)	587,945	(377)	-	587,568	757,300	8,511	-	765,811
Total equity attributable to the shareholders		1,654,735	(377)	-	1,654,358	1,824,090	8,511	-	1,832,601
Non-controlling interests		1,465,957	(533)	-	1,465,424	1,614,380	7,950	-	1,622,330
Total equity		3,120,692	(910)	-	3,119,782	3,438,470	16,461	-	3,454,931
Total liabilities and equity		35,854,746	(910)	85,788	35,939,624	38,250,792	13,664	(38,499)	38,225,957

47. Explanation of transition to MFRSs (continued)

47.2 Reconciliation of Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2011

			Effect of transition to MFRS		
			Other	MFRS 127	
		FRSs	MFRSs	Note (h)	MFRSs
Group	**Note**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Income statement					
Income derived from investment of depositors' funds		1,393,918	-	-	1,393,918
Income derived from investment of shareholders' funds		642,132	-	(360,535)	281,597
Net income from Takaful	(d)	-	(1,214)	404,678	403,464
Allowance for impairment on financing and advances	(b)	(44,023)	22,899	-	(21,124)
Allowance for impairment on investments		(15,406)	-	-	(15,406)
Provision for contingent liability		(15,231)	-	-	(15,231)
Direct expenses		(28,425)	-	-	(28,425)
Total distributable income		1,932,965	21,685	44,143	1,998,793
Income attributable to depositors		(473,133)	-	-	(473,133)
Total net income		1,459,832	21,685	44,143	1,525,660
Personnel expenses		(461,462)	-	5,419	(456,043)
Other overhead expenses		(373,856)	140	(45,906)	(419,622)
Depreciation		(55,531)	(501)	(3,656)	(59,688)
Operating profit		568,983	21,324	-	590,307
Share of results of associate company		(1,383)	-		(1,383)
Profit before zakat and tax		567,600	21,324	-	588,924
Zakat		(9,196)	-	-	(9,196)
Tax expense		(153,328)	(3,953)	-	(157,281)
Profit for the year		405,076	17,371	-	422,447
Attributable to:					
Owners of the Company		203,252	8,888	-	212,140
Non-controlling interests		201,824	8,483	-	210,307
Profit for the year		405,076	17,371	-	422,447

47. Explanation of transition to MFRSs (continued)

47.2 Reconciliation of Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2011 (continued)

Group	FRSs RM'000	Effect of transition to MFRS: Other MFRSs RM'000	Effect of transition to MFRS: MFRS 127 Note (h) RM'000	MFRSs RM'000
Statement of Comprehensive Income				
Profit for the year	405,076	17,371	-	422,447
Other comprehensive income:				
Currency translation differences for foreign operations	(8,491)	-	-	(8,491)
Net gain on revaluation of available-for-sale financial assets	39,905	-	-	39,905
Total comprehensive income for the year	436,490	17,371	-	453,861
Attributable to:				
Owners of the Company	219,861	8,888	-	228,749
Non-controlling interests	216,629	8,483	-	225,112
Profit for the year	436,490	17,371	-	453,861

47. Explanation of transition to MFRSs (continued)

47.3 Notes to the reconciliations

(a) Foreign currency translation differences

Under the FRSs, the Group recognised foreign currency translation differences in other comprehensive income and accumulated the amount in the foreign currency translation reserve in equity.

Upon transition to MFRSs, one of the subsidiaries has elected to deem all foreign currency translation differences that arose prior to the date of transition, in respect of all foreign operations to be nil at the date of transition. However, the non-adoption of transitional exemption in the remaining subsidiaries of the Group has no material impact to the financial statements.

The impact arising from the change is summarised as follows:

	Group	
	1.1.2011	31.12.2011
	RM'000	RM'000
Statements of financial position		
Foreign currency translation reserve	(38,995)	(38,995)
Adjustment to retained earnings	(38,995)	(38,995)

(b) MFRS 139, *Financial Instruments: Recognition and Measurement*

With the issuance of the MFRS framework, BNM has revised the Guidelines on Classification and Impairment Provisions for Loans/Financing to align the requirements on the determination of collective assessment allowance with that of MFRS 139. The transitional provision which was allowed under the earlier guidelines was removed with effect from 1 January 2012.

Financing and advances which are not individually significant are collectively assessed using the incurred loss approach. If it is determined that no objective evidence of impairment exists for an individually assessed financing or the individually assessed financing does not result in impairment provisions, the financing is also included in the group of financing with similar credit risk characteristics for collective impairment assessment. The future cash flows of each group of financing with similar credit risk characteristic are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of financing.

47. Explanation of transition to MFRSs (continued)

47.3 Notes to the reconciliations (continued)

(b) MFRS 139, *Financial Instruments: Recognition and Measurement (continued)*

The adoption of the accounting policy has been accounted for retrospectively and the collective assessment allowances charged in the profit or loss have been restated. Consequently, the retained earnings and the collective assessment allowances in the statement of financial position have also been restated.

A summary of the financial impact of the change in accounting policy on the financial statements of the Group are as follows:

	Group	
	1.1.2011	**31.12.2011**
	RM'000	**RM'000**
Statements of financial position		
Financing, advances and others		
– Collective assessment allowance		
As previously stated	345,041	348,555
Effect of change in accounting policies	2,032	(20,867)
As restated	347,073	327,688
Profit or Loss		
Allowances for impairment on financing and advances		
As previously stated	(207,702)	(44,023)
Effect of change in accounting policies	(2,032)	22,899
As restated	(209,734)	(21,124)

(c) Current tax assets

	Group	
	1.1.2011	**31.12.2011**
	RM'000	**RM'000**
Allowance for impairment on financing and advances	508	-
Increase in tax recoverable	508	-

47. Explanation of transition to MFRSs (continued)

47.3 Notes to the reconciliations (continued)

(d) MFRS 116, *Property, Plant and Equipment ("PPE") – Deemed Cost Exemption*

Upon transition to MFRSs, Syarikat Takaful Malaysia Berhad Group ("STMB Group"), a subsidiary of the Group, had reclassified its self-occupied investment properties to PPE, and has elected to apply the exemption under MFRS 1 to measure them at fair value at the date of transition to MFRSs, and that the fair value is then taken as deemed cost under MFRS 116.

However, the Group maintains its cost model approach in the measurement of its PPE (as opposed to STMB Group which adopts the revaluation model approach).

Therefore subsequent revaluation to properties after the date of transition shall not be effected by the Group, the higher of the revalued amount against the carrying value as at the date of transition of RM614,000 shall be effected in the PPE as deemed cost, with the corresponding entry adjusted to accumulated loss. Furthermore, the properties shall be depreciated in accordance with the adopted policy based on the deemed cost as at the date of transition.

The financial impact arising from the change is summarised as follows:

	Group	
	1.1.2011	**31.12.2011**
	RM'000	**RM'000**
Statements of financial position		
Property, plant and equipment		
As previously stated	219,575	244,390
Adjustment where fair value is taken as deemed costs	614	614
As restated	220,189	245,004
Deferred tax		
As previously stated	59,023	39,429
Effect of changes in carrying value of PPE	-	1,772
As restated	59,023	41,201

47. Explanation of transition to MFRSs (continued)

47.3 Notes to the reconciliations (continued)

(d) MFRS 116, *Property, Plant and Equipment ("PPE") – Deemed Cost Exemption (continued)*

	Group	
	1.1.2011 RM'000	**31.12.2011 RM'000**
Profit or loss		
Net takaful income		
As previously stated	-	404,678
Effect of changes in accounting policies, reversal of fair value gain from investment properties	-	(1,214)
As restated	-	403,464
Other overhead expenses		
As previously stated	-	(478,949)
Effect of change in accounting policies, reversal of fair value gain from investment properties	-	140
Amortisation of investment properties	-	(501)
As restated	-	(479,310)

(e) Zakat & taxation

The change that affected the provision of taxation is as follows:

	Group	
	1.1.2011 RM'000	**31.12.2011 RM'000**
Allowance for impairment on financing and advances	-	5,217
Increase in provision of taxation	-	5,217

The effect on the profit or loss for the financial year ended 31 December 2011 for the Group was an increase in the previously reported tax charge for the financial year by RM5,725,000.

47. Explanation of transition to MFRSs (continued)

47.3 Notes to the reconciliations (continued)

(f) Retained earnings

The changes that affected the retained earnings are as follows:

	Group	
	1.1.2011	**31.12.2011**
	RM'000	**RM'000**
As previously stated	(1,244,056)	(1,182,896)
Foreign currency translation reserve	38,995	38,995
Share premium	(652)	(652)
Collective assessment allowance	(1,036)	7,982
Property, plant and equipment	400	400
Deferred tax asset	-	1,156
Zakat and taxation	259	-
Income derived from investment of shareholders' funds	-	(946)
Depreciation	-	(81)
Transfer from statutory reserve	-	2,205
As restated	(1,206,090)	(1,133,837)

(g) Reserves

	Group	
	1.1.2011	**31.12.2011**
	RM'000	**RM'000**
Foreign currency translation reserve	(38,995)	(38,995)
Retained earnings	38,618	47,506
(Decrease)/Increase in reserves	(377)	8,511

47. Explanation of transition to MFRSs (continued)

47.3 Notes to the reconciliations (continued)

(h) MFRS 127, *Consolidated and Separate Financial Statements*

MFRS 127 requires an entity that prepares consolidated financial statements to combine the financial statements of the parent and its subsidiaries line-by-line by adding together like items of assets, liabilities, equity, income and expenses.

Prior to this, the financial statements of Takaful were prepared in accordance with BNM guidelines on financial reporting, where a Takaful Operator is required to separately report its assets and liabilities from the respective Takaful funds. The Group has been presenting the assets and liabilities that belong to life and takaful funds in the consolidated statement of financial position on an aggregated basis as "General Takaful and Family Takaful assets", "General Takaful and Family Takaful liabilities" and "General Takaful and Family Takaful participants' funds" respectively.

With the adoption of MFRS Framework, the Group is required to change the presentation of assets and liabilities that form part of life and takaful funds in the consolidated statement of financial position at 1 January 2011. The effects of the change in the presentation are detailed as follows:

i. Removal of line items namely "General Takaful and Family Takaful assets", "General Takaful and Family Takaful liabilities" and "General Takaful and Family Takaful participants' funds" from the consolidated statement of financial position;

ii. Addition of two new line items, namely "Takaful assets" and "Takaful liabilities" on the consolidated statement of financial position; and

iii. Consolidation of the other assets and liabilities of general and takaful funds within the consolidated statement of financial position on a line-by-line basis.

The financial effects of the change in the presentation of the life and takaful fund assets and liabilities to the financial statements of the Group are disclosed in Note 47.1 and Note 47.2 above.

47. Explanation of transition to MFRSs (continued)

47.4 Capital adequacy

The adjustments to the financial statements of the Banking Group as a result of the transition to the MFRS framework and the changes in accounting policies, as discussed above, also had effects on the comparative capital adequacy ratios. These are summarised below:-

	1.1.2011		31.12.2011	
	FRSs	**MFRSs**	**FRSs**	**MFRSs**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Banking Group				
Tier 1 Capital	2,331,168	2,406,104	2,584,337	2,676,448
Capital base	2,513,619	2,590,588	2,787,933	2,874,132
Before proposed dividend				
Tier 1 Capital Ratio	15.75%	16.26%	15.27%	15.81%
Risk Weighted Capital Ratio	16.99%	17.46%	16.47%	16.98%
After proposed dividend				
Tier 1 Capital Ratio	15.21%	15.71%	15.00%	15.55%
Risk Weighted Capital Ratio	16.44%	16.92%	16.21%	16.72%

48. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses of the Group and of the Company as at 31 December 2012, into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiaries				
- realised	652,449	(616,156)	133,540	144,092
- unrealised	25,270	(31,506)	10	10
	677,719	(647,662)	133,550	144,102
Less: Consolidation adjustments	(756,994)	(486,175)	-	-
Total (accumulated losses) / retained earnings	(79,275)	(1,133,837)	133,550	144,102

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

BIMB Holdings Berhad

(Company No. 423858-X)
(Incorporated in Malaysia)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 6 to 163 are drawn up in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), and the requirements of the Companies Act, 1965 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012, 31 December 2011 and 1 January 2011 and of its financial performance and cash flows for the financial years ended 31 December 2012 and 31 December 2011.

In the opinion of the Directors, the information set out in Note 48 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Berhad.

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

....
Tan Sri Samsudin bin Osman

....
Johan bin Abdullah

Kuala Lumpur,

Date: 2 2 MAR 2013

BIMB Holdings Berhad

(Company No. 423858-X)
(Incorporated in Malaysia)

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Mohamad Azlan bin Mohamad Alam,** the officer primarily responsible for the financial management of BIMB Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 6 to 164 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur on 22 MAR 2013

....
Mohamad Azlan bin Mohamad Alam

Before me:

PESURUHJAYA SUMPAH
W493
LEE CHIN HIN
MALAYSIA

149, Jalan Aminuddin Baki
Taman Tun Dr Ismail
60000 Kuala Lumpur

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Independent auditors' report to the members of BIMB Holdings Berhad

(Company No. 423858-X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of BIMB Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 163.

Directors' Responsibility for the Financial Statements

The Directors of the Company 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 the 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 accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Company No. 423858-X

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 48 on page 164 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

KPMG

Company No. 423858-X

Other Matters

As stated in Note 47 to the financial statements, BIMB Holdings Berhad adopted Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information that is prepared in accordance with MFRS and IFRS, and hence it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

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

KPMG Desa Megat + Co.

KPMG Desa Megat & Co.
Firm Number: AF 0759
Chartered Accountants

Ow Peng Li
Approval Number: 2666/09/13(J)
Chartered Accountant

Petaling Jaya,

Date: 22 MAR 2013

BIMB HOLDINGS BERHAD (423858-X)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position as at 30 June 2013

	Note	As at 30 June, 2013 RM'000 Unaudited	As at 31 December, 2012 RM'000 Audited
ASSETS			
Cash and short-term funds		4,052,394	2,063,444
Deposits and placements with financial institutions		565,606	519,646
Derivative financial assets	A8	18,684	16,736
Financial assets held-for-trading	A9	1,527,740	1,831,606
Financial assets held-to-maturity	A10	351,966	468,721
Financial assets available-for-sale	A11	16,412,537	16,862,202
Financing, advances and others	A12	21,370,050	19,507,799
Deferred tax assets		62,954	55,830
Assets classified as held for sale		3,676	3,374
Other assets		351,110	473,983
Takaful assets		677,746	531,316
Current tax assets		6,528	6,604
Investments in associates		21,580	22,913
Statutory deposit with Bank Negara Malaysia		1,156,500	1,059,900
Investment properties		28,880	29,136
Property, plant and equipment		438,482	454,413
Total assets		47,046,433	43,907,623
LIABILITIES, EQUITY & TAKAFUL FUNDS			
Liabilities			
Deposits from customers	A14	34,694,669	32,379,000
Deposits and placements of banks and other financial institutions	A15	1,320,935	860,278
Bills and acceptances payable		211,470	385,138
Takaful liabilities	A16	5,937,712	5,580,755
Other liabilities		840,003	869,414
Zakat and taxation		82,279	51,506
Derivative financial liabilities	A8	13,677	14,339
Total liabilities		43,100,745	40,140,430
Equity			
Share capital		1,066,790	1,066,790
Reserves		1,034,070	952,788
Equity attributable to owners of the Company		2,100,860	2,019,578
Non-controlling interests		1,844,828	1,747,615
Total equity		3,945,688	3,767,193
Total liabilities and equity		47,046,433	43,907,623
Commitments and contingencies	A27	**10,850,037**	**10,928,790**
Net assets per share attributable to ordinary equity holders of the Company (RM)		**1.97**	**1.89**

BIMB HOLDINGS BERHAD (423858-X)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 30 June 2013

	Note	Quarter ended 30 June 2013 RM'000	Quarter ended 30 June 2012 RM'000	Year-to-date 6 months ended 30 June 2013 RM'000	Year-to-date 6 months ended 30 June 2012 RM'000
Income derived from investment of depositors' funds	A17	464,144	386,397	911,311	766,836
Income derived from investment of shareholders' funds	A18	105,791	74,903	190,278	153,872
Net income from Takaful business	A19	137,513	128,960	282,705	246,501
Allowance for impairment on financing and advances	A20	(2,402)	(2,606)	(1,595)	(17,895)
Reversal for impairment on investments and other assets		3,491	10,169	3,491	1,748
Direct expenses		(4,963)	(9,418)	(11,151)	(16,299)
Total distributable income		703,574	588,405	1,375,039	1,134,763
Income attributable to depositors	A21	(196,639)	(137,696)	(377,317)	(270,853)
Total net income		506,935	450,709	997,722	863,910
Personnel expenses		(148,301)	(131,556)	(297,172)	(252,119)
Other overhead expenses		(128,099)	(134,971)	(266,347)	(248,387)
Depreciation		(16,515)	(12,718)	(30,840)	(25,142)
		214,020	171,464	403,363	338,262
Share in the results of associated company, net of tax		(981)	1,798	(1,333)	2,338
Profit before zakat and tax		213,039	173,262	402,030	340,600
Zakat		(2,663)	(1,458)	(5,303)	(3,358)
Tax expense	B5	(69,369)	(52,897)	(115,048)	(98,613)
Profit for the period		141,007	118,907	281,679	238,629
Attributable to:					
Owners of the Company		69,581	58,194	143,723	123,100
Non-controlling interests		71,426	60,713	137,956	115,529
Profit for the period		141,007	118,907	281,679	238,629
Earnings per share - basic (sen)	B15	6.52	5.46	13.47	11.54

BIMB HOLDINGS BERHAD (423858-X)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 30 June 2013, continued

	Quarter ended 30 June 2013 RM'000	Quarter ended 30 June 2012 RM'000	Year-to-date 6 months ended 30 June 2013 RM'000	Year-to-date 6 months ended 30 June 2012 RM'000
Profit for the period	141,007	118,907	281,679	238,629
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences in respect of foreign operations	(6,326)	(9,203)	(9,376)	(1,912)
Net gain on revaluation of financial assets available-for-sale	(1,648)	2,640	(12,277)	12,456
Total comprehensive income for the period	133,033	112,344	260,026	249,173
Attributable to:				
Owners of the Company	65,819	55,115	132,969	128,795
Non-controlling interests	67,214	57,229	127,057	120,378
Total comprehensive income for the period	133,033	112,344	260,026	249,173

BIMB HOLDINGS BERHAD (423858-X)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity
For the half year ended 30 June 2013

		Attributable to Equity Holders of the Company								
		Non-distributable					Distributable			
Group	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Other Reserves RM'000	Capital Reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 January 2012		1,066,790	603,630	602,493	55,155	638,370	(1,133,837)	1,832,601	1,622,330	3,454,931
Total comprehensive income for the year										
- Net profit for the period		-	-	-	-	-	123,100	123,100	115,529	238,629
- Other comprehensive income										
Currency translation differences in respect of foreign operations		-	-	-	(1,091)	-	-	(1,091)	(821)	(1,912)
Net gain on revaluation of financial assets available-for-sale		-	-	-	6,786	-	-	6,786	5,670	12,456
- Total comprehensive income for the year		-	-	-	5,695	-	123,100	128,795	120,378	249,173
Transfer to statutory reserve		-	-	51,492	-	-	(51,492)	-	-	-
Dividends to shareholders	A7	-	-	-	-	-	(77,342)	(77,342)	-	(77,342)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	(27,560)	(27,560)
Zerorisation of accumulated losses in subsidiary		-	-	(349,011)	-	-	349,011	-	-	-
Transfer to accumulated losses		-	-	-	-	(631,507)	631,507	-	-	-
At 30 June 2012		1,066,790	603,630	304,974	60,850	6,863	(159,053)	1,884,054	1,715,148	3,599,202
Unaudited										
At 1 January 2013		1,066,790	603,630	358,719	62,851	6,863	(79,275)	2,019,578	1,747,615	3,767,193
Total comprehensive income for the period										
- Net profit for the period		-	-	-	-	-	143,723	143,723	137,956	281,679
- Other comprehensive income										
Currency translation differences in respect of foreign operations		-	-	-	(4,686)	-	-	(4,686)	(4,690)	(9,376)
Net gain on revaluation of financial assets available-for-sale		-	-	-	(6,068)	-	-	(6,068)	(6,209)	(12,277)
- Total comprehensive income for the year		-	-	-	(10,754)	-	143,723	132,969	127,057	260,026
Dividends to shareholders	A7	-	-	-	-	-	(53,340)	(53,340)	-	(53,340)
Dividends to non-controlling interests		-	-	-	-	-	-	-	(31,304)	(31,304)
Disposal of interest in subsidiary		-	-	-	-	-	1,653	1,653	1,460	3,113
At 30 June 2013		1,066,790	603,630	358,719	52,097	6,863	12,761	2,100,860	1,844,828	3,945,688

BIMB HOLDINGS BERHAD (423858-X)
(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows
For the half year ended 30 June 2013

	Year-to-date	
	6 months ended 30 June 2013 RM'000 Unaudited	**6 months ended 30 June 2012 RM'000 Unaudited**
Cash flows from operating activities		
Profit before zakat and taxation	402,030	340,600
Adjustment for non-cash flow items:-		
Depreciation of property, plant and equipment	30,840	25,142
Reversal of allowance for doubtful debts	(124)	(120)
Allowance/(reversal) for impairment on financing, advances and others	1,595	17,895
Allowance for Impairment on investments and other assets	(3,491)	(1,748)
Net (gain) / loss on disposal of property, plant and equipment	984	(184)
Net gain on sale of financial assets held-for-trading	(749)	(1,972)
Net gain on sale of financial assets available-for-sale	(6,012)	(15,384)
Net derivative (gain) / loss	(2,856)	6,235
Share of results of associate company	1,333	(2,338)
Operating profit before working capital changes	423,550	368,126
Changes in working capital:		
Deposits and placements of banks and other financial institutions	460,657	1,046,353
Financing of customers	(1,863,846)	(2,212,530)
Statutory deposits with Bank Negara Malaysia	(96,600)	38,000
Other receivables	(23,557)	(317,753)
Deposits from customers	2,315,669	390,189
Other liabilities	326,884	1,287,215
Bills payable	(173,668)	11,713
Cash (used in)/generated from operations	1,369,089	611,313
Tax paid	(85,388)	(71,960)
Net cash (used in)/generated from operating activities	1,283,701	539,353

BIMB HOLDINGS BERHAD (423858-X)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Cash Flows, continued
For the half year ended 30 June 2013

	Year-to-date 6 months ended 30 June 2013 RM'000 Unaudited	6 months ended 30 June 2012 RM'000 Unaudited
Cash flows from investing activities		
Net sales/(purchases) from disposal of securities	858,009	(961,877)
Disposal in interest in subdidiary	3,113	-
Purchase of property, plant and equipment	(15,893)	(8,727)
Net cash generated from/(used in) investing activities	845,229	(970,604)
Cash flows from financing activities		
Dividend paid to non-controlling interests	(31,304)	(27,560)
Dividend paid to shareholders of the parent	(53,340)	(77,342)
Net cash generated from/(used in) financing activities	(84,644)	(104,902)
Net increase/(decrease) in cash and cash equivalent	2,044,286	(536,153)
Cash and cash equivalents at the beginning of period	2,583,090	4,535,422
Foreign exchange differences	(9,376)	(1,912)
Cash and cash equivalents at the end of period	4,618,000	3,997,357
Cash and cash equivalents comprise:		
Cash and short term funds	4,052,394	3,061,428
Deposits and placement with financial institutions	565,606	935,929
	4,618,000	3,997,357

BIMB HOLDINGS BERHAD (423858-X)
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EXPLANATORY NOTES OF FRS 134: INTERIM FINANCIAL REPORTING (PARAGRAPH 16) AND REVISED GUIDELINES ON FINANCIAL REPORTING FOR LICENSED ISLAMIC BANKS (GP8-i)

A1 BASIS OF PREPARATION

BIMB Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The condensed consolidated financial statements of the Group as at and for the quarter ended 30 June 2013 comprising that of the Company and its subsidiaries (together referred to as the Group) and the Group's interests in associates.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors.

(1) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and MFRS 134, Interim Financial Reporting in Malaysia and with IAS 134, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the financial year ended 31 December 2012.

The audited consolidated financial statements of the Group as at and for the financial year ended 31 December 2012, which were prepared in accordance with the applicable Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS), the provisions of Companies Act 1965 and Shariah requirements, are available upon request from the Company's registered office at Level 31, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs, IC Interpretation and Amendments to MFRSs during the current financial period:

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interests in Other Entities
- MFRS 13, Fair Value Measurement
- MFRS 127, Separate Financial Statements (as amended by IASB in May 2011)
- MFRS 128, Investment in Associates and Joint Ventures (as amended by IASB in May 2011)
- MFRS 3, Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

IC Interpretation 20 is not applicable to the Group as it is not relevant to the Group's operations.

The adoption of all the other MFRSs and amendments to MFRSs did not have any financial impact to the Group.

With effect from 1 January 2013, Bank Islam Malaysia Berhad has complied with the latest approach set out by the Capital Adequacy Framework for Islamic Banking (CAFIB) issued on 28 November 2012 for computing total capital and capital adequacy ratios, based on CAFIB-Basel III capital structure. The comparative total capital and capital adequacy ratios are computed in accordance to the earlier approach set out in CAFIB-Basel II capital structure, applicable until 31 December 2012.

The following accounting standards, amendments and intepretations have been issued by the Malaysian Accounting Standards Board (MASB), but are not yet effective for the Group:

(i) ***Effective for annual periods beginning on or after 1 January 2014***

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

(ii) ***Effective for annual periods beginning on or after 1 January 2015***

- MFRS 9, Financial Instruments (2009)
- MFRS 9, Financial Instruments (2010)
- Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group plans to apply the abovementioned standards, amendments and interpretations:

- From the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014; and
- From the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

MFRS 9 introduces significant changes in the way the Group accounts for financial instruments. Due to the complexity of this standard and its proposed changes, the financial effects of its adoption are still being assessed by the Group.

The adoption of Amendments to MFRS 132 is not expected to have any financial impact to the Group as the current practice for offsetting arrangements remained unchanged. The adoption of Amendments to MFRS 10, MFRS 12 and MFRS 127 is not expected to have any financial impact to the Group as the Group is not an investment entity as defined in MFRS 10.

A2 AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2012

The audited report on the financial statements of the preceding financial year ended 31 December 2012 did not contain any qualification.

A3 SEASONALITY AND CYCLICALITY OF OPERATIONS

The operations of the Group were not subject to material seasonal or cyclical effects in the quarter ended 30 June 2013.

A4 EXCEPTIONAL OR UNUSUAL ITEMS

There were no items of an exceptional or unusual nature that may affect the assets, liabilities, equity, net income or cash flows of the Group in the quarter ended 30 June 2013.

A5 CHANGES IN ESTIMATES OF AMOUNTS REPORTED PREVIOUSLY

There were no material changes in estimates of amounts reported in prior financial years that may have a material effect in the quarter ended 30 June 2013.

BIMB HOLDINGS BERHAD (423858-X)
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A6 ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the quarter ended 30 June 2013.

A7 DIVIDENDS PAID

	30-Jun-13 RM '000	30-Jun-12 RM '000
Ordinary		
Final paid		
2012 - 5.00%, (2011 - 7.25%)	53,340	77,342
	53,340	77,342

A8 DERIVATIVE FINANCIAL ASSETS/ LIABILITIES

	Principal amount RM '000	Fair value Assets RM '000	Fair value Liabilities RM '000
30.06.2013 - Unaudited			
Forward Contract	1,316,079	4,706	(5,323)
Profit Rate Swaps	1,322,895	13,380	(7,756)
Structured Deposits	111,450	598	(598)
	2,750,424	18,684	(13,677)
31.12.2012 - Audited			
Forward Contract	680,789	2,523	(1,365)
Profit Rate Swaps	1,434,000	12,200	(10,961)
Structured Deposits	114,095	2,013	(2,013)
	2,228,884	16,736	(14,339)

A9 FINANCIAL ASSETS HELD-FOR-TRADING

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
At fair value		
Unquoted securities		
In Malaysia		
Malaysian Government Investment Issues	555,193	20,190
Malaysian Islamic Treasury Bills	-	9,807
Islamic Commercial Papers	19,984	49,884
Bank Negara Negotiable Notes	264,947	846,786
Investment fund	-	59,662
Islamic Debt Securities	508,430	698,158
Outside Malaysia		
Islamic Debt Securities	72,365	44,707
Quoted securities		
In Malaysia		
Shares	46,082	40,502
Outside Malaysia		
Shares	34,113	32,330
Unit trusts	26,626	29,580
Total financial assets held-for-trading	1,527,740	1,831,606

A10 FINANCIAL ASSETS HELD-TO-MATURITY

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
At amortised cost		
Unquoted securities		
In Malaysia		
Malaysian Government Islamic papers	145,447	145,502
Islamic Debt Securities	214,033	327,156
Outside Malaysia		
Islamic Debt Securities	12,224	15,801
	371,704	488,459
Less: Accumulated impairment loss	(19,738)	(19,738)
Total financial assets held-to-maturity	351,966	468,721

BIMB HOLDINGS BERHAD (423858-X)
(Incorporated in Malaysia)

A11 FINANCIAL ASSETS AVAILABLE-FOR-SALE

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
At fair value		
Unquoted securities		
In Malaysia		
Malaysian Government Investment Issues	1,163,198	1,893,477
Malaysian Government Islamic papers	545,227	664,459
Negotiable Islamic Debt Certificate	1,931,540	2,239,370
Islamic Debt Securities	11,473,925	11,063,793
Accepted bills	15,045	-
Shares	380	380
Unit trusts	291,693	284,981
Outside Malaysia		
Islamic Development Bank unit trust	1,587	1,530
Shares	43	43
Islamic Debt Securities	10,566	10,617
Quoted securities		
In Malaysia		
Unit trusts	143,646	88,253
Shares	737,876	516,460
Outside Malaysia		
Unit trusts	87,905	88,941
Shares	41	52
	16,402,672	16,852,356
At cost		
Unquoted securities		
In Malaysia		
Shares	22,938	22,477
Outside Malaysia		
Shares	1,149	1,130
	24,087	23,607
Less: Accumulated impairment loss	(14,222)	(13,761)
Total financial investments available-for-sale	16,412,537	16,862,202

A12 FINANCING, ADVANCES AND OTHERS

(i) By type

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
At amortised cost		
Cash line	680,185	618,555
Term financing		
House financing	5,716,989	5,186,253
Syndicated financing	629,981	426,066
Leasing financing	207,084	203,580
Bridging financing	154,256	151,127
Personal financing	7,501,016	6,608,116
Other term financing	5,389,526	4,546,959
Staff financing	170,299	165,380
Credit/charge cards	424,621	430,984
Trade bills discounted	863,884	1,480,215
Trust receipts	35,984	50,314
Pawn broking	84,302	80,572
	21,858,127	19,948,121
Less: Allowance for impaired financing, advances and others:		
Collective assessment allowance	(359,231)	(313,334)
Individual assessment allowance	(128,846)	(126,988)
Total net financing, advances and others	21,370,050	19,507,799

(ii) By contract

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Bai' Bithaman Ajil	9,212,121	8,720,001
Ijarah	196,633	206,889
Ijarah Muntahia Bit-Tamleek	44,122	30,627
Murabahah	884,849	1,403,165
Bai Al-Inah	1,635,268	1,729,672
Istisna'	247,022	246,614
At-Tawarruq	9,553,810	7,530,581
Ar-Rahn	84,302	80,572
	21,858,127	19,948,121

(iii) By type of customer

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Domestic non-bank financial institutions	225,040	57,558
Domestic business enterprise	4,327,614	4,327,447
Small medium industries	581,802	493,352
Government and statutory bodies	204,013	165,550
Individuals	16,307,757	14,679,594
Other domestic entities	4,684	5,646
Foreign entities	207,217	218,974
	21,858,127	19,948,121

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A12 FINANCING, ADVANCES AND OTHERS, continued

(iv) By profit rate sensitivity

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Fixed rate		
House financing	1,620,434	1,552,555
Others	8,195,063	8,926,966
Floating rate	12,042,630	9,468,600
	21,858,127	19,948,121

(v) By remaining contractual maturity

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Maturity within one year	2,936,217	3,065,264
More than one year to three years	911,808	969,154
More than three years to five years	1,431,424	1,082,872
More than five years	16,578,678	14,830,831
	21,858,127	19,948,121

(vi) By sector

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Primary agriculture	166,553	223,163
Mining and quarrying	13,911	5,334
Manufacturing (including agro-based)	798,460	1,016,127
Electricity, gas and water	261,846	175,743
Construction	1,026,362	1,725,523
Real estate	656,009	572,787
Household sector	16,199,698	14,693,126
Wholesale and retail trade and restaurants and hotels	749,882	673,210
Transport, storage and communication	247,518	208,945
Finance, insurance and business activities	1,443,320	391,521
Education, health and others	289,159	254,018
Other sectors	5,409	8,624
	21,858,127	19,948,121

A13 IMPAIRED FINANCING, ADVANCES AND OTHERS

(i) Movements in impaired financing and advances

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
At 1 January 2013/ 1 January 2012	308,709	379,790
Classified as impaired during the period/year	190,180	427,775
Reclassified as not impaired during the period/year	(115,584)	(254,872)
Amount recovered	(36,203)	(92,264)
Amount written off	(51,443)	(151,472)
Exchange differences	2,368	(248)
At 30 June 2013 / 31 December 2012	298,027	308,709
Gross impaired financing as a percentage of gross financing, advances and others	1.36%	1.55%

(ii) Movements in the allowance for impaired financing, advances and others

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Collective assessment allowance		
At 1 January 2013/ 1 January 2012	313,334	327,688
Allowance made during the period/year	91,600	102,185
Amount written off	(47,873)	(116,848)
Exchange differences	2,170	309
At 30 June 2013 / 31 December 2012	359,231	313,334

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Individual assessment allowance		
At 1 January 2013/ 1 January 2012	126,988	75,770
Allowance/ (Recovery) made during the period/year	5,427	85,042
Amount written off	(3,569)	(33,824)
At 30 June 2013 / 31 December 2012	128,846	126,988

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A13 IMPAIRED FINANCING, ADVANCES AND OTHERS, continued

(iii) Impaired financing by sector

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Primary agriculture	504	207
Manufacturing (including agro-based)	44,092	46,483
Electricity, gas and water	-	160
Wholesale and retail trade and restaurants and hotels	17,233	17,422
Construction	72,904	74,341
Real estate	9	101
Transport, storage and communication	4,765	722
Finance, insurance and business activities	10,838	9,977
Household sector	147,682	159,273
Other sectors	-	23
	298,027	308,709

A14 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Non-Mudharabah fund:		
Demand deposits	8,207,018	8,962,434
Savings deposits	2,541,695	2,515,341
Negotiable Islamic Debt Certificate (NIDC)	1,383,493	1,638,528
Waheed-i	2,042,421	2,217,203
Ziyad	99,308	101,664
Others	83,318	78,562
	14,357,253	15,513,732
Mudharabah fund:		
Savings deposits	1,969,757	1,942,190
General investment deposits	2,249,289	2,173,818
Special investment deposits	16,118,370	12,749,260
	20,337,416	16,865,268
Total deposits from customers	34,694,669	32,379,000

Maturity structure of investment deposits and NIDCs are as follows:

Due within six months	19,827,924	16,813,222
More than six months to one year	1,786,433	1,243,158
More than one year to three years	229,172	775,333
More than three years to five years	49,352	48,760
	21,892,881	18,880,473

(ii) By type of customer

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Government and statutory bodies	6,272,772	7,378,695
Business enterprises	11,249,305	8,771,118
Individuals	4,980,856	5,263,990
Others	12,191,736	10,965,197
	34,694,669	32,379,000

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A15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Non-Mudharabah Fund:		
Licensed banks	1,480	1,475
Other financial institutions	42,202	50,153
	43,682	51,628
Mudharabah Fund:		
Licensed banks	1,067,253	768,360
Other financial institutions	210,000	40,290
	1,277,253	808,650
	1,320,935	860,278

A16 TAKAFUL LIABILITIES

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Takaful contract liabilities	5,755,063	5,448,143
Expense reserves	134,100	89,486
Takaful payables	48,549	43,126
Total takaful liabilities	5,937,712	5,580,755

(a) Takaful contract liabilities

The takaful contract liabilities comprise the following :

	Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Provision for claims reported by participants	447,676	417,944
Provision for incurred-but-not-reported (IBNR)	365,574	315,130
Provision for outstanding claims	813,250	733,074
Provision for unearned contributions	292,015	295,439
Participants' fund	4,649,798	4,419,630
Total takaful contract liabilities	5,755,063	5,448,143

(b) Participants' fund

	Gross RM '000	Group Retakaful RM '000	Net RM '000
30.06.2013 - Unaudited			
Actuarial liabilities	3,688,867	(125,162)	3,563,705
Unallocated surplus/ Accumulated surplus	755,344	-	755,344
AFS reserve	86,981	-	86,981
Translation reserve	1,437	-	1,437
Net assets value attributable to unitholders	117,169	-	117,169
	4,649,798	(125,162)	4,524,636
31.12.2012 - Audited			
Actuarial liabilities	3,273,504	(63,856)	3,209,648
Unallocated surplus/ Accumulated surplus	877,426	-	877,426
AFS reserve	107,790	-	107,790
Translation reserve	1,335	-	1,335
Net assets value attributable to unitholders	159,575	-	159,575
	4,419,630	(63,856)	4,355,774

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A17 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Income derived from investment of:				
(i) General investment deposits	29,868	29,397	59,351	60,620
(ii) Other deposits	434,276	357,000	851,960	706,216
	464,144	386,397	911,311	766,836

(i) Income derived from investment of general investment deposits

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Financing income and hibah				
Financing, advances and others	21,438	20,354	42,463	41,464
Financial assets held-for-trading	502	115	963	242
Financial assets held-to-maturity	217	285	444	594
Financial assets available-for-sale	5,787	6,895	12,125	13,799
Money at call and deposit with financial institutions	1,656	980	2,590	2,341
	29,600	28,629	58,585	58,440
Of which financing income earned on impaired financing	*580*	*324*	*1,009*	*845*
Other dealing income				
Net gain / (loss) from sale of financial assets held-for-trading	29	51	45	155
Net gain / (loss) on revaluation of financial assets held-for-trading	(1)	348	360	782
	28	399	405	937
Other operating income				
Net gain / (loss) from sale of financial assets available-for-sale	269	369	390	1,243
Loss on redemption of financial assets held-to-maturity	(29)	-	(29)	-
	240	369	361	1,243
	29,868	29,397	59,351	60,620

(ii) Income derived from investment of other deposits

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Financing income and hibah				
Financing, advances and others	311,802	247,000	609,639	483,029
Financial assets held-for-trading	7,302	1,407	13,832	2,830
Financial assets held-to-maturity	3,150	3,468	6,368	6,905
Financial assets available-for-sale	84,139	83,818	173,949	161,394
Money at call and deposit with financial institutions	24,065	11,826	37,300	27,049
	430,458	347,519	841,088	681,207
Of which financing income earned on impaired financing	*8,448*	*4,102*	*14,518*	*9,940*
Other dealing income				
Net gain / (loss) from sale of financial assets held-for-trading	391	632	626	1,796
Net gain / (loss) on revaluation of financial assets held-for-trading	(60)	4,250	5,054	9,072
	331	4,882	5,680	10,868
Other operating income				
Net gain / (loss) from sale of financial assets available-for-sale	3,917	4,599	5,622	14,141
Loss on redemption of financial assets held-to-maturity	(430)	-	(430)	-
	3,487	4,599	5,192	14,141
	434,276	357,000	851,960	706,216

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A18 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Financing income and hibah				
Financing, advances and others	1,116	1,570	2,199	4,632
Financial assets available-for-sale	23,395	25,196	49,833	50,480
Money at call and deposit with financial institutions	7,450	1,548	9,501	3,056
	31,961	28,314	61,533	58,168
Other dealing income				
Net gain from foreign exchange transactions	16,655	10,040	33,111	19,056
Net gain/(loss) from sale of financial assets held-for-trading	44	7	78	21
Net gain / (loss) on revaluation of financial assets held-for-trading	-	5	-	13
Net derivatives gain/(loss)	3,244	(12,526)	2,856	(6,235)
	19,943	(2,474)	36,045	12,855
Other operating income				
Profit on sale of foreign currencies	-	1,008	-	1,655
Reversal of allowance for doubtful debts	64	60	124	120
Gross dividend income from securities				
Quoted in Malaysia	1	-	5	3
Unit trust in Malaysia	346	-	557	43
Unit trust outside Malaysia	-	32	-	32
Unquoted in Malaysia	6,044	2,857	6,458	2,857
	6,455	3,957	7,144	4,710
Fees and commission				
ATM fees	3,602	4,050	6,535	7,801
Financing fees	3,237	3,807	6,707	6,926
Cheque issued & return, closing account and other fees	2,796	3,024	4,622	5,117
Takaful service fees and commission	4,449	4,716	8,215	7,715
Credit card fees and commission	9,100	9,268	17,929	18,860
Processing fees	357	482	538	755
Commitment fees	73	275	160	651
Commission on MEPS	2,397	2,134	4,758	4,162
Unit trust management fees	2,066	1,293	3,944	2,570
Corporate advisory fees	4,183	5,209	5,135	5,945
Ar Rahnu fees	2,814	2,292	5,637	2,292
Debit card fees	2,747	1,567	4,612	1,977
Others	8,545	6,768	15,692	12,241
	46,366	44,885	84,484	77,012
Other income				
Net gain/(loss) on disposal of property, plant & equipment	50	(24)	(984)	(18)
Rental income	902	319	1,809	570
Others	114	(74)	247	575
	1,066	221	1,072	1,127
	105,791	74,903	190,278	153,872

A19 NET INCOME FROM TAKAFUL BUSINESS

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Net earned contributions				
Gross earned contributions	416,893	398,891	814,376	744,131
Contribution ceded to retakaful	(43,558)	(38,423)	(88,842)	(76,458)
	373,335	360,468	725,534	667,673
Other income				
Administration income	2,099	2,483	8,773	7,587
Investment income	55,055	52,727	110,759	106,361
Realised gains and losses	45,636	27,058	78,231	75,177
Fair value gains and losses	6,899	(3,959)	6,564	835
Other operating income	1,078	3,139	2,741	6,168
	110,767	81,448	207,068	196,128
Net benefits and claims				
Gross benefits and claims paid	(242,667)	(171,456)	(411,600)	(314,703)
Claims receded to retakaful	16,493	9,840	34,978	20,253
Gross change to contract liabilities	(61,480)	(40,236)	(82,614)	(91,451)
Change to contract liabilities ceded to takaful	35,589	7,713	49,252	45,964
	(252,065)	(194,139)	(409,984)	(339,937)
Expense reserves	(10,040)	(14,699)	(44,562)	(34,365)
Income from takaful business	221,997	233,078	478,056	489,499
Profits attributable to participants/takaful operator	(84,484)	(104,118)	(195,351)	(242,998)
Net income from takaful business	137,513	128,960	282,705	246,501

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A20 ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Allowance for impaired financing, advances and others:				
- Collective assessment allowance	31,745	28,838	91,600	63,905
- Individual assessment allowance	(290)	4,936	5,427	22,191
Bad debts and financing recovered	(29,053)	(31,168)	(95,432)	(68,201)
	2,402	2,606	1,595	17,895

A21 INCOME ATTRIBUTABLE TO DEPOSITORS

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Deposits from customers:				
- Mudharabah fund	144,678	85,589	283,048	168,235
- Non-Mudharabah fund	47,975	49,974	85,860	98,505
Deposits and placements of banks and other financial institutions:				
- Mudharabah fund	3,698	2,071	7,243	3,982
- Non-Mudharabah fund	288	62	1,166	131
	196,639	137,696	377,317	270,853

A22 CAPITAL ADEQUACY

With effect from 1 January 2013, total capital and capital adequacy ratios of Bank Islam Malaysia Berhad and its subsidiaries have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets) issued on 28 November 2012. The comparative total capital and capital adequacy ratios are computed in accordance to the approach set out in the then prevailing capital framework and are thus not directly comparable to those pertaining to dates from 1 January 2013 onwards. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios of the banking group are set out below:

	30-Jun-13 RM '000	31-Dec-12 RM '000
Common Equity Tier 1(CET 1) Capital Ratio	12.292%	N/A
Total Tier 1 Capital Ratio	12.292%	12.942%
Total Capital Ratio	13.371%	13.986%

The components of Common Equity Tier I, Total Tier I and Total Tier II capital:

	CAFIB Basel III capital structure with effect from 1-Jan-13 30-Jun-13 RM '000	CAFIB Basel II capital structure applicable until 31-Dec-12 31-Dec-12 RM '000
Tier-I capital:		
Paid-up share capital	2,265,490	2,265,490
Retained earnings	158,344	209,318
Other reserves	544,331	505,651
Less: Deferred tax assets	(18,629)	(18,455)
Less: Investment in associate company	(21,579)	-
Total Tier-I capital	2,927,957	2,962,004
Tier-II capital:		
Collective assessment allowance (#)	257,051	257,769
Total Tier-II capital	257,051	257,769
Total capital	3,185,008	3,219,773
Less: Investment in associate	-	(22,912)
Total capital base	3,185,008	3,196,861

(#) Of the collective assessment allowance for impaired financing of RM359,231,000 in Note A13 on page 10, the amount recognised as Tier II capital by BNM is restricted to a maximum amount of 1.25% of the total credit risk-weighted assets as at 30 June 2013.
As at 31 December 2012, the amount excludes collective allowance on impaired financing, restricted by Bank Negara Malaysia ("BNM"), from Tier II capital amounting to RM 55,565,000.

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A23 OPERATING SEGMENT INFORMATION

The Group comprises the following main operating segments:

Banking operations	Islamic banking and provision of related services.
Takaful operations	Underwriting of family and general Islamic insurance (Takaful).
Others	Investment holding, currency trading, ijarah leasing, stockbroking and unit trust.

(i) Information about reportable segments

			6 months ended		
	Banking	**Takaful**	**Others**	**Elimination**	**Total**
	30-Jun-13	**30-Jun-13**	**30-Jun-13**	**30-Jun-13**	**30-Jun-13**
Current Year-to-Date	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue from external customers	1,095,432	282,705	6,157	-	1,384,294
Inter-segment revenue	-	1,316	42,116	(43,432)	-
Total revenue	1,095,432	284,021	48,273	(43,432)	1,384,294
Net income from operations **(before allowance for impairment on financing)**	716,285	284,021	48,273	(41,602)	1,006,977
Operating overheads	(394,327)	(201,351)	(11,613)	1,781	(605,510)
Operating results	321,958	82,670	36,660	(39,821)	401,467
Allowance for impairment on financing and advance	(1,595)	-	-	-	(1,595)
Reversal on allowance for impairment on other assets	3,491	-	-	-	3,491
Share of results of associate company	(1,333)	-	-	-	(1,333)
Profit before zakat and taxation	322,521	82,670	36,660	(39,821)	402,030
Segment assets	40,113,011	6,811,872	2,106,345	(1,984,795)	47,046,433
Segment liabilities	36,854,164	6,227,640	163,910	(144,969)	43,100,745

			6 months ended		
	Banking	**Takaful**	**Others**	**Elimination**	**Total**
	30-Jun-12	**30-Jun-12**	**30-Jun-12**	**30-Jun-12**	**30-Jun-12**
Previous Comparative Year-to-Date	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue from external customers	914,504	246,501	6,204	-	1,167,209
Inter-segment revenue	-	1,355	44,066	(45,421)	-
Total revenue	914,504	247,856	50,270	(45,421)	1,167,209
Net income from operations **(before allowance for impairment on financing)**	642,865	247,856	50,270	(44,635)	896,356
Operating overheads	(350,654)	(183,920)	(9,003)	1,630	(541,947)
Operating results	292,211	63,936	41,267	(43,005)	354,409
Allowance for impairment on financing and advance	(17,895)	-	-	-	(17,895)
Allowance for contingent liability	-	-	-	-	-
Reversal on allowance for impairment on other assets	1,748	-	-	-	1,748
Share of results of associate company	2,338	-	-	-	2,338
Profit before zakat and taxation	278,402	63,936	41,267	(43,005)	340,600
Segment assets	33,835,847	6,268,497	2,063,323	(1,901,935)	40,265,732
Segment liabilities	30,865,438	5,753,585	129,512	(81,748)	36,666,787

Performance is measured based on segment profitability, as included in the internal management reports that are reviewed by the Group Managing Director/Chief Executive Officer. Segment profitability is used to measure performance as management believes that such information is the most relevant in evaluating segmental results relative to other entities that operate within these industries.

A24 VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. There was no valuation carried out during the quarter ended 30 June 2013.

A25 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

Save as disclosed in Note B8, there were no material events subsequent to the end of the quarter ended 30 June 2013.

A26 CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the quarter ended 30 June 2013.

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A27 CHANGES IN CONTINGENT LIABILITIES SINCE THE LAST ANNUAL BALANCE SHEET DATE

In the normal course of business, a subsidiary, Bank Islam Malaysia Berhad makes various commitments and incurs certain contingent liabilities with legal recourse to their customers.

The off-balance sheet and counterparties credit risk of this subsidiary as at 30 June 2013 are as follow:

	Unaudited 30 June 2013			
Credit-related exposures	**Principal Amount RM '000**	**Positive Fair Value of Derivative Contracts RM '000**	**Credit Equivalent Amount RM '000**	**Risk Weighted Amount RM '000**
Direct credit substitutes	399,676		399,676	393,221
Assets sold with recourse	2		2	2
Transaction-related contingent items	864,344		432,172	419,430
Short-term self-liquidating trade related contingencies	255,190		51,038	50,014
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	3,157		631	613
- exceeding one year	611,921		305,960	261,462
Unutilized credit card lines	981,560		196,312	147,234
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively for automatic cancellation due to deterioration in a borrower's creditworthiness	4,983,763		-	-
	8,099,613		1,385,791	1,271,976
Derivative financial instruments				
Foreign exchange related contracts				
- less than one year	1,316,079	4,706	10,931	6,299
Profit rate related contracts				
- one year to less than five years	600,000	2,162	10,000	2,000
- five years and above	722,895	11,218	36,229	20,229
Equity related contracts				
- one year to less than five years	111,450	598	8,916	4,458
	2,750,424	18,684	66,076	32,986
Total	10,850,037	18,684	1,451,867	1,304,962

	Audited 31 December 2012			
Credit-related exposures	**Principal Amount RM '000**	**Positive Fair Value of Derivative Contracts RM '000**	**Credit Equivalent Amount RM '000**	**Risk Weighted Amount RM '000**
Direct credit substitutes	562,654		562,654	555,499
Assets sold with recourse	2		2	2
Transaction-related contingent items	910,688		455,344	444,161
Short-term self-liquidating trade related contingencies	338,488		67,698	64,913
Other commitments, such as formal standby facilities and credit lines with original maturity of:				
- not exceeding one year	82		16	6
- exceeding one year	662,657		331,329	302,722
Unutilized credit card lines	949,115		189,823	142,367
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively for automatic cancellation due to deterioration in a borrower's creditworthiness	5,276,220		-	-
	8,699,906		1,606,866	1,509,670
Derivative financial instruments				
Foreign exchange related contracts				
- less than one year	680,789	2,523	7,390	4,223
Profit rate related contracts				
- less than one year	100,000	70	100	20
- one year to less than five years	600,000	2,210	15,000	3,000
Equity related contracts	734,000	9,920	42,462	23,262
- less than one year				
- one year to less than five years	114,095	2,013	9,128	4,564
	2,228,884	16,736	74,080	35,069
Total	10,928,790	16,736	1,680,946	1,544,739

BIMB HOLDINGS BERHAD (423858-X)
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EXPLANATORY NOTES OF BURSA MALAYSIA LISTING REQUIREMENTS
PART A OF APPENDIX 9B

B1 REVIEW OF PERFORMANCE

Half Year Performance to 30 June 2013

BIMB Holdings Berhad ("BHB") posted a consolidated Profit before Zakat and Taxation ("PBZT") of RM402.0 million for the half year ended 30 June 2013, an increase of RM61.4 million or 18.0% over the last corresponding half year ended 30 June 2012. The higher profitability was mainly achieved on the back of RM110.6 million increase in net income and RM18.0 million improvement in allowances for impairment on financing and advances, investment and other assets.

BHB's consolidated net profit for the half year under review stood at RM281.7 million, which recorded a growth of RM43.1 million or 18.0% compared to the same period last year. In tandem with the higher profitability, the net profit attributable to the shareholders of the Company increased by RM20.6 million or 16.8%.

The Group registered net financing growth of RM1.9 billion or 9.6% for the half year period under review, as asset quality improved further with a gross impaired financing ratio of 1.36% as at 30 June 2013 (As at 31 December 2012: 1.55%). Total capital ratio of Bank Islam Malaysia Berhad (computed in accordance to CAFIB-Basel III with effect from 1 January 2013) remained healthy at 13.37%.

Islamic Banking

Bank Islam Group ("Bank Islam" or "the Bank") recorded a PBZT of RM322.5 million for the six months ended 30 June 2013, an increase of RM44.1 million or 15.8% over the previous corresponding period of RM278.4 million.

Year-on-year ("YoY"), net financing assets grew RM5.0 billion or 30.2% to reach RM21.4 billion as at end June 2013. Correspondingly, fund based income from financing also increased by RM125.2 million or 23.7%. Non fund based income also reported a 13.9% growth or RM16.5 million mainly from foreign exchange transactions and fees and commission.

Customer deposits reported a YoY growth of 21.4% or RM6.1 billion to reach RM34.8 billion as at end June 2013. Similarly, the low cost current and savings accounts ("CASA") also increased by RM0.7 billion or 6.2% YoY. The CASA ratio as at end June 2013 was 36.5%, much higher than the Islamic Banking Industry ratio of 26.6% as at end May 2013.

The Bank's impaired financing ratio continued to record significant improvements. The gross impaired financing ratio improved from 1.55% as at end December 2012 to 1.36% as at end June 2013. Consequently, the net impaired financing ratio also improved from a negative 0.67% as at end December 2012 to a negative 0.89% as at end June 2013. The Islamic Banking Industry gross and net impaired ratios were at 1.60% and negative 0.31% respectively as at end May 2013.

Takaful

For the six months ended 30 June 2013, Takaful Malaysia Group ("Takaful Malaysia") recorded a PBZT of RM82.8 million, increased by 29.6% as compared to RM63.9 million in the same period last year. In addition to the higher surplus transfers, the higher profit is also attributable to higher net wakalah fee income.

For the six months ended 30 June 2013, Operating Revenue increased by 9.4% to RM957.5 million from RM875.2 million in the same period of the preceding year. The increase is mainly attributable to higher sales generated by both Family and General Takaful and higher investment income.

For the quarter under review, Family Takaful recorded gross earned contributions of RM314.9 million against RM280.8 million for the same period last year and General Takaful generated gross earned contributions of RM102.3 million as compared to RM118.3 million in the corresponding quarter of the preceding year. For the 6 months period, Family Takaful generated gross earned contributions of RM599.7 million as compared to RM529.3 million in the corresponding period last year, whereas General Takaful recorded gross earned contributions of RM215.1 million, which is consistent with the corresponding period last year. The Family Takaful recorded gross earned contribution growth of 13.3% for the 6 months period, mainly attributable to higher sales from Group Family products.

The surplus transfer in the quarter under review from Family Takaful was RM31.8 million as compared to RM24.5 million in the same period last year. The higher surplus transfer from Family Takaful is mainly due to higher investment income and realized gains from disposal of investments. For the 6 months period, the surplus transfer from Family Takaful decreased by RM13.3 million to RM67.3 million as compared to the same period last year, mainly attributable to higher claims incurred and wakalah fee expense.

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B2 COMPARISON WITH THE PRECEDING QUARTER'S RESULTS

For the three months performance (Second Quarter 2013 vs. First Quarter 2013)

BHB Group registered a PBZT of RM213.0 million for the second quarter ended 30 June 2013, increased by RM24.0 million or 12.7% in comparison to the PBZT of RM189.0 million for the first quarter ended 31 March 2013. The higher PBZT for the current quarter under review was mainly attributable to higher operating results recorded by the Group.

Bank Islam's PBZT of RM172.2 million for the three months ended 30 June 2013 was 14.6% or RM21.9 million higher than the preceding quarter ended 31 March 2013 of RM150.3million. The higher PBZT was due to improvements in both fund based and non-fund based income.

Takaful Malaysia reported a PBZT of RM42.4 million which was higher than the preceding quarter of RM40.2 million by RM2.2 million due to higher net wakalah fee income.

B3 PROSPECTS

Outlook on the economy

Despite growing at a slightly greater pace in the second quarter, Malaysia's economy perform below market expectations, as prolonged weakness in the external environment remains a drag to domestic economic activity. Gross Domestic Product (GDP) for the three months to June grew 4.3% year-on-year, sustained by domestic demand, in comparison to the market expectation of 4.7%.

Malaysia's current account surplus for the second quarter of the year narrowed to RM2.6 billion from RM8.7 billion in the preceding quarter. This was due to lower goods surplus as well as sustained services deficit and outflows in the income account. Bank Negara Malaysia ("BNM") had recently stated that Malaysia would likely remain in a surplus position through the year, as the expected recovery in external demand, albeit at a moderate pace, would help to improve the country's current account balance.

Consequently, BNM has revised downwards the overall GDP growth target for the country in 2013 to 4.5%-5.0% from its earlier target of 5.0%-6.0%.

On the back of strong capitalisation, strong profitability and stable asset quality, the banking and financial sector in Malaysia is expected to remain healthy in 2013. This will ensure steady access to credit for households and businesses in facilitating growth of the Malaysian economy. With the implementation of the new Financial Sector Blueprint 2011-2020, the banking and financial sector will continue to play an important role as financial intermediary in supporting the nation towards a high income economy. Nevertheless, competition in the banking industry remains intense, as banks will continue to enhance innovation in products and services to achieve competitive advantage.

Islamic Banking

Domestic demand is expected to remain relatively resilient throughout the year driven by the implementation of the Economic Transformation Programme (ETP) and also Foreign Direct Investment to support investment projects to be implemented in the second half of 2013.

As such, Bank Islam had embarked on its new corporate plan for 2013-2015, "Hijrah to Excellence" or H2E Plan. Robust growth strategies are in place to achieve the targets set in the new corporate plan.

The Bank is growing the Retail portfolio whereby the rate of return is generally higher than the business portfolio. For the 1H13, the personal financing segment grew at an annualised pace of 31%. Personal financing ("PF") is considered secured as more than 90% is package PF whereby repayment is via salary deduction or salary transfer. The Bank is also growing the house financing and auto financing portfolios, which in the 1H13 saw an annualised growth of 19% and 11% respectively.

Bank Islam is also targeting to grow the business portfolio which comprises both the Commercial and Corporate financing portfolios. For 1H13, the Commercial portfolio grew at an annualised rate of 21%. Under the Commercial financing portfolio the Bank is targeting the secured Business Premises Financing.

The Bank is also looking at avenues to increase its non-fund based income and has launched various new products and services, such as the popular Bank Islam Debit Card-i and the Bank Islam Team Harimau Visa Debit Card-i, mobile banking and mobile point-of-sale (mPOS) via Visa launched recently at Pasar Siti Khadijah in Kota Bharu promotes electronic payments beyond metropolitan cities. The introduction of Western Union services to our Bureau De Change (BDC) and branches and also foreign remittance will contribute to the fee and foreign exchange income respectively.

The Bank will continue to strenghten its presence by expanding its current delivery channels to meet customers' expectations amd remain competitive. The Bank's branches currently stand at 130.

At the same time, the Bank will promote other delivery channels such as internet banking, mobile banking and self-service terminals in the form of automated teller machines, cash and cheque deposit machines.

Takaful

Takaful Malaysia will continue its "We Should Talk" marketing campaign to create more awareness of the" 15% No Claim Rebate" value proposition in positioning itself to be the leading takaful operator in Malaysia. With the introduction of new products and services in 2013, Takaful Malaysia is expected to increase its market share while improving shareholder value. Takaful Malaysia will also be looking at increasing the number of exclusive or preferred partnerships with major financial institutions to grow the bancatakaful business.

B4 VARIANCE FROM PROFIT FORECAST AND PROFIT GUARANTEE

The Group neither made any profit forecast nor issued any profit guarantee.

B5 TAXATION

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM'000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM'000
Tax expense	69,369	52,897	115,048	98,613

With effect from year of assessment 2009, corporate tax rate is at 25%.

B6 PROFIT ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no material gain or loss on sales of unquoted investments and properties of the Group during the period under review.

B7 PURCHASE AND SALE OF QUOTED SECURITIES

This note does not apply to the Group.

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B8 CORPORATE PROPOSALS

Consent of Bank Negara Malaysia ("BNM") for BIMB Holdings Berhad ("BHB") to commence negotiations with Dubai Financial Group LLC ("DFG") and Lembaga Tabung Haji ("TH") in relation to the proposed acquisition of DFG's 30.5% equity interest in Bank Islam Malaysia Berhad ("Bank Islam") ("Negotiations on DFG's Equity Interest")

Consent of BNM for BHB to commence negotiations with TH in relation to the proposed acquisition by BHB of TH's 18.5% equity interest in Bank Islam ("Negotiations on TH's Equity Interest")

("Proposed Acquisitions")
(BHB, DFG and TH shall be collectively referred to as "the Parties")

BHB had on 8 October 2012, announced that BNM, vide its letter dated 4 October 2012, stated that BNM has no objection in principle for BHB to commence the Negotiations on DFG's Equity Interest.

On 8 April 2013, BHB had announced that BNM, vide its letter dated 3 April 2013, stated that BNM has no objection to an extension of time until 30 June 2013 for the Parties to complete the Negotiations on DFG's Equity Interest. Subsequently, on 28 June 2013, BHB had released an announcement that BNM, vide its letter dated 27 June 2013, has no objection to a further extension of time until 31 July 2013 for the Parties to complete the same negotiations.

Notwithstanding the abovementioned Negotiations on DFG's Equity Interest, BHB had on 11 June 2013, announced that BNM, vide its letter dated 10 June 2013, stated that BNM has no objection in principle for BHB to commence negotiations with TH in relation to a proposed acquisition of TH's Equity Interest In Bank Islam. The negotiations are to be completed on or before 31 December 2013.

Subsequently, the Parties had on 31 July 2013 executed a conditional Sale and Purchase Agreement ("SPA") for the Proposed Acquisitions. BHB had on 1 August 2013, released an announcement on the signing of the SPA via Bursa Securities.

Further announcement shall be made as and when there are material developments pertaining to the Proposed Acquisitions.

B9 DEPOSITS AND PLACEMENTS OF FINANCIAL INSTITUTIONS AND DEBT SECURITIES

	Group Unaudited 30-Jun-13 RM '000	Audited 31-Dec-12 RM '000
Deposits from customers		
Mudharabah accounts deposits and negotiable instruments of deposits		
One year or less (short-term)	21,716,618	18,693,367
More than one year (medium/long-term)	2,146,020	2,129,296
	23,862,638	20,822,663
Current accounts	8,207,018	8,962,434
Savings accounts	2,541,695	2,515,341
Others	83,318	78,562
Total deposits	34,694,669	32,379,000
Deposits and placements of banks and		
One year or less (short-term)	1,320,935	860,278
	1,320,935	860,278

B10 OFF BALANCE SHEET FINANCIAL INSTRUMENTS BY VALUE OF CONTRACTS CLASSIFIED BY REMAINING PERIOD TO MATURITY/ NET RE-PRICING DATE(WHICHEVER EARLIER)

GROUP (RM '000)

Items	Unaudited 30-Jun-13 Principal Amount	up to 1 mth	>1-3 mths	>3-6 mths	>6-12 mths	>1-5 years
Foreign exchange related contracts						
- forwards	344,834	114,637	184,246	45,951	-	-
- swaps	458,171	356,417	101,507	247	-	-
- option	513,074	513,074	-	-	-	-
Total	1,316,079	984,128	285,753	46,198	-	-

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk transactions may be reduced through offsetting on and off-balance sheet positions. As at 30 June 2013, the amount of contracts which were not hedged and, hence, exposed to market risk was RM910.15 million. (31 December 2012: RM917.23 million).

Credit risk

Credit risk arises from the possibility that a counter–party may be unable to meet the terms of a contract in which the Bank has a gain position. This amount will increase or decrease over the life of the contracts, maturity dates and rates or prices. As at 30 June 2013, the credit risk measured in terms of the cost to replace the profitable contracts was RM66.08 million (31 December 2012: RM74.08 million).

Related accounting policies

Foreign exchange contracts are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates.

B11 ECONOMIC PROFIT STATEMENT

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM'000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM'000
Net Operating profit after zakat & tax (NOPAT)				
Profit before zakat and taxation (PBZT)	213,039	173,262	402,030	340,600
Zakat & Taxation	(72,032)	(54,355)	(120,351)	(101,971)
NOPAT	141,007	118,907	281,679	238,629
Economic charge computation:				
Average invested capital	3,920,355	3,279,728	3,856,440	3,211,313
(includes minority interest less gain on disposal of interest in subsidiary)				
Weighted Average Cost of Capital (WACC) at 8.2% per annum	8.20%	8.20%	8.20%	8.20%
Economic charge	80,147	66,867	156,814	130,944
Economic profit	60,860	52,040	124,865	107,685

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B12 MATERIAL LITIGATION

Save as disclosed below, there were no changes in material litigation, including the status of pending material litigations since the last annual balance sheet date of 31 December 2012.

(a) On 10 August 1998, Bank Islam together with syndication members led by AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad) (collectively "the Plaintiffs") filed a civil suit claim against Silver Concept Sdn. Bhd. ("the Defendant") to recover the outstanding financing facilities amounting to RM196,289,470.96 (the sum owing to Bank Islam is RM59,364,621.68). The financing facilities were secured by 34 properties. An order for sale in respect of 17 of the properties held under Registry Title was granted on 30 June 2006. However, the Defendant had entered into Sale and Purchase Agreement dated 12 June 2007 with a third party for the sale of the said 17 properties and on 9 May 2008, the balance purchase price was distributed among the Plaintiffs where Bank Islam received RM12,744,868.98. Consequentially, the Plaintiffs agreed to withdraw the foreclosure action against the Defendant.

The Plaintiffs are proceeding with a civil action against the Defendant to recover the shortfall. The Court has allowed the Plaintiffs' claim and the Defendant has filed an appeal against such ruling. The Defendant then withdrew the appeal and the Plaintiffs will proceed the execution proceeding against the Defendants. The sum outstanding to Bank Islam as at February 2011 is RM 42.5 million. However, as per solicitor's advice, the Plaintiffs withheld the execution proceeding pending completion of transfer by way of private treaty. As at August 2013, the status remained the same.

(b) On 17 May 2003, Tahan Steel Corporation Sdn Bhd ("the Plaintiff") filed a civil suit against Bank Islam to claim for damages amounting to USD12,275,000.00 for breach of contract and RM109,776,000.00 for general damages for failure to disburse the balance of a financing facility granted by Bank Islam to the Plaintiff. Bank Islam had filed a counterclaim to recover the amount of RM143,590,488.09 from the Plaintiff being the outstanding financing facility amount. On 1 June 2010, the Court decided that the Plaintiff's claim for declaration on the termination of Istisna' Facility is valid and lawful. However, the Plaintiff's claim was disallowed and only awarded nominal damages of RM50,000.00 with costs. The Court had allowed the Bank's counterclaim for selling price of RM143,590,488 but to deduct unearned profit on the undisbursed amount less any unearned profit at the date of full realization. The Plaintiff on 3 June 2010 had filed Notice of Appeal against the decision and the Bank is appealing on the issue of unearned profit. On 28 October 2010, the Court allowed the Plaintiff's stay of execution. The case was fixed for hearing of appeal on 22 February 2011 and the Court of Appeal Judges reserved their decision pending issuance of written judgment on issue of unearned profit . On 21 December 2011 the Court of Appeal has dismissed the Plaintiff's appeal and the Bank is entitled on the amount disbursed of RM58.7 million plus profits on disbursed amount. The Bank's cross appeal on the computation of unearned profit was also dismissed. In line with Shariah's principle and pursuant to the solicitor's advice, the Bank does not appeal against the decision and will proceed with execution proceeding against the Plaintiff. In February 2012, the Plaintiff filed a leave to appeal to the Federal Court and the Bank filed an affidavit in reply in opposing the Plaintiff's leave to appeal. On 17 July, 2012 the Federal Court dismissed the application for leave with costs. In November 2012, the Bank proceeded with execution process against the Plaintiff. In the course of execution, on 23 November 2012 the Plaintiff filed an originating summons against the Bank for declarations that (1) the Bank is not entitled to enforce the Security Documents to satisfy the amount payable by the Plaintiff under Court of Appeal order, (2) the Plaintiff is required to pay RM57,872.15 to satisfy the amount payable under the Court of Appeal order (3) order to discharge the charge created (4) order to revoke all assignments, securities & guarantees (5) injunction to restrain the Bank from enforcing the security documents. The case went for court mediation on 17 April 2013 whereby parties agreed to a settlement sum of RM87 million payable by the Plaintiff to the Bank by way of redemption from the sale of the secured property. The sale was to be completed by 30 December 2013. Consent Judgment was recorded on 14 May 2013.Case management is fixed on 19 August 2013 to monitor the progress of the settlement.

(c) On 9 February 2004, Bank Islam filed a civil suit against PC Auto Blast Sdn Bhd, Jaya Raj a/l A. Mariadas and Johnson a/l Mariadas (collectively "the Defendants") and a foreclosure action to recover the outstanding financing facilities amounting to RM13,125,946.46. However, the Defendants have filed a counterclaim seeking declarations and damages. Amongst others, the Defendants are seeking for declarations that the agreements executed pursuant to the financing facilities are null and void for non-compliance with the Shariah principles and damages amounting to RM656,326.29. For foreclosure action, the case was fixed for case management on 5 August 2010. On 28 October 2010, the court has granted our application for Order for Sale. Bank Islam has successfully auctioned the property on 12 October 2011. However, in February 2012 Bank Islam did not received the balance of auction proceeds from the sucessful bidder. Hence the property will be auctioned again. An auction was fixed on 14 May 2013 but was then postphoned. A new auction date is yet to be fixed by the court.

(d) On 7 March 2005, Bank Islam filed a civil suit against Commerce Resources Inc., Dato' Kamaruddin @ Kamaluddin bin Awang and Datuk Hiew Ming Yong ("First Defendant", "Second Defendant" and "Third Defendant" respectively, and collectively "the Defendants") to claim the outstanding financing facilities amounting to USD2,720,036.00. A judgment in default has been obtained against the Defendants. However, further action against the First and Second Defendants were discontinued on the grounds that (a) there was no evidence of assets in the First Defendant and (b) the Second Defendant was successful in setting aside the Judgment In Default against him on technical grounds. Bank Islam is proceeding with the execution against the Third Defendant and at the same time is exploring other recovery strategies against the other two Defendants. In November 2012, the Third Defendant has filed an application to set aside the judgment in default against him. The matter is pending hearing date to be fixed by the court.

(e) On 24 May 2007, Bank Islam Malaysia Berhad ("Bank Islam") filed a civil suit against Tan Sri Abdul Khalid Ibrahim ("the Defendant") to recover the outstanding financing facilities amounting to USD18,251,806.13. On 21 August 2009 the Court allowed Bank Islam's summary judgment application under Order 14 of the High Court Rule. The Defendant filed an appeal and stay of execution. On 3 March 2010, the Court of Appeal allowed the Defendant's appeal and set aside the Summary Judgment entered against the Defendant. The trial dates were fixed on 2 to 4 August, 9 to 11 August 2010 and 23 to 26 August 2010.

However, on 9 August 2010, the Defendant filed an application to recuse Justice Rohana (the Trial Judge) from hearing this matter. The Defendant claimed that there was a real danger of apparent bias on the part of the Trial Judge in hearing this action, pursuant to a letter from the Plaintiff to Bank Negara Malaysia, referring to a conversation between one En Fazlur Rahman Ebrahim, then COO of the Plaintiff and the Trial Judge, in her capacity then as Deputy Head of BNM Islamic Banking and Takaful Department The remaining of the dates for the trial were vacated to enable parties to file their affidavits. On 22 September 2010, the Court dismissed the Defendant's application and they filed an appeal. However, on 1 November 2010, the Court of Appeal allowed the Defendant's appeal. This case was ordered to be heard before a new judge, YA Dato' Hj Mohd Zawawi Salleh. The case was then fixed for trial on 11 to 14, 18 to 21 and 25 to 28 July 2011. In the course of trial, Bank Islam filed an application pursuant to Section 56 of the Central Bank Act to refer several Shariah issues to the Shariah Advisory Council (SAC) of Bank Negara Malaysia but the application was objected to by the Defendant. The Defendant raised several issues including constitutionality of the said section. On 7 July 2011, the High Court judge directed that the issue be referred directly to the Federal Court. On 25 October 2011, the Federal Court Judges ordered both parties to revert the case to the High Court for decision of the Bank's application on referral to the SAC of Bank Negara Malaysia. On 2 December 2011, the High Court allowed Bank Islam application to refer the Shariah issues to the SAC of BNM and on 8 December 2011, the Defendant appealed to the Court of Appeal against the order. On 14 May 2012 the Court dismissed the Defendant appeal. The Defendant then filed a leave to appeal to the Federal Court. On 14 November 2012, the leave application was allowed by the Federal Court. The hearing was fixed on24 April 2013 but was taken off and converted to a case management. The matter is now fixed for hearing on 2 September 2013. While at the High Court, trial is fixed from 1 to 4 October and 7 to 10 October 2013.

(f) Meanwhile, in 2010, Tan Sri Abdul Khalid Ibrahim ("the Plaintiff") filed another civil suit against Bank Islam Malaysia Berhad ("Bank Islam") alleging that Bank Islam and Permodalan Nasional Berhad purportedly conspired and/or acted in concert to cause loss to the Plaintiff by way of wrongfully recalling monies advanced to the Plaintiff by way of a Bai Bithaman Ajil facility. There was no claim amount specified but the Plaintiff sought general damages and loss of profits. The matter was fixed for trial from 29 July 2013 to 2 August 2013. However, during a case management on 6 June 2013, the trial judge took note of the fact that the trial of another suit (item above) was proceeding between the parties, and that the findings of facts arrived at by the other Court would be directly applicable to this suit. The trial of this suit was therefore contingent on the conclusion of the other trial between the Plaintiff and Bank Islam. Bank Islam's solicitors are of the view that Bank Islam has a strong defense. In the circumstances, the Judicial Commissioner had maintained the case management date for this matter on 22 October 2013 for counsels to appraise the Court on the outcome of the Federal Court appeal.

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B12 MATERIAL LITIGATION, continued

(g) On 22 December 2006, Omegco Sdn Bhd ("the Plaintiff") filed a civil suit against Bank Islam claiming, among others, loss of profit of RM43.2 million and fixed deposit of RM250,000.00 not released by Bank Islam. In October 2007, the application for summary judgment by the Plaintiff was struck out by the Court with costs. The Plaintiff appealed against the said decision and the Court dismissed the Plaintiff's appeal. The High Court fixed full trial from 31 October 2011 to 4 November 2011. However, on the trial date the Plaintiff filed an application under Order 14A of the Rules of High Court in determining the question of law. Bank Islam then filed an objection. On 28 December 2011 the Court dismissed the Plaintiff's application with costs. The Court fixed the trial date from 14 to 18 May 2012.

On 11 January 2012, the Plaintiff was wound up by another third party. Therefore, a sanction from Official Assignee must be obtained by the Plaintiff as the Plaintiff has no capacity to appear before the court for trial. The case proceeded with full trial from 14 to 17 May 2012. On 6 August 2012 the court dismissed the Plaintiff's case with costs. The Plaintiff appealed to the Court of Appeal. On 11 January 2012, the Plaintiff has been wound up by another third party. Therefore, a sanction from Official Assignee must be obtained by the Plaintiff as the Plaintiff has no capacity to appear before the court for trial. The case proceeded with full trial from 14 to 17 May 2012. On 6 August 2012 the court dismissed the Plaintiff's case with costs. The Plaintiff appealed to the Court of Appeal. The hearing was fixed on 13 May 2013, but was postponed to 24 September 2013.

(h) On 27 August 2007, Bank Islam filed a civil suit against four (4) former senior management staff of the then Bank Islam Labuan Ltd ("BILL") ("the Defendants") claiming an amount of USD8,586,483.00 being the outstanding financing facilities granted by BILL to certain customers whose accounts have been in default, namely Faaris Investment Holding Plc, Profound Heritage Sdn Bhd, Commerce Resources Inc., Commerce Trading Inc., Crest Group, Crestek Inc. and Trident Timber Co. Ltd. Bank Islam is claiming that the Defendants had acted contrary to the interest of BILL and was in breach of their statutory duties, common law duty of care and skills and express and/or implied contractual duties. The matter was fixed for trial from 18 February to 21 February 2013, but was postponed to October 2013.

(i) On 12 May 2009, Swiber Marine (Malaysia) Sdn Bhd ("the Defendant/Claimant") had served Section 218 Notice of the Companies Act 1965 against Bank Islam pursuant to a Bank Guarantee of RM16.0 million issued by Bank Islam in which Bank Islam had refused to pay due to some technicality. Subsequently, on 27 May 2009, Bank Islam filed an action against the Defendant applying an injunction to restrain the Defendant from presenting the Winding-Up Petition to Bank Islam ("Injunction"). On 10 August 2009, the Court had granted the injunction in favour of Bank Islam. On 17 November 2009, Bank Islam withdrew the action against the Defendant based on the Defendant's undertaking not to issue Section 218 Notice against Bank Islam. The matter was to be resolved through arbitration. On 24 August 2010, the arbitration panel had directed both parties to file their written submissions. Both parties had filed their written submissions in November 2010. On 13 April 2011, the arbitrators directed both parties to exchange submission as to costs by 2 May 2011. In order to ensure its decision as to pre and post award interest was not tantamount to riba', the Arbitrators referred the issue to the Shariah Advisory Council (SAC) of Bank Negara Malaysia. On 29 August 2011, the SAC replied to the Arbitartors and ruled that the Arbitrators may impose late payment charge on judgment debt based on ta'widh (compensation) and gharamah (penalty) mechanism. On 30 September 2011, the Arbitrators ordered that the Claimant's claim to be dismissed with costs. In November 2012, the Claimant filed an originating summons at the Kuala Lumpur High Court to appeal on point of law against the final award. Bank Islam also filed an originating summons at Kuala Lumpur High Court to register the award as a judgment and to enforce it against the Claimant. On 26 April 2012 the Claimant's appeal on the arbitral award was dismissed with costs. On 24 May 2012, the Claimant filed Notice of Appeal to the Court of Appeal. On 18 September 2012 the Claimant's appeal was dismissed with costs. In October 2012, the Claimant filed application for leave to appeal to the Federal Court. The hearing of the Claimant's notice of motion for leave to appeal was fixed on 29 May 2013, but was postponed to 27 June 2013. On 27 June 2013, the Claimant's notice of motion for leave to appeal was dismissed with costs of RM25,000 by the Federal Court. The matter is now considered closed.

(j) On 20 April 2010, Bank Islam Malaysia Berhad ("Bank Islam") referred a dispute in connection with a Services Agreement and a Software Agreement ("Agreements") with a vendor for arbitration. Bank Islam is claiming rescission of the Agreements and a refund of the sum paid (to-date of RM19.03 million) and/or damages, compensation/cost of fund on all sums found to be due to it and an appropriate order as to costs. The vendor filed a counterclaim. The arbitration commenced on 15 February 2012. On 6 August 2013, Bank Islam was informed that the ICC had decided in favour of the vendor. The ICC will be dealing with the vendor's counterclaim and determining the damages in the second phase of the arbitration.

B13 CONTINGENT LIABILITY

On 20 April 2010, Bank Islam referred a dispute in connection with a Services Agreement and Software Agreement ("Agreements") with a vendor for arbitration. The Bank is claiming rescission of the Agreements and a refund of the sum paid (to-date of RM19.03 million) and/or damages, compensation / cost of funds on all sums found to be due to it and an appropriate order as to costs. The vendor filed a counterclaim. The arbitration commenced on 15 February 2012. On 6 August 2013, Bank Islam was informed that the ICC had decided in favour of the vendor. The ICC will be dealing with the vendor's counterclaim and determining the damages in the second phase of the arbitration.

B14 PROFIT FOR THE PERIOD

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	16,515	12,718	30,840	25,142
Impairment loss:				
- Allowance for impairment on financing advances and others	2,402	2,606	1,595	17,895
- Provision for contingent liability	-	-	-	-
and after crediting:				
Profit on sale of foreign currencies	-	1,008	-	1,655
Reversal of allowance for doubtful debts	64	60	124	120
Allowance for Impairment on investments and other assets	3,491	10,169	3,491	1,748
Net gain on disposal of property, plant & equipment	50	(24)	(984)	(18)
Net derivative gain/(loss)	3,244	(12,526)	2,856	(6,235)

BIMB HOLDINGS BERHAD (423858-X)
(Incorporated in Malaysia)

B15 EARNINGS PER SHARE

Basic earnings per share attributable to equity holders of the parent ("Basic EPS")

Basic EPS is calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the number of ordinary shares in issue during the period.

	Unaudited Quarter 3 months ended 30-Jun-13 RM '000	Unaudited Quarter 3 months ended 30-Jun-12 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-13 RM '000	Unaudited Year-to-date 6 months ended 30-Jun-12 RM '000
Net profit for the period under review attributable to equity holders of the parent	69,581	58,194	143,723	123,100
Number of ordinary shares	1,066,790	1,066,790	1,066,790	1,066,790
Number of average ordinary shares	1,066,790	1,066,790	1,066,790	1,066,790
Basic earnings per share attributable to equity holders of the parent (sen)	**6.52**	**5.46**	**13.47**	**11.54**

B16 DISCLOSURE OF REALISED AND UNREALISED PROFIT/LOSSES

The breakdown of retained profits/ (accumulated losses) of the Group as at the reporting date , into realised and unrealised profits/(losses) pursuant to the directive is as follows:

	Unaudited 30-Jun-13 RM'000	Audited 31-Dec-12 RM'000
Total retained profits/ (accumulated losses) of BIMB Holdings Berhad and its subsidiaries:		
Realised	890,651	652,449
Unrealised	6,253	25,270
	896,904	677,719
Less: Consolidation adjustments	(884,143)	(756,994)
Total group retained profits/ (accumulated losses) as per condensed consolidated financial statements	12,761	(79,275)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by Malaysia Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed above excludes translation gains and losses on monetary items denominated in a currency and foreign exchange contracts, as these translation gains and losses are incurred in the ordinary course of business of the Group, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not apply for any other purposes.

By Order of the Board

MARIA MAT SAID (LS 09400)
Company Secretary
August 28, 2013

BIMB HOLDINGS BERHAD

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Fax : +6 03 2781 2998
www.bimbholdings.com

07 NOV 2013

The Shareholders of

BIMB HOLDINGS BERHAD ("BHB" OR THE "COMPANY")

Dear Sir / Madam,

On behalf of the Board of Directors ("**Board**") of BHB, I wish to report that, after making due enquiries in relation to BHB and its subsidiaries ("**BHB Group**") during the period between 31 December 2012 (being the date on which the last audited consolidated financial statements have been made up), up to the date hereof (being a date not earlier than fourteen (14) days before the date of this Abridged Prospectus), that:-

(a) In the opinion of the Board of BHB, the business of the BHB Group has been satisfactorily maintained;

(b) In the opinion of the Board of BHB, no circumstances have arisen since the last audited consolidated financial statements of BHB which have adversely affected the trading or the value of the assets of the BHB Group;

(c) The current assets of the BHB Group appear in the books at values which are believed to be realisable in the ordinary course of business;

(d) Save as disclosed in this Abridged Prospectus, there are no contingent liabilities which have arisen by reason of any guarantees or indemnities given by the BHB Group;

(e) There have not been, since the last audited consolidated financial statements of BHB, any default or any known event that could give rise to a default situation, in respect of payments of either profit and/or principal sums in relation to any financing; and

(f) Save for the unaudited consolidated results for BHB for the six (6)-month financial period ended 30 June 2013 and as disclosed in this Abridged Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the BHB Group since the last audited consolidated financial statements of BHB.

Yours faithfully
For and on behalf of the Board of
BIMB HOLDINGS BERHAD

....

JOHAN BIN ABDULLAH
Group Managing Director/Chief Executive Officer/Non-Independent Executive Director

1. SHARE CAPITAL

(i) Save for the Rights Shares and Warrants, no securities shall be allotted or issued on the basis of this AP later than twelve (12) months after the date of the issuance of this AP.

(ii) As at the date of this AP, there is no founder, management, deferred shares or preference shares in the share capital of our Company. There is only one (1) class of shares in our Company, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.

(iii) All the Rights Shares and the new Shares arising from the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the existing BHB Shares, save and except that the Rights Shares and the new Shares arising from the exercise of the Warrants will not carry any rights to participate in any dividends, distributions and/or other entitlements declared by our Company where the entitlement date in respect of such dividends, distributions and/or other entitlements falls on a day which is prior to the date of allotment and issuance of the Rights Shares and the new Shares arising from the exercise of the Warrants.

(iv) Save for the Rights Issue with Warrants, no person has been or is entitled to be given an option to subscribe for any shares, stocks or debentures of our Company or our subsidiaries as of the date of this AP.

(v) Save for the Rights Issue with Warrants and the Sukuk Issue, no securities of our Company have been issued or proposed to be issued, as fully or partly paid-up in cash, or otherwise in cash within two (2) years immediately preceding the date of this AP.

2. DIRECTORS' REMUNERATION

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:-

Articles 68

(a) The fees of the Directors shall from time to time be determined by the Company in general meeting. That fee shall be deemed to accrue from day to day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meeting of the Directors or any committee of the Director or general meetings of the Company or in connection with the business of the Company.

(b) Fees payable to non-executive Directors shall be by a fixed sum and not by a commission on, or a percentage of profits or turnover. Salaries payable to Directors who hold executive office in the Company may not include a commission on or percentage of turnover.

(c) Fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting.

3. MATERIAL CONTRACTS

Save as disclosed below, there are no other material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the past two (2) years immediately preceding the date of this AP:-

(a) BHB, DFG and LTH had on 31 July 2013 entered into a sale and purchase agreement (as varied by the supplemental agreement dated 30 September 2013) for the Acquisition of DFG Block and Acquisition of LTH Block for a cash consideration of USD550,000,000 and the RM equivalent of USD334,603,069 respectively.

(b) BHB had on 11 September 2013 entered into the Foreign Exchange Forward Contract with Standard Chartered Saadiq Berhad and LTH for the purchase of up to USD550,000,000 by BHB.

(c) Deed poll dated 25 October 2013 executed by our Company constituting the Warrants.

(d) LTH had on 31 July 2013 provided the Undertaking in respect of the Rights Issue with Warrants which had been accepted by BHB.

(e) LTH had on 31 July 2013 provided an irrevocable written undertaking to subscribe for such portion of the Sukuk Issue not subscribed by the other investors (up to RM2.200 billion in nominal value) which had been accepted by BHB (as varied by a letter agreement dated 24 September 2013 between BHB and LTH).

4. MATERIAL LITIGATION

As at the LPD:-

(i) the Board is not aware of any material litigation incurred or known to be incurred by the Group (other than Bank Islam); and

(ii) an updated summary of the status of the material litigation involving Bank Islam which had been disclosed previously by BHB is as follows:-

(a) In 1998, Bank Islam together with syndication members led by AmInvestment Bank (collectively "the Plaintiffs") filed a civil claim against Silver Concept Sdn. Bhd. ("the Defendant") to recover the outstanding amount of RM197,187,500 under the financing facilities granted by the Plaintiffs to the Defendant (the sum owing to Bank Islam is RM63,100,000). The financing facilities were secured by 24 properties. An order for sale was granted on 30 June 2005. However, the Defendant had entered into a Sale and Purchase Agreement dated 12 June 2007 with a third party for the sale of the properties and on 9 May 2008, the balance purchase price was distributed among the Plaintiffs where Bank Islam received RM12,744,866.98. Consequentially, the Plaintiffs agreed to withdraw the foreclosure action against the Defendant. The Plaintiffs are proceeding with a civil action against the Defendant to recover the shortfall. The court allowed the Plaintiffs' claim and the Defendant had filed an appeal against the decision. The Defendant subsequently withdrew the appeal. The sum outstanding to Bank Islam as at 30 June 2013 is RM42,491,540.91. However, as per solicitor's advice, the Plaintiffs withheld the execution proceeding pending completion of transfer by way of private treaty. There has been no progress to this matter since then.

(b) On 7 May 2003, Tahan Steel Corporation Sdn Bhd ("the Plaintiff") filed a civil suit against Bank Islam to claim, amongst others, for damages amounting to USD12,275,000.00 for breach of contract and RM109,776,000.00 for general damages for failure to disburse the balance of a financing facility granted by Bank Islam to the Plaintiff. Bank Islam had filed a counterclaim to recover the amount of RM143,590,488.09 from the Plaintiff being the balance sale price under the financing facility. On 1 June 2010, the court decided that the Plaintiff's claim for declaration on the termination of the Istisna' Facility was valid and lawful. However, as the Plaintiff was unable to prove damages, the Plaintiff was only awarded nominal damages of RM50,000.00 with costs. The court had allowed Bank Islam's counterclaim for balance sale price of RM143,590,488 but Bank Islam was required to deduct unearned profit on the undisbursed amount less any unearned profit at the date of full realization. The Plaintiff on 3 June 2010 had filed a Notice of Appeal against the decision and Bank Islam cross appealed on the issue of unearned profit. On 28 October 2010, the court allowed the Plaintiff's stay of execution. The case was fixed for hearing of the Plaintiff's appeal on 22 February 2011 and the Court of Appeal judges reserved their decision pending issuance of written judgment on issue of unearned profit. On 21 December 2011, the Court of Appeal dismissed the Plaintiff's appeal and Bank Islam was entitled to recover the amount claimed upon deducting unearned profit on the undisbursed amount less any unearned profit at the date of full realization and less any repayments made totaling RM58.7 million. Bank Islam's cross appeal on the computation of unearned profit was also dismissed. In line with Shariah principles and pursuant to the solicitor's advice, Bank Islam did not appeal against the decision and proceeded with execution proceedings against the Plaintiff. In February 2012, the Plaintiff filed a leave to appeal to the Federal Court and Bank Islam filed an affidavit in reply to object to the Plaintiff's application for leave to appeal. On 17 July 2012, the Federal Court dismissed the application for leave with costs. In November 2012, Bank Islam proceeded with execution process against the Plaintiff. In the course of execution, on 23 November 2012, the Plaintiff filed an originating summons against Bank Islam for declarations that: (1) Bank Islam is not entitled to enforce the Security Documents to satisfy the amount payable by the Plaintiff under Court of Appeal order; (2) the Plaintiff is required to pay RM57,872.15 to satisfy the amount payable under the Court of Appeal order; (3) an order be granted to discharge the charge created; (4) an order be granted to revoke all assignments, securities & guarantees; and (5) an injunction be granted to restrain Bank Islam from enforcing the security documents. The case went for court mediation on 17 April 2013 whereby parties agreed to a settlement sum of RM87 million (after taking into account tawidh for late payment) payable by the Plaintiff to Bank Islam by way of redemption. The Plaintiff will sell the secured property, which sale was required to be completed by 30 December 2013. Consent judgment was recorded on 14 May 2013. Consent to transfer the property has been obtained from the state authority on 27 August 2013. Case management was initially fixed on 19 August 2013 to monitor the progress of the settlement, but has been postponed to 6 November 2013.

(c) On 9 February 2004, Bank Islam filed a civil suit against PC Auto Blast Sdn Bhd, Jaya Raj a/l A. Mariadas and Johnson a/l Mariadas (collectively "the Defendants") to recover the outstanding amount of RM13,145,946.46 under the financing facilities granted by Bank Islam to the Defendants. On 13 April 2004, Bank Islam withdrew the suit against the Defendants.

On 17 August 2006, Bank Islam filed another civil suit against the Defendants to recover the outstanding amount of RM13,125,946.46 under the financing facilities granted by Bank Islam to the Defendants (as the amount claimed under the suit in 2004 was inaccurate). The Defendants filed a counterclaim seeking, amongst others, declarations that the agreements executed pursuant to the financing facilities were null and void for non-compliance with the Shariah principles and damages amounting to RM656,326.29. On 30 September 2010, the court allowed Bank Islam's claim and struck out the Defendants' counterclaim.

On 28 October 2010, the court granted an order for sale. Bank Islam had successfully auctioned the property on 12 October 2011. However, Bank Islam did not receive the balance of auction proceeds from the successful bidder. Hence the property was put-up for auction again. An auction was fixed on 14 May 2013 but was then postponed. Application to fix a new auction dated was filed on 6 September 2013 and the hearing date for the said application has been fixed on 2 December 2013.

(d) On 7 March 2005, Bank Islam filed a civil suit against Commerce Resources Inc., Dato' Kamaruddin @ Kamaluddin bin Awang and Datuk Hiew Ming Yong ("First Defendant", "Second Defendant" and "Third Defendant" respectively, and collectively "the Defendants") to claim the outstanding amount of USD2,720,036.00 under the financing facilities granted by Bank Islam to the First Defendant. A judgment in default has been obtained against the First Defendant and the Second and Third Defendants being the guarantors for the financing facilities. However, further action against the First and Second Defendants were discontinued on the grounds that (a) there was no evidence of assets in the First Defendant and (b) the Second Defendant was successful in setting aside the judgment in default against him on technical grounds. Bank Islam was exploring other recovery strategies against the First and Second Defendants. Meanwhile, Bank Islam proceeded with bankruptcy proceedings against the Third Defendant but the bankruptcy notice was set aside by the Third Defendant.

(e) On 24 May 2007, Bank Islam filed a civil suit against Tan Sri Abdul Khalid Ibrahim ("the Defendant") to recover the outstanding amount of USD18,251,806.13 under the financing facilities granted by Bank Islam to the Defendant. On 21 August 2009 the Court allowed Bank Islam's summary judgment application under Order 14 of the Rules of High Court. The Defendant filed an appeal and stay of execution. On 3 March 2010, the Court of Appeal allowed the Defendant's appeal and set aside the summary judgment entered against the Defendant. The trial dates were fixed on 2 to 4 August, 9 to 11 August and 23 to 26 August 2010. However, on 9 August 2010, the Defendant filed an application to recuse Justice Rohana (the "Trial Judge") from hearing this matter. The Defendant claimed that there was a real danger of apparent bias on the part of the Trial Judge in hearing this action, pursuant to a letter from Bank Islam to BNM, referring to a conversation between one En Fazlur Rahman Ebrahim, then the COO of Bank Islam and the Trial Judge, in her capacity then as Deputy Head of BNM Islamic Banking and Takaful Department. The remaining dates for the trial were vacated to enable parties to file their affidavits. On 22 September 2010, the court dismissed the Defendant's application and the Defendant filed an appeal. On 1 November 2010, the Court of Appeal allowed the Defendant's appeal. The case was ordered to be heard before a new judge, YA Dato' Hj Mohd Zawawi Salleh. The case was then fixed for trial from 11 to 14, 18 to 21 and 25 to 28 July 2011. Bank Islam filed an application pursuant to Section 56 of the Central Bank of Malaysia Act to refer several Shariah issues to the Shariah Advisory Council ("SAC") of BNM but the application was objected to by the Defendant. The Defendant raised several issues including constitutionality of the said section. On 7 July 2011, the High Court judge directed that the issue be referred directly to the Federal Court. On 25 October 2011, the Federal Court declined to hear the matter and remitted the case back to the High Court for decision on Bank Islam's application in respect of the referral to the SAC of BNM. On 1 December 2011, the High Court allowed Bank Islam's application to refer the Shariah issues to the

SAC of BNM and on 8 December 2011, the Defendant appealed to the Court of Appeal against the order. On 14 May 2012 the court dismissed the Defendant's appeal. The Defendant then filed an application for leave to appeal to the Federal Court. On 14 November 2012, the leave application was allowed by the Federal Court. The hearing was fixed on 24 April 2013 but was taken off and converted to a case management. The matter was then fixed for hearing on 2 September 2013 but was subsequently adjourned to 21 October 2013. No trial dates have been fixed by the High Court pending the decision of the Federal Court on the Defendant's application.

In 2010, Tan Sri Abdul Khalid Ibrahim (hereinafter "the Plaintiff") filed a civil suit against Bank Islam alleging that Bank Islam and Permodalan Nasional Berhad purportedly conspired and/or acted in concert to cause loss to the Plaintiff by way of wrongfully recalling monies advanced to the Plaintiff by way of a Bai Bithaman Ajil facility. There was no claim amount specified but the Plaintiff sought general damages and loss of profits. The matter was fixed for trial from 29 July 2013 to 2 August 2013 but was subsequently adjourned to 1 October 2013 to 10 October 2013. During a case management on 21 June 2013, the trial dates were vacated in view of the Defendant's application to the Federal Court in relation to the issues of referral of Shariah issues to the SAC BNM and the constitutionality of section 56 of the Central Bank of Malaysia Act. The trial judge took note of the fact that the trial of another suit (as above) was outstanding and that the findings of facts arrived at by the other court would be directly applicable to this suit. The trial of this suit would therefore be contingent on the conclusion of the other trial between the Plaintiff and Bank Islam. The next case management date for this matter would be on 22 October 2013.

Bank Islam's solicitors are of the view that Bank Islam has a strong case against the counterparty in both suits.

(f) On 22 December 2006, Omegco Sdn Bhd ("the Plaintiff") filed a civil suit against Bank Islam claiming, amongst others, loss of profit of RM43.2 million and fixed deposit of RM250,000.00 not released by Bank Islam. On 26 September 2007, the application for summary judgment by the Plaintiff was struck out by the court with costs. The Plaintiff appealed against the decision of the High Court but subsequently withdrew the appeal. The High Court fixed the full trial from 31 October to 4 November 2011. However, the trial did not proceed on the fixed trial dates as the Plaintiff filed an application under Order 14A of the Rules of High Court on 24 October 2011 in determining the question of law. On 28 December 2011, the court dismissed the Plaintiff's application with costs. The court subsequently fixed the full trial to be held from 14 to 18 May 2012. On 11 January 2012, the Plaintiff was wound up by a third party, which resulted in the Plaintiff being required to obtain a sanction from the Official Assignee as the Plaintiff no longer has the capacity to appear before the court for trial. The case proceeded with full trial from 14 to 17 May 2012. On 6 August 2012 the court dismissed the Plaintiff's case with costs. The Plaintiff appealed to the Court of Appeal and the matter was heard on 24 September 2013, where the appeal was dismissed with cost of RM20,000.

(g) On 27 August 2007, Bank Islam filed a civil suit against four (4) former senior management staff of the then Bank Islam Labuan Ltd ("BILL") ("the Defendants") claiming an amount of USD5,866,447 being the outstanding amounts under the financing facilities granted by BILL to certain customers whose accounts have been in default, namely Faaris Investment Holding Plc, Commerce Trading Inc., Crest Group and Crestek Inc., with further damages to be assessed and special damages. Bank Islam claimed that the Defendants had acted contrary to the interest of BILL and were in breach of their statutory duties, common law duty of care and skills and express and/or implied contractual duties. The matter was fixed for trial from 18th to 21st February 2013, but was subsequently postponed to 7th to 10th October 2013. The trial dates on 7 and 8 October 2013 were subsequently vacated. On 9 October 2013, the trial judge struck out the first and second Defendants' defence for failure to comply with pre-trial case management directions. The first and second Defendants filed a Notice of Application for, inter alia, the trial to be stayed and that the order for striking out be set aside. On 10 October 2013, the trial was adjourned pending the disposal of the Notice of Application, which has been fixed for hearing on 28 October 2013. Bank Islam's solicitors are of the view that Bank Islam has a reasonable chance of success against the Defendants.

(h) On 12 May 2009, Swiber Marine (Malaysia) Sdn Bhd ("the Defendant/Claimant") had served a Section 218 Notice under the Companies Act 1965 against Bank Islam pursuant to a Bank Guarantee of RM16.0 million issued by Bank Islam in which Bank Islam had declined due to certain technicalities. Subsequently, on 27 May 2009, Bank Islam filed an action against the Defendant, seeking an injunction to restrain the Defendant from presenting or proceeding with a winding-up petition against Bank Islam ("Injunction"). On 10 August 2009, the Court had granted an interim injunction in favour of Bank Islam. Based on the Defendant's undertaking not to issue a Section 218 Notice against Bank Islam until the disposal of the matter by arbitration, Bank Islam withdrew the action against the Defendant for a permanent Injunction on 17 November 2009. The matter was subsequently referred to arbitration. On 30 September 2011, the arbitration panel ordered that the Claimant's claim be dismissed with costs. In November 2011, the Claimant filed an originating summons at the Kuala Lumpur High Court to appeal on point of law against the final arbitration award. Bank Islam also filed an originating summons at Kuala Lumpur High Court to register the arbitration award as a judgment and to enforce it against the Claimant. On 26 July 2012 the Claimant's appeal on the arbitral award was dismissed with costs. On 24 August 2012, the Claimant filed a Notice of Appeal to the Court of Appeal. On 18 September 2012, the Claimant's appeal was dismissed with costs. In October 2012, the Claimant filed an application for leave to appeal to the Federal Court. The hearing of the Claimant's notice of motion for leave to appeal was fixed on 29 May 2013, but was postponed to 27 June 2013. On 27 June 2013, the Claimant's notice of motion for leave to appeal was dismissed with costs by the Federal Court. The matter is now considered closed.

(i) On 20 April 2010, Bank Islam referred a dispute in connection with a Services Agreement and a Software Agreement ("Agreements") with a vendor for arbitration. Bank Islam is claiming rescission of the Agreements and a refund of the sum paid (to-date of RM19.03 million) and/or damages, compensation/cost of fund on all sums found to be due to it and an appropriate order as to costs. The vendor filed a counterclaim. The arbitration commenced on 15 February 2012. On 6 August 2013, Bank Islam was informed that the ICC had decided in favour of the vendor on the issue of liability. The ICC will be dealing with the vendor's counterclaim and determining the damages in the second phase of the arbitration (the date is yet to be determined). However, Bank Islam is proposing to file an application in the High Court of Singapore to set aside the partial award on liability and an application to the ICC for a stay of the second phase of the arbitration, pending the outcome of the application to the High Court of Singapore. Bank Islam's solicitors are of the view that Bank Islam has valid grounds to make the application to set aside the partial award on liability.

5. CONSENTS

(a) The written consents of the Principal Adviser, Company Secretary, Solicitors, Share Registrar, Principal Banker, and Bloomberg Finance L.P. for the inclusion in this AP of their names and all references thereto in the form and context in which such names appear have been given before the issue of this AP and have not subsequently been withdrawn.

(b) The written consent of the Auditors and Reporting Accountants for the inclusion in this AP of their name, the Reporting Accountant's letter on the unaudited proforma consolidated statements of financial position of BHB as at 31 December 2012, the audited consolidated financial statements of BHB for the FYE 31 December 2012 together with the Auditors' report thereon and all references thereto in the form and context in which they appear have been given before the issue of this AP and have not subsequently been withdrawn.

6. GENERAL

(i) There is no existing or proposed service contract entered or to be entered into by our Company with any Director or proposed Director, other than those which are expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one (1) year from the date of this AP.

(ii) The estimated expenses for the Corporate Exercises are RM14.3 million, all of which will be borne by our Company.

(iii) Save as disclosed in this AP, there are no material information including trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.

(iv) Save as disclosed in this AP, the financial conditions and operations of our Group are not affected by any of the following:-

(a) Known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

(b) Material commitments for capital expenditure;

(c) Unusual or infrequent events or transactions or significant economic changes that will materially affect the amount of reported income from operations;

(d) Known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on our Group's revenue or operating income; and

(e) Substantial increase in revenue.

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection at the registered office of our Company at 31st Floor, Menara Bank Islam, No. 22, Jalan Perak, 50450 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of twelve (12) months from the date of this AP:-

(i) The Memorandum and Articles of Association of our Company;

(ii) Deed Poll;

(iii) The unaudited proforma consolidated statements of financial position of BHB as at 31 December 2012 together with the Reporting Accountants' letter thereon as set out in Appendix IV of this AP;

(iv) The audited consolidated financial statements of BHB for the past two (2) financial years, i.e. FYE 31 December 2011 and FYE 31 December 2012;

(v) The unaudited consolidated financial statements of BHB for the six (6)-month FPE 30 June 2013 as set out in Appendix VI of this AP;

(vi) The Directors' Report, as set out in Appendix VII of this AP;

(vii) The Undertaking, as referred to in Section 3 of this AP;

(viii) The material contracts of our Group as referred to in Section 3 of this Appendix VIII;

(ix) The relevant cause papers in respect of the material litigation, as referred to in Section 4 of this Appendix VIII; and

(x) The consent letters, as referred to in Section 5 of this Appendix VIII.

8. RESPONSIBILITY STATEMENT

This AP together with its accompanying documents have been seen and approved by our Board and they collectively and individually accept full responsibility for the accuracy of the information given herein and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

Bank Islam, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

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