

Bank Muamalat Malaysia Berhad
(6175-W)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2016

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

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Bank Muamalat Malaysia Berhad
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Directors' Report

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

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2016.

Principal activities

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

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

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

Results

	Group RM'000	Bank RM'000
Profit before zakat and taxation	167,233	167,876
Zakat	(4,375)	(4,197)
Taxation	(30,949)	(29,259)
Profit for the year	<u>131,909</u>	<u>134,420</u>

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

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

Dividend

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

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Directors

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

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Haji Abdul Jabbar Abdul Majid
Tengku Dato' Seri Hasmuiddin Tengku Othman
Dato' Haji Mohd Redza Shah Abdul Wahid
Dato' Haji Mohd Izani Ghani
Dato' Azmi Abdullah
Dato' Haji Kamil Khalid Ariff
Dato' Sri Che Khalib Mohamad Noh
Dr. Azura Othman
Dato' Ahmad Fuaad Mohd Kenali (appointed on 29 July 2015)
Dato' Mohamed Hazlan Mohamed Hussain (resigned on 29 July 2015)

Directors' interests

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

	Number of ordinary shares of RM1.00 each		
	As at 1.4.2015	Acquired	Disposal
			As at 31.3.2016
Interest in DRB-HICOM Berhad, holding company:			
Dato' Sri Che Khalib Mohamad Noh	3,500	-	-
			3,500

Other than as disclosed above, none of the other directors who held office at the end of the financial year had, according to the register required to be kept under Section 134 of the Companies Act, 1965, any interest in shares of the Bank or its related corporations during the financial year.

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Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 31 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except for certain directors who received remuneration from a subsidiary company of the holding company.

Other statutory information

- (a) Before the statements of profit or loss, statements of comprehensive income and statements of financial position of the Group and of the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render:
 - (i) the amount written off for bad debts, or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) As at the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

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Other statutory information (cont'd.)

- (d) As at the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.
- (f) In the opinion of the directors:
 - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Bank to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

Compliance with Bank Negara Malaysia's Guidelines on Financial Reporting

In the preparation of the financial statements, the directors have taken reasonable steps to ensure that the preparation of the financial statements of the Group and of the Bank are in compliance with the Bank Negara Malaysia's Guidelines on Financial Reporting for Islamic Financial Institutions and the Guidelines on Classification and Impairment Provisions for Financing.

Significant and subsequent events

There are no significant events during the year.

On 20 May 2016, the Bank announced its plan to redeem the existing RM400 million subordinated sukuk on 15 June 2016. The redemption will be funded through setting up of a RM1 billion Sukuk programme.

The new sukuk programme will have loss absorption features to meet Basel III criteria and qualifies as Tier 2 Capital.

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Business review 2015/2016

The Group recorded a profit before zakat and taxation of RM167.2 million, an increase of 37%, as compared to the RM122.0 million posted in the previous corresponding year. Its twelve (12) months revenue continue to grow by 12.9% with gross income recorded at RM1.2 billion and the total net income increased by 2.5% to RM533.0 million.

This improvement in total net income was primarily caused by the higher financing income and higher income from securities, however, these are offset by higher allowance for impairment on financing in addition to the higher income attributable to depositors and higher allowance for impairment on investment, as compared to a writeback in the previous year.

Personnel expenses and other overheads and expenditures were registered at RM345.1 million, a decline of 8.5% as compared against RM377.2 million in previous corresponding year. This was the result of the Group's continuous initiatives on cost improvement to ensure sustainable business performance.

The overall total financing of customers has expanded to RM14.5 billion from RM13.4 billion, or 8.2% growth, resulting in an increase in the Group's total assets as at 31 March 2016 to RM22.6 billion from RM22.4 billion recorded in the last financial year.

Prospects

Global economic activities remained subdued in 2015 as the recovery process continued to be hindered by a constant sharp fall in crude oil and other major commodity prices, tepid global trade, moderated growth in emerging economies as well as heightened volatilities in global financial markets. Although growth stayed uneven notably in emerging and developing economies, global growth is poised to recover modestly; supported by anticipation of stabilising crude oil and commodity prices as well as further improvement in the US economy.

Despite the challenging external environment in 2015, the Malaysian economy grew by 5.0% (2014: 6.0%) mainly from modest expansion in external demand cushioned by resilient growth in domestic demand. The banking sector in tandem continued to experience low margins due to intense competition as well as heightened volatility in the market. Although operating conditions will remain challenging, the financial sector is anticipated to remain healthy with sound risk management, ample liquidity and strong capital buffers.

On the back of a very challenging environment in the local and global financial markets in 2015, the Bank will continue to pursue moderate asset growth, strengthening its existing business whilst focusing on yield management and cost efficiencies through the development and enhancement of its digital and transactional banking initiatives, product innovation, customer diversification and customer service improvements towards enhancing shareholder's value.

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Rating by external rating agencies

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Received
Rating Agency Malaysia Berhad	May 2016	Long term	A2
		Short term	P1
		Subordinated Bond	A3
		Outlook	Stable

Disclosure of Shariah Committee

The Bank's business activities are required to be in full compliance with the Shariah requirements, as governed and guided by the Shariah Committee consisting of a minimum of five (5) members appointed by the Board for a specified term. The duties and responsibilities of the Shariah Committee are prescribed by the Shariah Governance Framework for the Islamic Financial Institutions issued by the Bank Negara Malaysia (BNM). The main duties and responsibilities of the Shariah Committee are as follows:

- (a) To discharge their duties and responsibilities as Shariah Committee member in accordance with Laws and Regulations in respect of duties and obligations of the Shariah Committee member, and be responsible and accountable for all Shariah decisions, opinions and views provided by them.
- (b) To advise the Board and the management including the Bank's subsidiaries and provide input on Shariah matters in order for the Group to comply with Shariah principles at all times.
- (c) To endorse Shariah policies and procedures prepared by the Bank and its subsidiaries and to ensure that the contents do not contain any elements which are not in line with Shariah.
- (d) To ensure that the products of the Bank and its subsidiaries comply with Shariah principles, the Shariah Committee must approve:
 - (i) the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in executing the transactions; and
 - (ii) the product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
- (e) To assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

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Disclosure of Shariah Committee (cont'd.)

- (f) To provide the necessary assistance to the related parties of the Bank and its subsidiaries such as its legal counsel, auditor or consultant who may seek advice on Shariah matters from the Shariah Committee.
- (g) To advise the Bank and its subsidiaries to consult the Shariah Advisory Council of Bank Negara Malaysia (SAC of BNM) on Shariah matters that could not be resolved.
- (h) To provide written Shariah opinions in circumstances where the Bank makes reference to the SAC of BNM for further deliberation, or where the Bank submits applications to the Shariah Committee for new product approval.
- (i) To provide the Bank and its subsidiaries with guidelines and advice on Shariah matters to ensure that the Bank's overall activities are in line with Shariah.
- (j) To make decisions on matters arising from existing and future activities of the Bank which might have religious repercussions.
- (k) To report to the shareholders and the depositors that all of the Group's activities are in accordance with Shariah requirements.
- (l) To provide Shariah advisory and consultancy services in all matters relating to Bank's products, transactions and activities as well as other businesses involving the Bank.
- (m) To scrutinise and endorse the annual financial report of the Group.
- (n) To provide training to the staff of the Bank and its subsidiaries as well as provide note or relevant materials for their reference.
- (o) To represent the Bank or to attend any meetings with the SAC of BNM or other relevant bodies concerning any Shariah issues relating to the Bank and its subsidiaries.
- (p) To maintain the confidentiality of the Bank's internal information and shall be responsible for the safe guarding of confidential information. Members of the Shariah Committee should maintain all information in strict confidence, except when disclosure is authorised by the Bank or required by law.
- (q) To ensure the quality and consistency of the Shariah decision.

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Zakat obligations

The Bank pays zakat on its business. The Bank does not pay zakat on behalf of the shareholders or depositors.

For the year ended 31 March 2016, the Bank has allocated an amount of RM4.2 million as provision for zakat.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the directors dated

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman
Kuala Lumpur, Malaysia

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

**Bank Muamalat Malaysia Berhad
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Statement by directors

Pursuant to Section 169(15) of the Companies Act, 1965

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

We, Tan Sri Dato' Dr. Mohd Munir Abdul Majid and Dato' Haji Mohd Redza Shah Abdul Wahid, being two of the directors of Bank Muamalat Malaysia Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 13 to 193 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2016 and of the results and the cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman
Kuala Lumpur, Malaysia

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Statutory declaration

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

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

I, Hafni Mohd Said, being the officer primarily responsible for the financial management of Bank Muamalat Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 193 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
above named Hafni Mohd Said
at Kuala Lumpur in Federal Territory
on

Hafni Mohd Said

Before me,

Commissioner for Oaths

**Bank Muamalat Malaysia Berhad
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Report of the Shariah Committee

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

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

We have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank during the year ended 31 March 2016. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah principles and with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.

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

We planned and performed our review by obtaining all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated the Shariah principles and to rectify to our reasonable satisfaction the matters that required improvements toward Shariah compliance.

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

1. the contracts, transactions and dealings entered into by the Bank during the year ended 31 March 2016 that we have reviewed are in compliance with the Shariah principles.
2. the allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;
3. all earnings that have been realised from sources or by means prohibited by the Shariah principles have been identified and excluded from the Bank's income and were disposed for charitable causes; and
4. the calculation and distribution of zakat is in compliance with Shariah principles.

We, the members of the Shariah Committee of Bank Muamalat Malaysia Berhad, to the best of our knowledge, do hereby confirm that the operations of the Bank for the year ended 31 March 2016 have been conducted in conformity with the Shariah principles.

Signed on behalf of the Shariah Committee of Bank Muamalat Malaysia Berhad,

Azizi Che Seman
Chairman of Shariah Committee

Engku Ahmad Fadzil Engku Ali
Member of Shariah Committee

Kuala Lumpur, Malaysia

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**Independent auditors' report to the members of
Bank Muamalat Malaysia Berhad
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Report on the financial statements

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 2016 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 13 to 193.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of 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.

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**Independent auditors' report to the members of
Bank Muamalat Malaysia Berhad (cont'd.)
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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on other legal and regulatory requirements

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

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

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

Muhammad Syarizal bin Abdul Rahim
No. 3157/01/17(J)
Chartered Accountant

Bank Muamalat Malaysia Berhad
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Consolidated statement of financial position as at 31 March 2016 (22 Jamadil Akhir 1437H)

		Group	
	Note	2016	2015
		RM'000	RM'000
Assets			
Cash and short-term funds	4 (a)	1,008,391	1,115,809
Cash and placements with financial institutions	4 (b)	60,710	111,135
Financial investments designated at fair value through profit or loss	5 (a)	186,355	118,657
Financial investments available-for-sale	5 (b)	5,700,165	6,435,479
Financial investments held-to-maturity	5 (c)	140,608	139,042
Islamic derivative financial assets	6	40,601	44,378
Financing of customers	7	14,512,877	13,414,670
Other assets	9	71,909	96,462
Statutory deposits with Bank Negara Malaysia	10	703,261	757,721
Investment properties	12	32,529	8,047
Intangible assets	13	121,121	127,179
Property, plant and equipment	14	58,127	69,218
Prepaid land lease payments	15	235	239
Total assets		22,636,889	22,438,036
Liabilities			
Deposits from customers	17	19,643,428	19,544,549
Deposits and placements of banks and other financial institutions	18	442,252	408,836
Bills and acceptances payable	19	29,350	67,723
Islamic derivative financial liabilities	6	49,359	46,193
Other liabilities	20	64,981	86,538
Provision for zakat and taxation	21	4,935	4,501
Deferred tax liabilities	16	568	18,947
Subordinated sukuk	22	406,079	406,055
Total liabilities		20,640,952	20,583,342

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Consolidated statement of financial position as at 31 March 2016 (22 Jamadil Akhir 1437H)
(cont'd.)

	Note	Group 2016 RM'000	2015 RM'000
Shareholders' equity			
Share capital	23	1,195,000	1,195,000
Reserves	24	800,937	659,694
Total shareholders' equity		1,995,937	1,854,694
Total liabilities and shareholders' equity		22,636,889	22,438,036
Commitments and contingencies	41	8,014,896	9,455,310
Capital adequacy *	46		
CET 1 capital ratio		13.85%	13.33%
Total capital ratio		16.08%	16.12%

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

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

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Statement of financial position as at 31 March 2016 (22 Jamadil Akhir 1437H)

		Bank	
	Note	2016	2015
		RM'000	RM'000
Assets			
Cash and short-term funds	4 (a)	1,008,391	1,115,809
Cash and placements with financial institutions	4 (b)	60,710	111,135
Financial investments designated at fair value through profit or loss	5 (a)	177,322	114,557
Financial investments available-for-sale	5 (b)	5,700,012	6,435,479
Financial investments held-to-maturity	5 (c)	140,608	139,042
Islamic derivative financial assets	6	40,601	44,378
Financing of customers	7	14,522,194	13,425,853
Other assets	9	77,236	95,713
Statutory deposits with Bank Negara Malaysia	10	703,261	757,721
Investment in subsidiaries	11	8,055	6,384
Investment properties	12	32,529	8,047
Intangible assets	13	120,563	126,426
Property, plant and equipment	14	58,050	69,103
Prepaid land lease payments	15	235	239
Total assets		22,649,767	22,449,886
Liabilities			
Deposits from customers	17	19,664,220	19,566,609
Deposits and placements of banks and other financial institutions	18	442,252	408,836
Bills and acceptances payable	19	29,350	67,723
Islamic derivative financial liabilities	6	49,359	46,193
Other liabilities	20	64,657	87,071
Provision for zakat and taxation	21	4,512	3,436
Deferred tax liabilities	16	568	18,947
Subordinated sukuk	22	406,079	406,055
Total liabilities		20,660,997	20,604,870

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Statement of financial position as at 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

	Note	Bank 2016 RM'000	2015 RM'000
Shareholders' equity			
Share capital	23	1,195,000	1,195,000
Reserves	24	793,770	650,016
Total shareholders' equity		1,988,770	1,845,016
Total liabilities and shareholders' equity		22,649,767	22,449,886
Commitments and contingencies	41	8,014,896	9,455,310
Capital adequacy *	46		
CET 1 capital ratio		13.76%	13.27%
Total capital ratio		15.99%	16.07%

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

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

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Statements of profit or loss

For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

		Group		Bank	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	25	1,110,382	1,004,210	1,110,382	1,004,210
Income derived from investment of shareholders' funds	26	99,646	68,026	90,609	58,117
Allowance for impairment on financing	27	(59,322)	(37,915)	(53,322)	(37,915)
Provision for commitments and contingencies	20(a)	(2,870)	(750)	(2,870)	(750)
Impairment (loss)/writeback on investments	28	(22,790)	22,004	(21,119)	22,004
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(5,564)	(7,614)	(5,564)	(7,614)
Total distributable income		1,119,482	1,047,961	1,118,116	1,038,052
Income attributable to depositors	29	(586,500)	(528,198)	(586,967)	(528,378)
Total net income		532,982	519,763	531,149	509,674
Personnel expenses	30	(183,500)	(219,569)	(180,753)	(217,721)
Other overheads and expenditures	33	(161,626)	(157,628)	(161,897)	(157,029)
Finance cost	34	(20,623)	(20,600)	(20,623)	(20,600)
Profit before zakat and taxation		167,233	121,966	167,876	114,324
Zakat	35	(4,375)	(3,453)	(4,197)	(3,161)
Taxation	36	(30,949)	(29,233)	(29,259)	(27,348)
Profit for the year		131,909	89,280	134,420	83,815
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	37	11.04	7.47		

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

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Statements of other comprehensive income
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

		Group		Bank	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Profit for the year		131,909	89,280	134,420	83,815
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net unrealised gain on revaluation of financial investments available-for-sale		14,187	26,292	14,187	26,292
Income tax relating to net gain on financial investments available-for-sale	16	(3,383)	(6,657)	(3,383)	(6,657)
Exchange fluctuation reserve		(1,470)	203	(1,470)	203
Other comprehensive income for the year, net of tax		9,334	19,838	9,334	19,838
Total comprehensive income for the year		141,243	109,118	143,754	103,653

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

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Consolidated statement of changes in equity
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

Group	Non-distributable			Distributable		Total equity RM'000
	Ordinary shares RM'000	Statutory reserve* RM'000	Exchange fluctuation reserve RM'000	Available- for-sale reserve RM'000	Retained profits RM'000	
At 1 April 2015	1,195,000	515,612	(584)	(10,592)	155,258	1,854,694
Profit for the year	-	-	-	-	131,909	131,909
Other comprehensive income for the year	-	-	(1,470)	10,804	-	9,334
Total comprehensive income for the year	-	-	(1,470)	10,804	131,909	141,243
Transfer to statutory reserve	-	67,210	-	-	(67,210)	-
At 31 March 2016	1,195,000	582,822	(2,054)	212	219,957	1,995,937
At 1 April 2014	1,195,000	473,705	(787)	(30,227)	107,885	1,745,576
Profit for the year	-	-	-	-	89,280	89,280
Other comprehensive income for the year	-	-	203	19,635	-	19,838
Total comprehensive income for the year	-	-	203	19,635	89,280	109,118
Transfer to statutory reserve	-	41,907	-	-	(41,907)	-
At 31 March 2015	1,195,000	515,612	(584)	(10,592)	155,258	1,854,694

* The statutory reserve is maintained in compliance with BNM Guideline of Capital Funds for Islamic Banks and is not distributable as dividends.

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

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Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

	Non-distributable			Distributable		Total equity RM'000
	Ordinary shares RM'000	Statutory reserve* RM'000	Exchange fluctuation reserve RM'000	Available- for-sale reserve RM'000	Retained profits RM'000	
Bank						
At 1 April 2015	1,195,000	514,015	(584)	(10,592)	147,177	1,845,016
Profit for the year	-	-	-	-	134,420	134,420
Other comprehensive income for the year	-	-	(1,470)	10,804	-	9,334
Total comprehensive income for the year	-	-	(1,470)	10,804	134,420	143,754
Transfer to statutory reserve	-	67,210	-	-	(67,210)	-
At 31 March 2016	1,195,000	581,225	(2,054)	212	214,387	1,988,770
At 1 April 2014	1,195,000	472,108	(787)	(30,227)	105,269	1,741,363
Profit for the year	-	-	-	-	83,815	83,815
Other comprehensive income for the year	-	-	203	19,635	-	19,838
Total comprehensive income for the year	-	-	203	19,635	83,815	103,653
Transfer to statutory reserve	-	41,907	-	-	(41,907)	-
At 31 March 2015	1,195,000	514,015	(584)	(10,592)	147,177	1,845,016

* The statutory reserve is maintained in compliance with BNM Guideline of Capital Funds for Islamic Banks and is not distributable as dividends.

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

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2016 (22 Jamadil Akhir 1437H)

		Group		Bank	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before zakat and taxation		167,233	121,966	167,876	114,324
Adjustment for:					
Amortisation of prepaid land lease payment	33	4	4	4	4
Amortisation of intangible assets	33	23,312	13,160	23,117	12,978
Depreciation of property, plant and equipment	33	20,302	20,877	20,264	20,841
Gain on sale of property, plant and equipment	26	(232)	(3)	(232)	(3)
Gain on sale of foreclosed properties	26	-	(8,256)	-	(8,256)
Property, plant and equipment written off	33	20	20	20	20
Amortisation of premium less accretion of discount	25 & 26	848	2,431	848	2,431
Net gain from sale of financial investments available-for-sale	25 & 26	(10,250)	(10,928)	(10,250)	(10,928)
Net gain from sale of financial investments designated at fair value through profit or loss	25 & 26	(617)	(4,420)	(617)	(4,420)
Net gain on revaluation of foreign exchange transaction	26	(9,653)	(23,425)	(9,653)	(23,425)
Net loss/(gain) from foreign exchange derivatives	26	3,822	(10,727)	3,822	(10,727)
Unrealised loss on revaluation of Islamic profit rate swap	26	3,097	28,431	3,097	28,431
Unrealised gain on revaluation of hedged items	26	(4,470)	-	(4,470)	-
Gain from derecognition of fair value of hedged items	26	(7,052)	(1,772)	(7,052)	(1,772)
Impairment loss/(writeback) on investment securities	28	22,790	(22,004)	22,790	(22,004)

Bank Muamalat Malaysia Berhad
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Statements of cash flows

For the year ended 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

	Note	Group		Bank	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities (cont'd.)					
Impairment writeback on investment in a subsidiary	28	-	-	(1,671)	-
Fair value adjustments of investment properties	26	(1,644)	-	(1,644)	-
Net allowance for impairment on financing	27	68,165	74,357	68,165	74,357
Financing written off	27	18,321	1,229	18,321	1,229
Provision for commitments and contingencies	20(a)	2,870	750	2,870	750
Finance cost	34	20,623	20,600	20,623	20,600
Gross dividend income	26	(1,614)	(1,612)	(1,612)	(1,612)
Operating profit before working capital changes		315,875	200,678	314,616	192,818
(Increase)/decrease in operating assets:					
Islamic derivative financial assets		(13,948)	(42,047)	(13,948)	(42,047)
Financial investments portfolio		(37,527)	(2,103)	(37,527)	(2,103)
Financing of customers		(1,183,385)	(1,588,792)	(1,176,586)	(1,595,592)
Statutory deposits with Bank Negara Malaysia		54,460	(109,000)	54,460	(109,000)
Other assets		22,187	49,536	16,108	49,722
Increase/(decrease) in operating liabilities:					
Deposits from customers		98,879	1,915,321	97,611	1,927,949
Deposits and placements of banks and other financial institutions		33,416	307,762	33,416	307,762
Islamic derivative financial liabilities		13,973	42,048	13,973	42,048
Bills and acceptances payable		(38,373)	(37,281)	(38,373)	(37,281)
Other liabilities		(31,412)	28,027	(32,269)	28,528
Cash (used in)/generated from operations		(765,855)	764,149	(768,519)	762,804

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

	Note	Group		Bank	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities (cont'd.)					
Zakat paid		(3,347)	(5,206)	(3,121)	(5,137)
Tax paid		(32,387)	(30,910)	(30,101)	(29,730)
Net cash (used in)/generated from operating activities		(801,589)	728,033	(801,741)	727,937
Cash flows from investing activities					
Proceeds from disposal of investment in securities		7,273,089	10,660,564	7,273,089	10,660,564
Purchase of financial investment in securities		(6,561,266)	(11,133,124)	(6,561,112)	(11,133,124)
Proceeds from disposal of property, plant and equipment		242	4	242	4
Purchase of property, plant and equipment	14	(9,241)	(13,689)	(9,241)	(13,675)
Purchase of intangible assets	13	(17,254)	(74,856)	(17,254)	(74,774)
Purchase of investment properties	12	(22,838)	(8,047)	(22,838)	(8,047)
Dividend income		1,614	1,612	1,612	1,612
Net cash generated from/ (used in) investing activities		664,346	(567,536)	664,498	(567,440)
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		(20,600)	(20,600)	(20,600)	(20,600)
Net cash used in financing activities		(20,600)	(20,600)	(20,600)	(20,600)

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

		Group		Bank	
	Note	2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents		(157,843)	139,897	(157,843)	139,897
Cash and cash equivalents at beginning of year		1,226,944	1,087,047	1,226,944	1,087,047
Cash and cash equivalents at end of year		1,069,101	1,226,944	1,069,101	1,226,944
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	1,008,391	1,115,809	1,008,391	1,115,809
Cash and placements with financial institutions	4 (b)	60,710	111,135	60,710	111,135
		1,069,101	1,226,944	1,069,101	1,226,944

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

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H)

1. Corporate information

Bank Muamalat Malaysia Berhad (the "Bank") is principally engaged in all aspects of Islamic banking business and related financial services in accordance with Shariah principles.

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

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

The Bank is a licensed Islamic Bank under the Islamic Financial Service Act 2013 ("IFSA"), incorporated and domiciled in Malaysia. The registered office of the Bank is located at 20th Floor, Menara Bumiputra, Jalan Melaka, 50100 Kuala Lumpur.

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

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

2. Significant accounting policies

2.1 Basis of preparation

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

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

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

Certain comparative figures in the notes to the financial statements have been reclassified to confirm to current year's presentation.

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

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 March 2016.

The financial statements of the Bank's subsidiaries are prepared for the same reporting date as the Bank, using consistent accounting policies to rephrase transactions and events in similar circumstances. Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank obtains control and continue to be consolidated until the date that such control effectively ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Group controls an investee, if and only if, the Group has the following (3) elements of control :

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the (3) elements of control.

Generally, there is a presumption that majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.2 Basis of consolidation (cont'd.)

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

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

2.3 Summary of significant accounting policies

(a) Investment in subsidiaries

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

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets

(i) Initial recognition and subsequent measurement

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

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

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

(1) Financial assets at FVTPL

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

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

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(1) Financial assets at FVTPL (cont'd.)

Subsequent to initial recognition, financial assets held-for-trading and financial investments designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in statement of profit or loss. Net gain or net losses on financial assets at FVTPL do not include exchange differences, profit and dividend income. Exchange differences, profit and dividend income on financial assets at FVTPL are recognised separately in statement of profit or loss as part of other losses or other income.

(2) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financing assets classified in this category includes financing, advances and certain other receivables. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective profit rate method, less impairment.

(3) Financial investments HTM

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

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

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(4) Financial investments AFS

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

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

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

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

Dividends on an equity AFS instruments are recognised in the statement of profit or loss when the Group's and Bank's right to receive payment is established.

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(ii) Derecognition

A financial asset is derecognised when:

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

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

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(iii) Impairment of financial assets

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

(1) Financing and receivables

Classification of financing and receivable as impaired

Financing and receivable are classified as impaired when:

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(1) Financing and receivables (cont'd.)

Impairment Process – Individual Assessment

The Group and the Bank assess if objective evidence of impairment exist for financing and receivables which are deemed to be individually significant.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows discounted at the financing's original effective profit rate. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

Impairment Process – Collective Assessment

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

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(1) Financing and receivables (cont'd.)

Impairment Process – Collective Assessment (cont'd.)

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

Impairment Process – Written off accounts

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

(2) Financial investments AFS

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

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(2) Financial investments AFS (cont'd)

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

In the case of equity investments classified as AFS investment, the objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Bank treats "significant" generally as 25% and "prolonged" generally as twelve months.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in statement of profit or loss is removed from equity and recognised in statement of profit or loss.

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

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

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

(3) Financial investments HTM

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

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

(iv) Determination of fair value

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

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

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities

(i) Date of recognition

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

(ii) Initial recognition and subsequent measurement

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at FVTPL.

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

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

(2) Other financial liabilities

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

(a) *Deposits from customers, deposits and placements of banks and other financial institutions*

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

(b) *Islamic debt securities*

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

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

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

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(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

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

(c) Financial liabilities (cont'd.)

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

(2) Other financial liabilities (cont'd.)

(c) *Payables*

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

(d) *Bills and acceptances payable*

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

(e) *Other liabilities*

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

(iii) Derecognition

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(d) Derivative instruments and hedge accounting

(i) Derivative instruments

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

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

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of the derivatives are recognised in the statement of profit or loss unless these form part of a hedging relationship.

(ii) Hedge accounting

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

(ii) Hedge accounting (cont'd.)

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

(1) Fair value hedge

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

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

(2) Cash flow hedge

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

(ii) Hedge accounting (cont'd.)

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

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

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

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

(e) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of financings and are stated at the lower of cost and net realisable value and reported within other assets.

(f) Investment properties

Investment properties, comprising principally land and shoplots, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Bank.

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(f) Investment properties (cont'd.)

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, representing open-market value determined annually by registered independent valuer having appropriate recognised professional qualification. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and the Bank uses alternative valuation methods such as recent prices of less active markets or discounted cash flow projections. Changes in fair values are recorded in statement of profit or loss in the year in which they arise.

On disposal of an investment property, or when it is permanently withdrawn from use or no future economic benefits are expected from its disposal, it shall be derecognised. The difference between the net disposal proceeds and the carrying amount is recognised in statement of profit or loss in the period of the retirement or upon disposal.

(g) Intangible assets

Intangible assets include computer software and software under development.

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

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(g) Intangible assets (cont'd.)

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

Computer software	3 to 10 years
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(h) Property, plant and equipment and depreciation

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

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

Freehold land has unlimited useful life and therefore is not depreciated. Work-in-progress property, plant and equipment are also not depreciated until the assets are ready for their intended use.

Depreciation of other property, plant and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in statement of profit or loss.

(i) Prepaid land lease payments

(i) Classification

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

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(i) Prepaid land lease payments (cont'd.)

(ii) Finance lease

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

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

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(h).

(iii) Operating lease

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

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

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions and balances

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

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

The exchange fluctuation reserve is reclassified from equity to statement of profit or loss of the Group on disposal of the foreign operation.

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies (cont'd.)

(iii) Foreign operations

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

(k) Provision for liabilities

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

(l) Impairment of non-financial assets

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

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

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

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

(m) Cash and cash equivalents

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(n) Contingent liabilities and contingent assets

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

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

(o) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plan

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition

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

(i) Profit and income from financing

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

For impaired financial assets, profit/financing income continues to be recognised using the effective profit rate, to the extent that it is probable that the profit can be recovered.

(1) Bai' Bithaman Ajil ("BBA")

This contract involves the purchase and sale of an asset by the Bank to the customer on a deferred payment basis either be paid in lump sum or instalment basis within an agreed period of time at a price which includes a profit margin agreed by both parties. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(2) Ijarah Thumma Al-Bai'

Contract of lease ending with transfer of ownership from the lessor to the lessee in the form of sale transaction based on agreed terms and conditions. There are (2) contracts involved in this arrangement. The first contract is Ijarah where the lessee enjoys the usufruct of the assets for an agreed rental during an agreed period of time while the ownership remains with the lessor. The second contract is the sale contract which may take place at the end of the Ijarah period or at any point of time during the period subject to the agreed terms and conditions between the contracting parties.

Financing income is recognised on effective profit rate basis over the lease term.

(3) Bai' Inah

Contract of sale and purchase of an asset whereby the Bank sells an asset to the customer on a deferred basis and subsequently buys back the asset at a cash price lower than the deferred sales price. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

(4) Tawarruq

Arrangement that involves a purchase of an asset or commodity based on Murabahah contract on deferred term and a subsequent sale of the same asset to a third party in order to obtain cash. The Bank's Commodity Murabahah term deposit product is based on the contract of Murabahah and Tawarruq. The commodity trading fee incurred in the Tawarruq arrangement is borne by the Bank and is recognised as an expense in the statement of profit or loss as incurred.

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(5) Bai Al-Dayn

This contract involves the sale and purchase of securities or debt certificates which conforms with the Shariah ruling. Securities or debt certificates are issued by a debtor to a creditor as evidence of indebtedness. Income recognition is upon realising the capital gain on sale of the securities or debt certificates.

(6) Murabahah

This contract involves the sale of goods or assets by the Bank at a mark up price to the customer, which includes a profit margin as agreed by both parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed by both parties. This contract applies to the Bank's financing and advances products whilst the Bank's Commodity Murabahah term deposit product is based on the contract of Murabahah and Tawarruq.

(7) Istisna'

Istisna' contract can be established between a Bank and contractor, developer, or producer that allows the Bank to make progress payments as construction progresses. Istisna' financing is provided in the form of advance progress payments to the customers who builds, manufactures, constructs or develops the object of sale. Upon completion of the project, the asset is delivered to parties who have earlier on agreed to take delivery of the asset. Financing income is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

(i) Profit and income from financing (cont'd.)

(8) Qard

Qard is a contract of loan between (2) parties on the basis of social welfare or to fulfil a short-term financial need of the borrower. The amount of repayment must be equivalent to the amount borrowed. It is, however legitimate for a borrower to pay more than the amount borrowed as long as it is not stated or agreed at the point of contract. As such, no accrual of income is recognised for this contract.

(9) Musharakah Mutanaqisah

In Musharakah Mutanaqisah contract, the customer and the Bank jointly acquire and own the asset. The Bank then leases its equity or share of asset to the customer on the basis of Ijarah. The customer is given the right to acquire the Bank's equity in the asset periodically. Financing income is accounted for on the basis of reducing balance on a time apportioned basis that reflects the effective yield of the

Financing income under this contract is recognised on effective profit rate basis over the period of the contract based on the principal amount outstanding.

Profit attributable to depositors is recognised as an expense in the statement of profit or loss as incurred. Profit distributed is based on the expected profit rate, which is quoted to the customer on the placement date.

(10) Rahn

In Ar-Rahn transaction, a valuable asset such as gold jewellery is used as a collateral for a debt. The collateral will be used to settle the debt when a debtor is in default.

Income is recognised when the Bank charges a safekeeping fee upon which are to be paid in full upon expiry of the contract, redemption or extension of period of Ar-Rahn, whichever is applicable.

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(p) Income recognition (cont'd.)

(ii) Fee and other income recognition

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

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

(q) Income and deferred taxes

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

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

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

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(q) Income and deferred taxes (cont'd.)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(r) Zakat

Zakat represents business zakat payable by the Group and Bank to comply with the principles of Shariah and as approved by the Shariah Advisory Council. The Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is calculated based on 2.5% of the shareholders' funds growth method.

(s) Fair value measurement

The Group and the Bank measures financial instruments such as financial assets at FVTPL, financial investments AFS and derivatives, and non-financial assets such as investment properties at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(s) Fair value measurement (cont'd.)

The principal or the most advantageous market must be accessible to by the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value of financial instruments and further details are disclosed in Note 43.

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.4 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2015, the Group and the Bank adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2015.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 119: Defined Benefit Plans:	
Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 - 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 - 2013 Cycle	1 July 2014

The application of these amendments and annual improvements have had no material impact on the disclosures or the amounts recognised in the Group's and the Bank's financial statements.

2.5 Significant changes in regulatory requirements

Revised Bank Negara Malaysia's ("BNM") Policy Document on Classification and Impairment Provisions for Loans/Financing

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loan/Financing. This policy applies to banking institutions in Malaysia that covers licensed Islamic bank, licensed bank and licensed investment bank. The issuance of this revised policy document has superseded two (2) guidelines issued by BNM previously, namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing – Maintenance of Regulatory Reserves dated 4 February 2014.

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.5 Significant changes in regulatory requirements (cont'd.)

Revised Bank Negara Malaysia's ("BNM") Policy Document on Classification and Impairment Provisions for Loans/Financing (cont'd.)

The requirements in the revised BNM Policy Document are effective from 1 January 2015, except for the following:

- (a) The requirement to classify loan/financing described in Paragraph 9 of the revised BNM Policy Document as restructured and rescheduled ("R&R") in BNM's Central Credit Reference Information System ("CCRIS"), which is effective on or after 1 April 2015; and
- (b) The requirement for a banking institution to maintain, in aggregate, collective impairment provisions and regulatory reserves of not less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, which is effective beginning 31 December 2015.

The Bank has complied with the above requirements since their respective effective dates.

2.6 Standards and interpretations issued but not yet effective

The Group and the Bank have not applied the following accounting standards that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and the Bank. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 16 Leases	1 January 2019

The application of these standards are not expected to have any material impact on the disclosures or the amounts recognised in the Group's and the Bank's financial statements, except for the following:

MFRS 9 Financial Instruments

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The Group and Bank are currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new 5-step models that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFR 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group and Bank are currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 16 Leases

MFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, a lessee treats all leases in a similar way as a finance lease under MFRS 117.

Leases are “capitalised” by recognising the present value of the lease as “right-of-use assets”, with a corresponding lease liability. Such assets and liabilities should be distinguished from other assets and liabilities either by separate presentation in the statement of financial position or by disclosure in the notes to the financial statements.

The Group and Bank are currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)****3. Significant accounting judgments, estimates and assumptions**

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

Judgments

In the process of applying the Group's accounting policies, Management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3.1 Impairment of financial investments ("AFS") and ("HTM") (Note 5(b), 5(c) and 28)

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

The Group and the Bank also record impairment charges on AFS equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group and the Bank evaluate, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

3.2 Impairment losses on financing of customers (Note 8 and 27)

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

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(Incorporated in Malaysia)****Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)****3. Significant accounting judgments, estimates and assumptions (cont'd.)****3.3 Deferred tax (Note 16)**

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group and the Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group and the Bank. Such changes are reflected in the assumptions when they occur.

3.4 Fair value estimation of financial investment AFS (Note 5(b)) and derivative financial instruments (Note 6)

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgment is required where market observable data are not available. Such judgment normally incorporate assumptions that other market participants would use in their valuations, including assumptions on profit rate yield curves, exchange rates, volatilities and prepayment and default rates.

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Notes to the financial statements - 31 March 2016 (22 Jamadil Akhir 1437H) (cont'd.)

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

Estimates and assumptions (cont'd.)

3.4 Fair value estimation of financial investment AFS (Note 5(b)) and derivative financial instruments (Note 6) (cont'd.)

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

3.6 Taxation (Note 36)

Significant Management judgment is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advice of experts, where appropriate. Where the final liability for taxation being assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

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4. (a) Cash and short-term funds

	Group and Bank	
	2016	2015
	RM'000	RM'000
Cash and balances with banks and other financial institutions	186,501	322,084
Money at call and interbank placements with remaining maturity not exceeding one month	821,890	793,725
	<u>1,008,391</u>	<u>1,115,809</u>

(b) Cash and placements with financial institutions

	Group and Bank	
	2016	2015
	RM'000	RM'000
Licensed Islamic banks	<u>60,710</u>	<u>111,135</u>

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 March 2016 for the Group and the Bank was 2.4% per annum and 78 days respectively (31 March 2015: 3.3% per annum and 87 days).

5. Financial investments

(a) Financial investments designated at FVTPL

	2016	2015
	RM'000	RM'000
Group		
Private equity funds	187,055	119,354
Malaysian government investment certificates	-	2
Islamic private debt securities in Malaysia	-	1
	<u>187,055</u>	<u>119,357</u>
Accumulated impairment loss	(700)	(700)
	<u>186,355</u>	<u>118,657</u>
Bank		
Private equity fund	177,322	114,554
Malaysian government investment certificates	-	2
Islamic private debt securities in Malaysia	-	1
	<u>177,322</u>	<u>114,557</u>

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5. Financial investments (cont'd.)

(b) Available-for-sale

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

	Group		Bank	
	2016	2015	2016	2015
<u>At fair value</u>	RM'000	RM'000	RM'000	RM'000
Government securities and treasury bills:				
Malaysian government investment certificates	<u>2,871,545</u>	<u>2,968,370</u>	<u>2,871,545</u>	<u>2,968,370</u>
Quoted securities in Malaysia:				
Quoted shares	<u>90,353</u>	<u>67,581</u>	<u>90,200</u>	<u>67,581</u>
Quoted securities outside Malaysia:				
Quoted shares	<u>21,679</u>	<u>-</u>	<u>21,679</u>	<u>-</u>
Unquoted securities:				
Islamic private debt securities in Malaysia	<u>2,604,315</u>	<u>3,273,616</u>	<u>2,604,315</u>	<u>3,273,616</u>
Cagamas bonds	<u>61,222</u>	<u>149,626</u>	<u>61,222</u>	<u>149,626</u>
Foreign Islamic private debt securities and sukuk	<u>33,345</u>	<u>35,438</u>	<u>33,345</u>	<u>35,438</u>
	<u>2,698,882</u>	<u>3,458,680</u>	<u>2,698,882</u>	<u>3,458,680</u>
Accumulated impairment loss	<u>(87,352)</u>	<u>(64,358)</u>	<u>(87,352)</u>	<u>(64,358)</u>
	<u>5,595,107</u>	<u>6,430,273</u>	<u>5,594,954</u>	<u>6,430,273</u>
<u>At cost</u>				
Money market instruments:				
Negotiable Islamic debt certificates	<u>99,677</u>	<u>-</u>	<u>99,677</u>	<u>-</u>
Unquoted securities:				
Shares in Malaysia	<u>5,381</u>	<u>5,206</u>	<u>5,381</u>	<u>5,206</u>
Total financial investments available-for-sale	<u>5,700,165</u>	<u>6,435,479</u>	<u>5,700,012</u>	<u>6,435,479</u>

(c) Held-to-maturity

	Group and Bank	
	2016	2015
	RM'000	RM'000
At amortised cost		
Unquoted Islamic private debt securities in Malaysia	<u>140,608</u>	<u>139,042</u>

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6. Islamic derivative financial assets/(liabilities)

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

Group and Bank	2016			2015		
	Contract/ notional amount RM'000	Fair value		Contract/ notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contracts:						
- Currency forwards						
Less than one year	680,222	21,123	(19,656)	388,499	33,163	(1,166)
- Currency swaps						
Less than one year	580,728	19,123	(15,238)	1,489,564	10,901	(33,758)
- Currency spot						
Less than one year	72,916	305	(512)	303,052	313	(461)
- Dual currency investment option	-	50	(50)	-	1	(1)
	1,333,866	40,601	(35,456)	2,181,115	44,378	(35,386)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	2,175,000	-	(3,359)	3,675,000	-	(10,807)
Hedged IPRS	1,500,000	-	(10,544)	-	-	-
Total	5,008,866	40,601	(49,359)	5,856,115	44,378	(46,193)

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6. Islamic derivative financial assets/(liabilities) (cont'd.)

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair value of derivative where hedge accounting is applied by the Group and Bank are as follows:

	31 March 2016			31 March 2015		
	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Fair value Assets RM'000	Liabilities RM'000
IPRS	<u>1,500,000</u>	<u>-</u>	<u>(10,544)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in profit rates. The financial instruments hedged for profit rate risk include the Group's and the Bank's financing of customers.

For the year ended 31 March 2016, the Group and the Bank:-

- (i) recognised a net loss of RM3,465,996 (31 March 2015: Nil) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM4,469,645 (31 March 2015: Nil); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM7,052,482 (31 March 2015: RM1,771,572) due to the derecognition of the hedged items.

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7. Financing of customers

(i) By type and Shariah concepts

Group	Bai' Bithaman Ajil RM'000	Ijarah RM'000	Ijarah Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Bai' Al-Dayn RM'000	Murabahah RM'000	Istisna' RM'000	Qard RM'000	Shirkah Mutanaqisah RM'000	Shirkah Al Milk RM'000	Rahnu RM'000	Total financing RM'000
31 March 2016													
Cash line	848	-	-	16,292	807,376	-	-	-	-	-	-	-	824,516
Term financing:													
Home financing	6,986,574	-	-	-	7,529,943	-	-	26,946	-	-	-	-	14,543,463
Syndicated financing	-	-	-	-	1,358,170	-	-	-	-	-	-	-	1,358,170
Hire purchase receivables	731	-	1,035,815	-	-	-	-	-	-	-	-	-	1,036,546
Leasing receivables	-	9,038	-	-	-	-	-	-	-	-	-	-	9,038
Other term financing	1,152,585	-	-	601,613	8,223,666	-	-	228,124	401	97,608	-	-	10,303,997
Trust receipts	-	-	-	-	-	-	101,943	-	-	-	-	-	101,943
Claims on customers under acceptance credits	-	-	-	-	-	564,524	-	-	-	-	-	-	564,524
Staff financing	91,267	-	-	-	81,462	-	-	1,629	450	-	-	-	174,808
Revolving credit	-	-	-	-	1,171,887	-	-	-	-	-	-	-	1,171,887
Sukuk	-	50,522	-	-	-	-	104,083	-	-	-	-	-	154,605
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	-	63,779	63,779
	8,232,005	59,560	1,035,815	617,905	19,172,504	564,524	206,026	256,699	851	97,608	-	63,779	30,307,276
Less : Unearned income	(5,189,160)	-	(136,042)	(83,096)	(9,988,221)	(5,200)	(964)	(106,661)	(8)	-	-	-	(15,509,352)
Gross financing	3,042,845	59,560	899,773	534,809	9,184,283	559,324	205,062	150,038	843	97,608	-	63,779	14,797,924
Fair value changes arising from fair value hedge	-	-	-	(279)	4,749	-	-	-	-	-	-	-	4,470
	3,042,845	59,560	899,773	534,530	9,189,032	559,324	205,062	150,038	843	97,608	-	63,779	14,802,394
Less : Allowance for impaired financing													
Collective assessment	(50,564)	(30)	(24,662)	(1,171)	(125,959)	(1,492)	(1,022)	(204)	(45)	-	-	(3,290)	(208,439)
Individual assessment	(441)	-	(9,446)	(379)	(25,596)	(42,009)	(2,792)	(15)	(400)	-	-	-	(81,078)
Total net financing	2,991,840	59,530	865,665	532,980	9,037,477	515,823	201,248	149,819	398	97,608	-	60,489	14,512,877

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7. Financing of customers (cont'd.)

(i) By type and Shariah concepts (cont'd.)

Group	Bai'	Ijarah	Ijarah			Bai'				Shirkah	Shirkah		Total
31 March 2015	Bithaman Ajil	RM'000	Thumma	Inah	Tawarruq	Al-Dayn	Murabahah	Istisna'	Qard	Mutanaqisah	AI Milk	Rahnu	financing
	RM'000	RM'000	AI-Bai	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	922	-	-	18,274	809,011	-	-	-	-	-	-	-	828,207
Term financing:													
Home financing	7,572,097	-	-	-	5,666,687	-	-	6,983	-	-	-	-	13,245,767
Syndicated financing	-	-	-	-	774,016	-	6,894	-	-	-	-	-	780,910
Hire purchase receivables	-	-	1,245,318	-	-	-	-	-	-	-	-	-	1,245,318
Leasing receivables	-	12,596	-	-	-	-	-	-	-	-	-	-	12,596
Other term financing	1,359,910	-	-	628,228	6,253,410	-	-	254,969	400	89,315	20,000	-	8,606,232
Trust receipts	-	-	-	-	-	-	51,295	-	-	-	-	-	51,295
Claims on customers													
under acceptance credits	-	-	-	-	-	761,607	-	-	-	-	-	-	761,607
Staff financing	110,907	-	-	-	48,179	-	-	1,412	456	-	-	-	160,954
Revolving credit	-	-	-	-	1,067,892	-	-	-	-	-	-	-	1,067,892
Sukuk	-	50,270	-	-	-	-	97,791	-	-	-	-	-	148,061
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	-	46,907	46,907
	9,043,836	62,866	1,245,318	646,502	14,619,195	761,607	155,980	263,364	856	89,315	20,000	46,907	26,955,746
Less : Unearned income	(5,640,774)	-	(170,871)	(106,949)	(7,230,815)	(6,458)	(610)	(102,733)	(8)	-	-	-	(13,259,218)
Gross financing	3,403,062	62,866	1,074,447	539,553	7,388,380	755,149	155,370	160,631	848	89,315	20,000	46,907	13,696,528
Less : Allowance for													
impaired financing													
Collective assessment	(93,099)	-	(46,057)	(2,536)	(91,843)	(1,733)	(775)	(33)	(336)	-	-	(2,815)	(239,227)
Individual assessment	(732)	-	-	-	(23,327)	(13,412)	(4,746)	(14)	(6,400)	6,000	-	-	(42,631)
Total net financing	3,309,231	62,866	1,028,390	537,017	7,273,210	740,004	149,849	160,584	(5,888)	95,315	20,000	44,092	13,414,670

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7. Financing of customers (cont'd.)

(i) By type and Shariah concepts (cont'd.)

Bank	Bithaman	Bai'	Ijarah	Thumma	Inah	Tawarruq	Bai'	Murabahah	Istisna'	Qard	Rahnu	Total
31 March 2016	RM'000	RM'000	Al-Bai	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	financing
			RM'000									RM'000
Cash line	848	-	-	-	16,292	807,376	-	-	-	-	-	824,516
Term financing:												
Home financing	6,986,574	-	-	-	-	7,529,943	-	-	26,946	-	-	14,543,463
Syndicated financing	-	-	-	-	-	1,358,170	-	-	-	-	-	1,358,170
Hire purchase												
receivables	731	-	1,035,815	-	-	-	-	-	-	-	-	1,036,546
Leasing receivables	-	9,038	-	-	-	-	-	-	-	-	-	9,038
Other term financing	1,152,585	-	-	-	601,613	8,223,666	-	-	228,124	107,326	-	10,313,314
Trust receipts	-	-	-	-	-	-	-	101,943	-	-	-	101,943
Claims on customers												
under acceptance												
credits	-	-	-	-	-	-	564,524	-	-	-	-	564,524
Staff financing	91,267	-	-	-	-	81,462	-	-	1,629	450	-	174,808
Revolving credit	-	-	-	-	-	1,171,887	-	-	-	-	-	1,171,887
Sukuk	-	50,522	-	-	-	-	-	104,083	-	-	-	154,605
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	63,779	63,779
	8,232,005	59,560	1,035,815	617,905	19,172,504	564,524	206,026	256,699	107,776	63,779	30,316,593	
Less : Unearned income	(5,189,160)	-	(136,042)	(83,096)	(9,988,221)	(5,200)	(964)	(106,661)	(8)	-	(15,509,352)	
Gross financing	3,042,845	59,560	899,773	534,809	9,184,283	559,324	205,062	150,038	107,768	63,779	14,807,241	
Fair value changes arising												
from fair value hedge	-	-	-	(279)	4,749	-	-	-	-	-	-	4,470
	3,042,845	59,560	899,773	534,530	9,189,032	559,324	205,062	150,038	107,768	63,779	14,811,711	
Less : Allowance for												
impaired financing												
Collective assessment	(50,564)	(30)	(24,662)	(1,171)	(125,959)	(1,492)	(1,022)	(204)	(45)	(3,290)	(208,439)	
Individual assessment	(441)	-	(9,446)	(379)	(25,596)	(42,009)	(2,792)	(15)	(400)	-	(81,078)	
Total net financing	2,991,840	59,530	865,665	532,980	9,037,477	515,823	201,248	149,819	107,323	60,489	14,522,194	

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7. Financing of customers (cont'd.)

(i) By type and Shariah concepts (cont'd.)

Bank	Bai'	Ijarah	Ijarah	Inah	Tawarruq	Bai'	Murabahah	Istisna'	Qard	Rahnu	Total
31 March 2015	Bithaman Ajil	Thumma	Al-Bai			Al-Dayn					financing
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	922	-	-	18,274	809,011	-	-	-	-	-	828,207
Term financing:											
Home financing	7,572,097	-	-	-	5,666,687	-	-	6,983	-	-	13,245,767
Syndicated financing	-	-	-	-	774,016	-	6,894	-	-	-	780,910
Hire purchase receivables	-	-	1,245,318	-	-	-	-	-	-	-	1,245,318
Leasing receivables	-	12,596	-	-	-	-	-	-	-	-	12,596
Other term financing	1,359,910	-	-	628,228	6,253,410	-	-	254,969	126,898	-	8,623,415
Trust receipts	-	-	-	-	-	-	51,295	-	-	-	51,295
Claims on customers											
under acceptance credits	-	-	-	-	-	761,607	-	-	-	-	761,607
Staff financing	110,907	-	-	-	48,179	-	-	1,412	456	-	160,954
Revolving credit	-	-	-	-	1,067,892	-	-	-	-	-	1,067,892
Sukuk	-	50,270	-	-	-	-	97,791	-	-	-	148,061
Ar-Rahnu	-	-	-	-	-	-	-	-	-	46,907	46,907
	9,043,836	62,866	1,245,318	646,502	14,619,195	761,607	155,980	263,364	127,354	46,907	26,972,929
Less : Unearned income	(5,640,774)	-	(170,871)	(106,949)	(7,230,815)	(6,458)	(610)	(102,733)	(8)	-	(13,259,218)
Gross financing	3,403,062	62,866	1,074,447	539,553	7,388,380	755,149	155,370	160,631	127,346	46,907	13,713,711
Less : Allowance for											
impaired financing											
Collective assessment	(93,099)	-	(46,057)	(2,536)	(91,843)	(1,733)	(775)	(33)	(336)	(2,815)	(239,227)
Individual assessment	(732)	-	-	-	(23,327)	(13,412)	(4,746)	(14)	(6,400)	-	(48,631)
Total net financing	3,309,231	62,866	1,028,390	537,017	7,273,210	740,004	149,849	160,584	120,610	44,092	13,425,853

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7. Financing of customers (cont'd.)

(i) By type and Shariah concepts (cont'd.)

	Group	
	2016	2015
	RM'000	RM'000
Uses of Qard fund:		
Staff financing	443	448
Other term financing	400	400
	843	848
	Bank	
	2016	2015
	RM'000	RM'000
Staff financing	443	448
Musyarakah financing	106,925	126,498
Other term financing	400	400
	107,768	127,346

(ii) By type of customer

	Group	
	2016	2015
	RM'000	RM'000
Domestic non-banking institutions	835,916	356,455
Domestic business enterprises		
- Small business enterprises	128,823	212,759
- Others	3,512,917	3,581,803
Government and statutory bodies	551,921	557,079
Individuals	9,691,913	8,960,937
Other domestic entities	6,316	3,954
Foreign entities	70,118	23,541
Gross financing	14,797,924	13,696,528

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7. Financing of customers (cont'd.)

(ii) By type of customer (cont'd.)

	Bank	
	2016	2015
	RM'000	RM'000
Domestic non-banking institutions	835,916	356,455
Domestic business enterprises		
- Small business enterprises	128,823	212,759
- Others	3,522,233	3,598,986
Government and statutory bodies	551,921	557,079
Individuals	9,691,914	8,960,937
Other domestic entities	6,316	3,954
Foreign entities	70,118	23,541
Gross financing	14,807,241	13,713,711

(iii) By profit rate sensitivity

	Group	
	2016	2015
	RM'000	RM'000
Fixed rate:		
Home financing	760,563	774,398
Hire purchase receivables	900,396	1,074,447
Others	3,903,838	3,836,881
Variable rate:		
Home financing	3,785,493	3,384,224
Others	5,447,634	4,626,578
Gross financing	14,797,924	13,696,528

	Bank	
	2016	2015
	RM'000	RM'000
Fixed rate:		
Home financing	760,563	774,398
Hire purchase receivables	900,396	1,074,447
Others	3,913,155	3,854,064
Variable rate:		
Home financing	3,785,493	3,384,224
Others	5,447,634	4,626,578
Gross financing	14,807,241	13,713,711

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7. Financing of customers (cont'd.)

(iv) By sector

	Group	
	2016	2015
	RM'000	RM'000
Agriculture	79,148	125,784
Mining and quarrying	17,044	29,948
Manufacturing	611,107	664,091
Electricity, gas and water	212,463	113,226
Construction	386,410	408,301
Household	9,703,721	8,975,089
Real estate	1,032,415	746,721
Wholesale, retail and restaurant	503,722	634,050
Transport, storage and communication	298,803	424,975
Finance, takaful and business services	969,279	743,588
Purchase of transport vehicles	15,816	22,817
Consumption credit	410	408
Community, social and personal service	415,664	255,884
Government and statutory bodies	551,922	551,646
Gross financing	14,797,924	13,696,528

	Bank	
	2016	2015
	RM'000	RM'000
Agriculture	79,148	125,784
Mining and quarrying	21,977	29,948
Manufacturing	611,107	664,091
Electricity, gas and water	212,463	113,226
Construction	386,410	408,301
Household	9,703,721	8,975,089
Real estate	1,032,415	746,721
Wholesale, retail and restaurant	508,522	644,850
Transport, storage and communication	298,803	424,975
Finance, takaful and business services	969,280	748,588
Purchase of transport vehicles	15,816	22,817
Consumption credit	410	408
Community, social and personal service	415,247	257,267
Government and statutory bodies	551,922	551,646
Gross financing	14,807,241	13,713,711

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7. Financing of customers (cont'd.)

(v) By residual contractual maturity

	Group	
	2016	2015
	RM'000	RM'000
Maturity		
- within one year	3,952,948	3,206,734
- more than one to five years	4,865,274	4,534,936
- more than five years	5,979,702	5,954,858
Gross financing	14,797,924	13,696,528

	Bank	
	2016	2015
	RM'000	RM'000
Maturity		
- within one year	3,952,948	3,206,734
- more than one to five years	4,865,274	4,534,936
- more than five years	5,989,019	5,972,041
Gross financing	14,807,241	13,713,711

(vi) By geographical area

	Group	
	2016	2015
	RM'000	RM'000
Domestic	14,742,117	13,689,634
Labuan Offshore	55,807	6,894
Gross financing	14,797,924	13,696,528

	Bank	
	2016	2015
	RM'000	RM'000
Domestic	14,751,434	13,706,817
Labuan Offshore	55,807	6,894
Gross financing	14,807,241	13,713,711

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7. Financing of customers (cont'd.)

(vii) By economic purpose

	Group	
	2016	2015
	RM'000	RM'000
Purchase of securities	65,381	70,065
Purchase of transport vehicles	873,082	1,059,600
Purchase of landed properties of which:		
- residential	4,638,924	4,253,919
- non-residential	562,747	586,754
Purchase of fixed assets (excluding landed properties)	206,341	208,424
Personal use	3,858,761	3,360,350
Construction	590,289	434,747
Working capital	3,485,954	3,312,060
Other purposes	516,445	410,609
Gross financing	14,797,924	13,696,528

	Bank	
	2016	2015
	RM'000	RM'000
Purchase of securities	65,381	70,065
Purchase of transport vehicles	873,082	1,059,600
Purchase of landed properties of which:		
- residential	4,638,924	4,253,919
- non-residential	562,747	586,754
Purchase of fixed assets (excluding landed properties)	206,341	208,424
Personal use	3,858,761	3,360,350
Construction	590,289	434,747
Working capital	3,485,954	3,312,060
Other purposes	525,762	427,792
Gross financing	14,807,241	13,713,711

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7. Financing of customers (cont'd.)

Included in financing of customers is a financing given to a corporate customer and identified structured personal financing customers which are hedged by profit rate derivatives. The hedge achieved the criteria for hedge accounting and the financing are carried at fair value.

The maximum credit exposure of the financing of customers amounts to RM1,500 million (2015: Nil). The cumulative change in fair value of the financings attributable to changes in profit rate risks amounts to a gain of RM4,469,645 (2015: Nil) and the change for the current year is a gain of RM4,469,645 (2015: Nil). The changes in fair value of the designated financing attributable to changes in profit risk have been calculated by determining the changes in profit spread implicit in the fair value of securities issued by entities with similar credit characteristics.

8. Impaired financing

(i) Movements in the impaired financing

	Group RM'000	Bank RM'000
As at 31 March 2016		
As at 1 April 2015	339,714	345,714
Classified as impaired during the year	460,265	460,265
Reclassified as performing during the year	(332,796)	(332,796)
Recovered during the year	(73,713)	(79,713)
Written off during the year	(67,000)	(67,000)
As at 31 March 2016	326,470	326,470
Ratio of gross impaired financing to total financing	2.21%	2.20%
As at 31 March 2015		
As at 1 April 2014	325,706	331,706
Classified as impaired during the year	434,643	434,643
Reclassified as performing during the year	(281,202)	(281,202)
Recovered during the year	(75,987)	(75,987)
Written off during the year	(63,446)	(63,446)
As at 31 March 2015	339,714	345,714
Ratio of gross impaired financing to total financing	2.48%	2.52%

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8. Impaired financing (cont'd.)

(ii) Movements in the allowance for impaired financing

Collective assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2016		
As at 1 April 2015	239,227	239,227
Allowance made during the year (Note 27(b))	419,481	419,481
Amount written-back (Note 27(b))	(395,965)	(395,965)
Amount written-off	(54,304)	(54,304)
As at 31 March 2016	<u>208,439</u>	<u>208,439</u>
As % of gross financing, less individual assessment allowance	<u>1.42%</u>	<u>1.42%</u>

As at 31 March 2015

As at 1 April 2014	195,951	195,951
Allowance made during the year (Note 27(b))	492,392	492,392
Amount written-back (Note 27(b))	(447,742)	(447,742)
Amount written-off	(1,374)	(1,374)
As at 31 March 2015	<u>239,227</u>	<u>239,227</u>
As % of gross financing, less individual assessment allowance	<u>1.75%</u>	<u>1.75%</u>

Individual assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2016		
As at 1 April 2015	42,631	48,631
Allowance made during the year (Note 27(a))	50,307	50,307
Amount written-back (Note 27(a))	(5,658)	(5,658)
Amount written-off	(6,202)	(12,202)
As at 31 March 2016	<u>81,078</u>	<u>81,078</u>

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8. Impaired financing (cont'd.)

(ii) Movements in the allowance for impaired financing (cont'd.)

Individual assessment allowance (cont'd.)

	Group	Bank
	RM'000	RM'000
As at 31 March 2015		
As at 1 April 2014	74,492	80,492
Allowance made during the year (Note 27(a))	36,636	36,636
Amount written-back (Note 27(a))	(6,929)	(6,929)
Amount written-off	(61,568)	(61,568)
As at 31 March 2015	<u>42,631</u>	<u>48,631</u>

(iii) Impaired financing by geographical area

	Group	
	2016	2015
	RM'000	RM'000
Domestic	<u>326,470</u>	<u>339,714</u>

	Bank	
	2016	2015
	RM'000	RM'000
Domestic	<u>326,470</u>	<u>345,714</u>

(iv) Impaired financing by sector

	Group	
	2016	2015
	RM'000	RM'000
Agriculture	48	25
Manufacturing	77,453	81,479
Construction	17,370	17,263
Household	194,836	201,332
Wholesale and retail and restaurant	6,469	11,881
Transport, storage and communication	22,805	22,945
Finance, takaful and business services	3,049	2,530
Purchase of transport vehicles	978	1,041
Community, social and personal service	3,462	1,218
	<u>326,470</u>	<u>339,714</u>

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8. Impaired financing (cont'd.)

(iv) Impaired financing by sector (cont'd.)

	Bank	
	2016	2015
	RM'000	RM'000
Agriculture	48	25
Manufacturing	77,453	81,479
Construction	17,370	17,263
Household	194,836	201,332
Wholesale and retail and restaurant	6,469	17,881
Transport, storage and communication	22,805	22,945
Finance, takaful and business services	3,049	2,530
Purchase of transport vehicles	978	1,041
Community, social and personal service	3,462	1,218
	326,470	345,714

(v) Impaired financing by economic purpose

	Group	
	2016	2015
	RM'000	RM'000
Purchase of securities	64	71
Purchase of transport vehicles	26,876	36,309
Purchase of landed properties of which:		
- Residential	76,335	104,076
- Non-residential	8,333	5,127
Purchase of fixed assets (excluding landed properties)	9,038	12,745
Personal use	93,739	57,707
Construction	15	15
Working capital	104,795	122,377
Other purposes	7,275	1,287
	326,470	339,714

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8. Impaired financing (cont'd.)

(v) Impaired financing by economic purpose (cont'd.)

	Bank	
	2016	2015
	RM'000	RM'000
Purchase of securities	64	71
Purchase of transport vehicles	26,876	36,309
Purchase of landed properties of which:		
- Residential	76,335	104,076
- Non-residential	8,333	5,127
Purchase of fixed assets (excluding landed properties)	9,038	12,745
Personal use	93,739	57,707
Construction	15	15
Working capital	104,795	128,377
Other purposes	7,275	1,287
	326,470	345,714

9. Other assets

	Group	
	2016	2015
	RM'000	RM'000
Deposits	7,345	10,620
Prepayments	3,945	1,805
Tax prepayment	6,226	20,162
Golf club membership	600	600
Other receivables	14,493	13,277
Other debtors	39,300	49,998
	71,909	96,462

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9. Other assets (cont'd.)

	Bank	
	2016	2015
	RM'000	RM'000
Deposits	7,313	10,587
Prepayments	3,881	1,702
Tax prepayment	6,226	20,162
Amount due from subsidiaries	6,147	75
Golf club membership	600	600
Other receivables	14,493	13,277
Other debtors	38,576	49,310
	<u>77,236</u>	<u>95,713</u>

10. Statutory deposits with Bank Negara Malaysia

The statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.

11. Investment in subsidiaries

	Bank	
	2016	2015
	RM'000	RM'000
Unquoted shares at cost		
- in Malaysia	10,823	10,823
Less: Accumulated impairment losses	(2,768)	(4,439)
	<u>8,055</u>	<u>6,384</u>

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11. Investment in subsidiaries (cont'd.)

Details of the subsidiary companies that are all incorporated in Malaysia are as follows:

Name	Principal activities	Percentage of equity held		Paid up capital	
		2016 %	2015 %	2016 RM	2015 RM
Muamalat Invest Sdn. Bhd.	Provision of Islamic Fund Management Services	100	100	10,000,000	10,000,000
Muamalat Venture Sdn. Bhd.	Islamic Venture Capital	100	100	100,002	100,002
Muamalat Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100	2	2
Muamalat Nominees (Asing) Sdn. Bhd.	Dormant	100	100	2	2

12. Investment properties

Group and Bank	Freehold land	Buildings on freehold land	Investment properties under construction	Total
As at 31 March 2016	RM'000	RM'000	RM'000	RM'000
At fair value				
At 1 April 2015	-	7,456	591	8,047
Additions	13,481	-	9,357	22,838
Change in fair value recognised in income statement	-	1,644	-	1,644
As at 31 March 2016	13,481	9,100	9,948	32,529
Included in the above are:				
At fair value	13,481	9,100	-	22,581
At cost	-	-	9,948	9,948

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12. Investment properties (cont'd.)

Group and Bank	Freehold land	Buildings on freehold land	Investment properties under construction	Total
	RM'000	RM'000	RM'000	RM'000
As at 31 March 2015				
At cost				
At 1 April 2014	-	-	-	-
Additions	-	7,456	591	8,047
As at 31 March 2015	-	7,456	591	8,047
Included in the above are:				
At cost	-	7,456	591	8,047

The Group's and the Bank's investment properties consist of two units of commercial properties in Shah Alam.

As at 31 March 2016, the fair values of the properties are based on valuations performed by Proharta Consultancy Sdn Bhd, an accredited independent valuer. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. Fair value hierarchy disclosures for investment properties have been further disclosed in Note 43.

Description of valuation techniques used and key inputs to valuation on investment properties:

Types of investment properties	Valuation Technique	Significant unobservable inputs
Buildings on freehold land	Direct comparison method ("DCM")	Selling price per square foot ("psf") of comparable properties sold adjusted for location, size and shape of land, planning provisions, land tenure, title restrictions and if any other characteristics.

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13. Intangible assets

Group	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2016			
Cost			
At 1 April 2015	172,867	8,459	181,326
Additions	9,929	7,325	17,254
Reclassification	14,485	(14,485)	-
As at 31 March 2016	197,281	1,299	198,580
Accumulated amortisation			
At 1 April 2015	54,147	-	54,147
Charge for the year (Note 33)	23,312	-	23,312
As at 31 March 2016	77,459	-	77,459
Carrying amount as at 31 March 2016	119,822	1,299	121,121
As at 31 March 2015			
Cost			
At 1 April 2014	48,672	74,659	123,331
Additions	6,961	67,895	74,856
Write off	(85)	-	(85)
Reclassification	117,319	(134,095)	(16,776)
As at 31 March 2015	172,867	8,459	181,326
Accumulated amortisation			
At 1 April 2014	41,072	-	41,072
Charge for the year (Note 33)	13,160	-	13,160
Write off	(85)	-	(85)
As at 31 March 2015	54,147	-	54,147
Carrying amount as at 31 March 2015	118,720	8,459	127,179

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13. Intangible assets (cont'd.)

Bank	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2016			
Cost			
At 1 April 2015	171,892	8,459	180,351
Additions	9,929	7,325	17,254
Reclassification	14,485	(14,485)	-
As at 31 March 2016	196,306	1,299	197,605
Accumulated amortisation			
At 1 April 2015	53,925	-	53,925
Charge for the year (Note 33)	23,117	-	23,117
As at 31 March 2016	77,042	-	77,042
Carrying amount as at 31 March 2016	119,264	1,299	120,563
As at 31 March 2015			
Cost			
At 1 April 2014	47,779	74,659	122,438
Additions	6,879	67,895	74,774
Write off	(85)	-	(85)
Reclassification	117,319	(134,095)	(16,776)
As at 31 March 2015	171,892	8,459	180,351
Accumulated amortisation			
At 1 April 2014	41,032	-	41,032
Charge for the year (Note 33)	12,978	-	12,978
Write off	(85)	-	(85)
As at 31 March 2015	53,925	-	53,925
Carrying amount as at 31 March 2015	117,967	8,459	126,426

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14. Property, plant and equipment

Group	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 2016					
Cost					
As at 1 April 2015	1,303	14,957	228,904	2,717	247,881
Additions	-	-	4,586	4,655	9,241
Disposals	-	-	(783)	-	(783)
Write off	-	-	(251)	-	(251)
Reclassification	1,550	2,232	2,661	(6,443)	-
As at 31 March 2016	2,853	17,189	235,117	929	256,088
Accumulated depreciation					
As at 1 April 2015	568	5,325	172,770	-	178,663
Charge for the year (Note 33)	34	378	19,890	-	20,302
Write off	-	-	(231)	-	(231)
Disposals	-	-	(773)	-	(773)
As at 31 March 2016	602	5,703	191,656	-	197,961
Carrying amount as at 31 March 2016	2,251	11,486	43,461	929	58,127
As at 31 March 2015					
Cost					
As at 1 April 2014	1,303	14,957	197,165	5,829	219,254
Additions	-	-	9,766	3,923	13,689
Disposals	-	-	(6)	-	(6)
Write off	-	-	(1,832)	-	(1,832)
Reclassification	-	-	23,811	(7,035)	16,776
As at 31 March 2015	1,303	14,957	228,904	2,717	247,881
Accumulated depreciation					
As at 1 April 2014	535	4,951	154,117	-	159,603
Charge for the year (Note 33)	33	374	20,470	-	20,877
Write off	-	-	(1,812)	-	(1,812)
Disposals	-	-	(5)	-	(5)
As at 31 March 2015	568	5,325	172,770	-	178,663
Carrying amount as at 31 March 2015	735	9,632	56,134	2,717	69,218

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

Bank	Freehold land and building RM'000	Office building RM'000	Furniture, fixtures, fittings, motor vehicle, equipment & renovation RM'000	Work-in -progress RM'000	Total RM'000
As at 31 March 2016					
Cost					
As at 1 April 2015	1,303	14,957	228,597	2,717	247,574
Additions	-	-	4,586	4,655	9,241
Disposals	-	-	(783)	-	(783)
Write off	-	-	(251)	-	(251)
Reclassification	1,550	2,232	2,661	(6,443)	-
As at 31 March 2016	2,853	17,189	234,810	929	255,781
Accumulated depreciation					
As at 1 April 2015	568	5,325	172,578	-	178,471
Charge for the year (Note 33)	34	378	19,852	-	20,264
Disposals	-	-	(773)	-	(773)
Write off	-	-	(231)	-	(231)
As at 31 March 2016	602	5,703	191,426	-	197,731
Carrying amount as at 31 March 2016	2,251	11,486	43,384	929	58,050
As at 31 March 2015					
Cost					
As at 1 April 2014	1,303	14,957	196,872	5,829	218,961
Additions	-	-	9,752	3,923	13,675
Disposals	-	-	(6)	-	(6)
Write off	-	-	(1,832)	-	(1,832)
Reclassification	-	-	23,811	(7,035)	16,776
As at 31 March 2015	1,303	14,957	228,597	2,717	247,574
Accumulated depreciation					
As at 1 April 2014	535	4,951	153,961	-	159,447
Charge for the year (Note 33)	33	374	20,434	-	20,841
Disposals	-	-	(5)	-	(5)
Write off	-	-	(1,812)	-	(1,812)
As at 31 March 2015	568	5,325	172,578	-	178,471
Carrying amount as at 31 March 2015	735	9,632	56,019	2,717	69,103

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15. Prepaid land lease payments

	Group and Bank	
	2016	2015
	RM'000	RM'000
At beginning of the year	239	243
Amortisation (Note 33)	(4)	(4)
At end of the year	<u>235</u>	<u>239</u>
Analysed as:		
Long term leasehold land	<u>235</u>	<u>239</u>

16. Deferred tax assets/(liabilities)

	Group and Bank	
	2016	2015
	RM'000	RM'000
At beginning of the year	(18,947)	12,786
Recognised in the income statement (Note 36)	21,762	(25,076)
Recognised in other comprehensive income	(3,383)	(6,657)
At end of the year	<u>(568)</u>	<u>(18,947)</u>

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position as follows:

	Group and Bank	
	2016	2015
	RM'000	RM'000
Deferred tax assets	10,315	14,339
Deferred tax liabilities	(10,883)	(33,286)
	<u>(568)</u>	<u>(18,947)</u>

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16. Deferred tax assets/(liabilities) (cont'd.)

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

Deferred tax assets of the Group and the Bank:

	Available- for-sale reserve RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2015	3,288	10,753	298	14,339
Recognised in income statements	-	(745)	9	(736)
Recognised in other comprehensive income	(3,288)	-	-	(3,288)
At 31 March 2016	-	10,008	307	10,315
At 1 April 2014	9,945	6,263	256	16,464
Recognised in income statements	-	4,490	42	4,532
Recognised in other comprehensive income	(6,657)	-	-	(6,657)
At 31 March 2015	3,288	10,753	298	14,339

Deferred tax liabilities of the Group and the Bank:

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
At 1 April 2015	-	(33,286)	(33,286)
Recognised in the income statement	-	22,498	22,498
Recognised in the equity	(95)	-	(95)
At 31 March 2016	(95)	(10,788)	(10,883)
At 1 April 2014	-	(3,678)	(3,678)
Recognised in the income statement	-	(29,608)	(29,608)
At 31 March 2015	-	(33,286)	(33,286)

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17. Deposits from customers

(i) By type of deposits

	Group	
	2016	2015
	RM'000	RM'000
Savings deposits		
Wadiah	1,096,785	460,847
Mudharabah	-	679,344
	1,096,785	1,140,191
Demand deposits		
Wadiah	3,679,040	2,676,732
Mudharabah	-	939,517
	3,679,040	3,616,249
Term deposits		
Negotiable Islamic debt certificate	1,703,656	2,278,335
General investment deposits	211,475	691,209
Short term accounts	1,798,148	2,241,733
Fixed term accounts tawarruq	11,114,518	9,528,069
	14,827,797	14,739,346
Other deposits	39,806	48,763
	19,643,428	19,544,549

	Bank	
	2016	2015
	RM'000	RM'000
Savings deposits		
Wadiah	1,096,785	460,847
Mudharabah	-	679,344
	1,096,785	1,140,191
Demand deposits		
Wadiah	3,686,532	2,693,492
Mudharabah	-	939,517
	3,686,532	3,633,009
Term deposits		
Negotiable Islamic debt certificate	1,703,656	2,278,335
General investment deposits	211,475	696,509
Short term accounts	1,798,148	2,241,733
Fixed term accounts tawarruq	11,127,818	9,528,069
	14,841,097	14,744,646
Other deposits	39,806	48,763
	19,664,220	19,566,609

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17. Deposits from customers (cont'd.)

(ii) By type of customer

	Group	
	2016	2015
	RM'000	RM'000
Government and statutory bodies	7,219,162	6,497,806
Business enterprises	6,493,365	6,371,361
Individuals	1,461,371	1,431,256
Others	4,469,530	5,244,126
	19,643,428	19,544,549

	Bank	
	2016	2015
	RM'000	RM'000
Government and statutory bodies	7,219,162	6,497,806
Business enterprises	6,514,157	6,393,421
Individuals	1,461,371	1,431,256
Others	4,469,530	5,244,126
	19,664,220	19,566,609

The maturity structure of term deposits are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Due within six months	12,441,730	13,637,775
More than six months to one year	2,358,927	1,085,279
More than one year to three years	1,477	15,937
More than three year to five years	25,663	355
	14,827,797	14,739,346

	Bank	
	2016	2015
	RM'000	RM'000
Due within six months	12,455,030	13,643,075
More than six months to one year	2,358,927	1,085,279
More than one year to three years	1,477	15,937
More than three year to five years	25,663	355
	14,841,097	14,744,646

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18. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2016	2015
	RM'000	RM'000
Non-Mudharabah		
Bank Negara Malaysia	10,132	8,164
Licensed banks	432,120	-
	442,252	8,164
Mudharabah		
Licensed banks	-	400,672
	442,252	408,836

19. Bills and acceptances payable

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

20. Other liabilities

	Group	
	2016	2015
	RM'000	RM'000
Sundry creditors	2,830	1,665
Provision for commitments and contingencies (Note (a))	13,782	8,162
Accrual for bonus	15,629	-
Accrual for Voluntary Separation Scheme	300	20,000
Accrued expenses	10,736	14,717
Accrual for directors' fees	665	609
Accrual for audit fees	431	788
Other liabilities	20,608	40,598
	64,981	86,538

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20. Other liabilities (cont'd.)

	Bank	
	31 March	31 March
	2016	2015
	RM'000	RM'000
Sundry creditors	2,373	1,665
Provision for commitments and contingencies (Note (a))	13,782	8,162
Accrual for bonus	15,629	-
Accrual for Voluntary Separation Scheme	300	20,000
Accrued expenses	10,915	15,264
Accrual for directors' fees	665	609
Accrual for audit fees	414	772
Other liabilities	20,579	40,599
	64,657	87,071

(a) Movement in provision for commitments and contingencies:

	Group and Bank	
	31 March	31 March
	2016	2015
	RM'000	RM'000
At beginning of the year	8,162	7,412
Charge during the year	10,282	750
Writeback during the year	(7,412)	-
Reclassified from other liabilities during the year	2,750	-
At end of the year	13,782	8,162

The provision relates to the arbitration and legal cases pertaining to an early termination of system development and dispute on a contracted outsourcing of IT services which have a high likelihood to result in claims from the beneficiaries.

21. Provision for zakat and taxation

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Zakat	4,688	3,658	4,512	3,436
Taxation	247	843	-	-
	4,935	4,501	4,512	3,436

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22. Subordinated sukuk

Subordinated sukuk as at 31 March 2016 relates to a RM400 million Tier-2 Capital Islamic Subordinated Sukuk issued on 15 June 2011. The sukuk carries a tenure of 10 years from the issue date on a 10 non-callable 5 basis feature with a profit rate of 5.15% per annum.

Should the Bank decide not to exercise its option to redeem the sukuk, the sukuk holders will be entitled to a replacement of other capital instrument of the same or better quality and such replacement of capital shall be done prior to or concurrent with the redemption of the sukuk. The RM400 million sukuk qualifies as Tier-2 capital for the purpose of Bank Negara Malaysia's capital adequacy requirement.

On 20 May 2016, the Bank announced its plan to redeem the existing RM400 million subordinated sukuk on 15 June 2016. The redemption will be funded through setting up of a RM1 billion Sukuk programme.

The new sukuk programme will have loss absorption features to meet Basel III criteria and qualifies as Tier 2 Capital.

23. Share capital

	Number of shares of RM1 each		Amount	
	2016	2015	2016	2015
	'000	'000	RM'000	RM'000
Authorised:				
Ordinary shares	<u>3,000,000</u>	3,000,000	<u>3,000,000</u>	3,000,000
Musharakah Irredeemable Non-Cumulative Convertible Preference Shares	<u>1,000,000</u>	1,000,000	<u>1,000,000</u>	1,000,000
Total	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>
Issued and fully paid:				
Ordinary shares				
At 1 April/31 March	<u>1,195,000</u>	1,195,000	<u>1,195,000</u>	1,195,000

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24. Reserves

	Note	Group	
		2016 RM'000	2015 RM'000
Statutory reserve	(a)	582,822	515,612
Retained profits	(b)	219,957	155,258
Exchange fluctuation reserve	(c)	(2,054)	(584)
Net unrealised gains/(losses) on financial investments available-for-sale	(d)	212	(10,592)
		<u>800,937</u>	<u>659,694</u>

	Note	Bank	
		2016 RM'000	2015 RM'000
Statutory reserve	(a)	581,225	514,015
Retained profits	(b)	214,387	147,177
Exchange fluctuation reserve	(c)	(2,054)	(584)
Net unrealised gains/(losses) on financial investments available-for-sale	(d)	212	(10,592)
		<u>793,770</u>	<u>650,016</u>

(a) Statutory reserve

The statutory reserve is maintained in compliance with Section 57 (2)(1) of the Islamic Financial Service Act 2013 and is not distributable as cash dividends.

(b) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 March 2016 under the single tier system.

(c) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Net unrealised gains/(losses) on financial investments available-for-sale

This represent the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	11,951	608,218
(ii) Other deposits	1,098,431	395,992
	<u>1,110,382</u>	<u>1,004,210</u>

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2016	2015
	RM'000	RM'000
Finance income and hibah:		
Income from financing	9,074	430,069
Financial investments designated at FVTPL	-	45
Financial investments held-for-maturity	9	622
Financial investments available-for-sale	2,261	142,962
Money at call and deposit with financial institutions	170	8,474
	<u>11,514</u>	<u>582,172</u>
Amortisation of premium, net	(39)	(3,588)
Total finance income and hibah	<u>11,475</u>	<u>578,584</u>

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

(i) Income derived from investment of general investment deposits (cont'd.)

	Group and Bank	
	2016	2015
	RM'000	RM'000
Other operating income:		
Net gain from sale of:		
- financial investments designated at FVTPL	7	770
- financial investments available-for-sale	71	5,750
	<u>78</u>	<u>6,520</u>
Fees and commission		
Guarantee fees	38	1,452
Safekeeping fees	72	3,708
Processing fees	25	2,567
Service charges and fees	120	7,207
Commission	143	8,180
	<u>398</u>	<u>23,114</u>
Total	<u>11,951</u>	<u>608,218</u>

(ii) Income derived from investment of other deposits

	Group and Bank	
	2016	2015
	RM'000	RM'000
Finance income and hibah		
Income from financing	834,031	280,005
Financial investments designated at FVTPL	16	30
Financial investments held-for-maturity	860	405
Financial investments available-for-sale	207,815	93,078
Money at call and deposit with financial institutions	15,620	5,518
	<u>1,058,342</u>	<u>379,036</u>
Amortisation of premium, net	(3,609)	(2,336)
Total finance income and hibah	<u>1,054,733</u>	<u>376,700</u>

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

(ii) Income derived from investment of other deposits (cont'd.)

	Group and Bank	
	2016	2015
	RM'000	RM'000
Other operating income		
Net gain from sale of:		
- financial investments designated at FVTPL	610	501
- financial investments available-for-sale	6,541	3,743
	7,151	4,244
Fees and commission		
Guarantee fees	3,449	946
Safekeeping fees	6,591	2,414
Processing fees	2,303	1,671
Service charges and fees	11,017	4,692
Commission	13,187	5,325
	36,547	15,048
Total	1,098,431	395,992

26. Income derived from investment of shareholders' funds

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financial investments				
Available-for-sale	21,102	25,680	21,102	25,680
Fair value through profit or loss	36,331	-	36,331	-
Money at call and deposit with financial institutions	1,819	-	1,819	-
Accretion of discounts, net	2,800	3,493	2,800	3,493
Total finance income and hibah	62,052	29,173	62,052	29,173

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26. Income derived from investment of shareholders' funds (cont'd.)

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Net gain on revaluation of foreign exchange transaction	9,653	23,425	9,653	23,425
Net (loss)/gain from foreign exchange derivatives	(3,822)	10,727	(3,822)	10,727
Net gain from sale of financial investment available-for-sale	3,638	1,435	3,638	1,435
Net gain from sale of financial investments designated at fair value through profit or loss	-	3,149	-	3,149
Gross dividend income				
- unquoted shares in Malaysia	1,614	1,612	1,612	1,612
Net dividend paid for Islamic profit rate swap	(1,004)	(2,839)	(1,004)	(2,839)
Unrealised loss on revaluation of Islamic profit rate swap	(3,097)	(28,431)	(3,097)	(28,431)
Unrealised gain on revaluation of hedged items	4,470	-	4,470	-
Gain from derecognition of fair value of hedged items	7,052	1,772	7,052	1,772
	18,504	10,850	18,502	10,850
Fees and commission				
Corporate advisory fees	5,277	3,952	3,313	1,640
Service charges and fees	7,374	7,920	303	323
Commission	4,001	7,358	4,001	7,358
Others	-	15	-	15
	16,652	19,245	7,617	9,336
Other income				
Rental income	562	499	562	499
Gain from sale of property, plant and equipment	232	3	232	3
Gain from sale of foreclosed properties	-	8,256	-	8,256
Fair value adjustments of investment properties	1,644	-	1,644	-
	2,438	8,758	2,438	8,758
Total	99,646	68,026	90,609	58,117

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27. Allowance for impairment on financing

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing				
(a) Individual assessment allowance (Note 8(ii)):				
Made during the year	50,307	36,636	50,307	36,636
Written back during the year	(5,658)	(6,929)	(5,658)	(6,929)
	44,649	29,707	44,649	29,707
(b) Collective assessment allowance (Note 8(ii)):				
Made during the year	419,481	492,392	419,481	492,392
Written back during the year	(395,965)	(447,742)	(395,965)	(447,742)
	23,516	44,650	23,516	44,650
Bad debts on financing:				
Written off	18,321	1,229	18,321	1,229
Recovered	(27,164)	(37,671)	(33,164)	(37,671)
	(8,843)	(36,442)	(14,843)	(36,442)
Total	59,322	37,915	53,322	37,915

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28. Impairment (loss)/write back on investments

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Impairment (loss)/write back on financial investments available-for-sale	(22,790)	22,004	(22,790)	22,004
Impairment write back on investment in a subsidiary	-	-	1,671	-
	(22,790)	22,004	(21,119)	22,004

29. Income attributable to depositors

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah funds	66,219	162,152	66,392	162,322
- Non-Mudharabah funds	484,938	352,072	485,232	352,082
Deposits and placements of banks and other financial institutions				
- Mudharabah funds	35,260	13,104	35,260	13,104
- Non-Mudharabah funds	83	870	83	870
	586,500	528,198	586,967	528,378

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30. Personnel expenses

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salary and wages	125,854	142,232	123,753	140,754
Contribution to defined contribution plan	25,010	26,872	24,685	26,752
Social security contributions	1,081	1,456	1,081	1,456
Allowances and bonuses	18,292	9,527	18,103	9,382
Voluntary Separation Scheme	-	20,045	-	20,045
Others	13,263	19,437	13,131	19,332
	183,500	219,569	180,753	217,721

31. Directors and Shariah Committee members' remuneration

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(a) Executive Director/ Chief Executive Officer				
Salaries and wages	1,916	1,827	1,363	1,310
Other emoluments	401	1,351	252	1,168
Bonuses	-	1,117	-	884
Benefits-in-kind	85	57	85	57
	2,402	4,352	1,700	3,419
(b) Non-Executive Directors				
Fees	927	871	887	831
Benefits-in-kind	-	-	-	-
Other emoluments	466	524	460	515
	1,393	1,395	1,347	1,346
(c) Shariah Committee members				
Allowance	332	383	330	383
	332	383	330	383
Total	4,127	6,130	3,377	5,148
Total (excluding benefits-in-kind)	4,042	6,073	3,292	5,091

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31. Directors and Shariah Committee members' remuneration (cont'd.)

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

<=====Remuneration received from the Group=====>

Group 2016	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 31(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,363	-	-	252	85	1,700
Executive Director of the subsidiaries:						
Sharifatul Hanizah Binti Said Ali	553	-	-	149	-	702
	1,916	-	-	401	85	2,402
Note 31(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	34	-	256
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	76	-	160
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	70	-	154
Tuan Haji Mohd Izani Ghani *	-	84	-	45	-	129
Dato' Azmi Abdullah	-	84	-	85	-	169
Dato' Hj Kamil Khalid Ariff	-	84	-	59	-	143
Dato' Sri Che Khalib Mohamad Noh	-	84	-	29	-	113
Dato' Mohamed Hazlan Mohamed Hussain	-	28	-	5	-	33
Dr Azura Othman	-	77	-	47	-	124
Dato' Ahmad Fuaad Mohd Kenali	-	56	-	10	-	66
Director - subsidiaries:						
Fakiah binti Azahari	-	20	-	3	-	23
Dato' Adnan bin Alias	-	20	-	3	-	23
	-	927	-	466	-	1,393
Total Directors' remuneration	1,916	927	-	866	85	3,795

* Director's fees payable to Khazanah Nasional Berhad

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31. Directors and Shariah Committee members' remuneration (cont'd.)

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

Group 2016	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 31(c) :						
Shariah Committee:						
En Azizi Che						
Seman	-	44	-	22	-	66
Dr Mohamad Sabri						
Haron	-	39	-	16	-	55
Engku Ahmad Fadzil						
Engku Ali	-	35	-	16	-	51
Dr Ab Halim						
Muhammad	-	39	-	14	-	53
Dr Zulkifli Mohamad	-	39	-	9	-	48
Dr Wan Marhaini						
Wan Ahmad	-	39	-	18	-	58
	-	235	-	95	-	332

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31. Directors and Shariah Committee members' remuneration (cont'd.)

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

<=====Remuneration received from the Group=====>

Group 2015	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 31(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,310	-	884	1,168	57	3,419
Executive Director of the subsidiaries:						
Sharifatul Hanizah Binti Said Ali	517	-	233	183	-	933
	<u>1,827</u>	<u>-</u>	<u>1,117</u>	<u>1,351</u>	<u>57</u>	<u>4,352</u>
Note 31(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	38	-	260
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	84	-	168
Tengku Dato' Seri Hasmuiddin Tengku Othman	-	84	-	80	-	164
Tuan Haji Mohd Izani Ghani *	-	84	-	48	-	132
Dato' Azmi Abdullah	-	84	-	110	-	194
Dato' Hj Kamil Khalid Ariff	-	84	-	73	-	157
Dato' Sri Che Khalib Mohamad Noh	-	84	-	32	-	116
Dato' Mohamed Hazlan Mohamed Hussain	-	84	-	33	-	117
Encik Hisham Zain	-	21	-	17	-	38
Director - subsidiaries:						
Fakihah binti Azahari	-	20	-	5	-	25
Dato' Adnan bin Alias	-	20	-	4	-	24
	<u>-</u>	<u>871</u>	<u>-</u>	<u>524</u>	<u>-</u>	<u>1,395</u>
Total Directors' remuneration	<u>1,827</u>	<u>871</u>	<u>1,117</u>	<u>1,875</u>	<u>57</u>	<u>5,747</u>

* Director's fees payable to Khazanah Nasional Berhad

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31. Directors and Shariah Committee members' remuneration (cont'd.)

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

Group 2015	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 31(c) :						
Shariah Committee:						
En Azizi Che						
Seman	-	48	-	25	-	73
Dr Mohamad Sabri						
Haron	-	42	-	23	-	65
Engku Ahmad Fadzil						
Engku Ali	-	42	-	23	-	65
Dr Ab Halim						
Muhammad	-	42	-	20	-	62
Dr Zulkifli Mohamad	-	42	-	14	-	56
Dr Wan Marhaini						
Wan Ahmad	-	42	-	20	-	62
	-	258	-	125	-	383

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31. Directors and Shariah Committee members' remuneration (cont'd.)

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

<===== Remuneration received from the Bank =====>

Bank 2016	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 31(a):						
Executive Director:						
Dato' Haji Mohd						
Redza Shah Abdul						
Wahid	1,363	-	-	252	85	1,700
	1,363	-	-	252	85	1,700
Note 31(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd						
Munir Abdul Majid	-	222	-	34	-	256
Tuan Haji Abdul						
Jabbar Abdul Majid	-	84	-	76	-	160
Tengku Dato'						
Seri Hasmuddin						
Tengku Othman	-	84	-	70	-	154
Tuan Haji Mohd						
Izani Ghani *	-	84	-	45	-	129
Dato' Azmi Abdullah	-	84	-	85	-	169
Dato' Hj Kamil Khalid						
Ariff	-	84	-	59	-	143
Dato' Sri Che Khalib						
Mohamad Noh	-	84	-	29	-	113
Dato' Mohamed Hazlan						
Mohamed Hussain	-	28	-	5	-	33
Dr Azura Othman	-	77	-	47	-	124
Dato' Ahmad Fuaad						
Mohd Kenali	-	56	-	10	-	66
	-	887	-	460	-	1,347
Total Directors' remuneration	1,363	887	-	712	85	3,047

* Director's fees payable to Khazanah Nasional Berhad

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31. Directors and Shariah Committee members' remuneration (cont'd.)

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

Bank 2016	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 31(c):						
Shariah Committee:						
En Azizi Che Seman	-	44	-	22	-	66
Dr Mohamad Sabri Haron	-	39	-	16	-	55
Engku Ahmad Fadzil Engku Ali	-	35	-	16	-	51
Dr Ab Halim Muhammad	-	39	-	14	-	53
Dr Zulkifli Mohamad	-	39	-	9	-	48
Dr Wan Marhaini Wan Ahmad	-	39	-	18	-	57
	-	235	-	95	-	330

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31. Directors and Shariah Committee members' remuneration (cont'd.)

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

Bank 2015	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 31(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,310	-	884	1,168	57	3,419
	<u>1,310</u>	<u>-</u>	<u>884</u>	<u>1,168</u>	<u>57</u>	<u>3,419</u>
Note 31(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	38	-	260
Tuan Haji Abdul Jabbar Abdul Majid	-	84	-	84	-	168
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	80	-	164
Tuan Haji Mohd Izani Ghani *	-	84	-	48	-	132
Dato' Azmi Abdullah	-	84	-	110	-	194
Dato' Hj Kamil Khalid Ariff	-	84	-	73	-	157
Dato' Sri Che Khalib Mohamad Noh	-	84	-	32	-	116
Dato' Mohamed Hazlan Mohamed Hussain	-	84	-	33	-	117
Encik Hisham Zain	-	21	-	17	-	38
	<u>-</u>	<u>831</u>	<u>-</u>	<u>515</u>	<u>-</u>	<u>1,346</u>
Total Directors' remuneration	<u>1,310</u>	<u>831</u>	<u>884</u>	<u>1,683</u>	<u>57</u>	<u>4,765</u>

* Director's fees payable to Khazanah Nasional Berhad

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31. Directors and Shariah Committee members' remuneration (cont'd.)

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

Bank 2015	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 31(c):						
Shariah Committee:						
En Azizi Che Seman	-	48	-	25	-	73
Dr Mohamad Sabri Haron	-	42	-	23	-	65
Engku Ahmad Fadzil Engku Ali	-	42	-	23	-	65
Dr Ab Halim Muhammad	-	42	-	20	-	62
Dr Zulkifli Mohamad	-	42	-	14	-	56
Dr Wan Marhaini Wan Ahmad	-	42	-	20	-	62
	-	258	-	125	-	383

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32. Key management personnel remuneration

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

	Group	
	2016	2015
	RM'000	RM'000
Short-term employees benefits	7,115	9,036
Included in the total key management personnel are:		
Executive directors' remuneration (Note 31(a))	2,402	4,352
	Bank	
	2016	2015
	RM'000	RM'000
Short-term employees benefits (salary, bonus, allowances)	6,413	8,102
Included in the total key management personnel are:		
Executive directors' remuneration (Note 31(a))	1,700	3,419

33. Other overheads and expenditures

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Marketing				
Advertisement and publicity	6,357	10,589	6,357	10,584
Donation and sponsorship	10,831	3,150	10,831	3,150
Others	1,893	7,017	1,878	7,007
	19,081	20,756	19,066	20,741

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33. Other overheads and expenditures (cont'd.)

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Establishment				
Rental	11,867	11,071	11,433	10,951
Depreciation (Note 14)	20,302	20,877	20,264	20,841
Amortisation of intangible assets (Note 13)	23,312	13,160	23,117	12,978
Amortisation of prepaid land lease payments (Note 15)	4	4	4	4
Information technology expenses	29,408	32,767	29,408	32,767
Repair and maintenance	1,974	2,299	1,937	2,298
Hire of equipment	5,244	5,130	4,709	4,685
Takaful	6,563	4,194	6,563	4,194
Utilities expenses	5,241	5,778	5,210	5,742
Security expenses	9,276	8,444	9,276	8,444
Others	3,566	3,545	3,566	3,545
	116,757	107,269	115,487	106,449
General expenses				
Auditors' fees				
- statutory audit	419	788	402	771
- regulatory related services	278	420	260	398
- others	101	67	101	56
Professional fees	1,249	2,593	1,128	2,489
Legal expenses	1,365	1,243	1,365	1,243
Telephone	2,120	2,299	2,113	2,292
Stationery and printing	2,250	2,305	2,226	2,291
Postage and courier	1,442	1,206	1,442	1,206
Travelling	2,165	3,449	2,141	3,400
Directors remuneration and Shariah Committee allowance (Note 31)	4,042	6,073	3,292	5,091
Property, plant and equipment written off (Note 14)	20	20	20	20
Others	10,337	9,140	12,854	10,582
	25,788	29,603	27,344	29,839
	161,626	157,628	161,897	157,029

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34. Finance cost

	Group and Bank	
	2016	2015
	RM'000	RM'000
Dividend paid on subordinated sukuk	20,623	20,600

35. Zakat

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Provision of zakat for the year	4,375	3,381	4,197	3,161
Under provision in prior year	-	72	-	-
	4,375	3,453	4,197	3,161

36. Taxation

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current income tax	36,685	7,004	34,995	5,119
Under/(over) provision in prior years	16,026	(2,847)	16,026	(2,847)
	52,711	4,157	51,021	2,272
Deferred tax: (Notes 16)				
Relating to origination and reversal of temporary differences	3,135	31,314	3,135	31,314
Relating to reduction in Malaysian income tax rate	-	130	-	130
Over provision in prior years	(24,897)	(6,368)	(24,897)	(6,368)
	(21,762)	25,076	(21,762)	25,076
	30,949	29,233	29,259	27,348

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36. Taxation (cont'd.)

Domestic current income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the year.

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

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	167,233	121,966	167,876	114,324
Taxation at Malaysian statutory tax rate 24% (2015: 25%)	40,136	30,492	40,290	28,581
Deferred tax recognised in different tax rates	-	(1,298)	-	(1,298)
Effect on opening deferred tax of reduction in Malaysian income tax rate	-	130	-	130
Income not subject to tax	(10,427)	(1,507)	(10,960)	(1,462)
Expenses not deductible for tax purposes	10,111	10,631	8,800	10,612
Under/(over) provision of income tax in prior years	16,026	(2,847)	16,026	(2,847)
Over provision of deferred tax in prior years	(24,897)	(6,368)	(24,897)	(6,368)
Income tax expense for the year	30,949	29,233	29,259	27,348

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

	Group	
	2016	2015
	RM'000	RM'000
Unused tax losses	2,153	2,153

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36. Taxation (cont'd.)

The unused tax losses of the Group amounting to RM2,153,095 (2015: RM2,153,095) are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

37. Earnings per share

Basic and diluted	Group	
	2016 RM'000	2015 RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	131,909	89,280
Weighted average number of ordinary shares in issue ('000)	1,195,000	1,195,000
Basic and diluted earnings per share (sen)	11.04	7.47

38. Dividends

The directors did not declare any final dividend for the financial year ended 31 March 2016.

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39. Significant related party transactions

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

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

	Group and Bank	
	2016	2015
	RM'000	RM'000
Holding company		
Expenditure		
- hibah on deposit	1,141	1,375
- sponsorship	108	5,000
Amounts due to		
- deposits	<u>141,856</u>	<u>108,305</u>
Subsidiaries		
Income		
- management income	2,106	1,539
- profit sharing incentive	107	38
Expenditure		
- hibah on deposit	466	179
Amounts due from		
- financing	106,925	126,498
Amounts due to		
- deposits	<u>20,792</u>	<u>22,060</u>

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39. Significant related party transactions (cont'd.)

	Group and Bank	
	2016	2015
	RM'000	RM'000
Key management personnel		
Amounts due from		
- financing	116	248
Other related companies		
Income		
- profit on financing	10,651	9,652
Expenditure		
- hibah on deposit	18,886	11,468
- seconded staff salary and related expenses	254	844
- mailing and courier service	404	472
- rental (offsite ATM machine & branch)	234	232
- sponsorship	216	719
- others	461	5,360
Amounts due to		
- deposits	308,191	422,810
Amounts due from		
- financing	240,554	219,461

40. Credit exposures arising from credit transactions with connected parties

	Group and Bank	
	2016	2015
	RM'000	RM'000
Outstanding credit exposures with connected parties	1,552,136	1,331,310
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.5%	5.5%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

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40. Credit exposures arising from credit transactions with connected parties (cont'd.)

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on credit Transaction and Exposures with Connected Parties, which are effective on 1 January 2008.

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

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

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41. Commitments and contingencies

- (i) In the normal course of business, the Group and the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk weighted exposures of the Group and the Bank are as follows:

	Group and Bank					
	2016	2016	2016	2015	2015	2015
	Credit	Total risk		Credit	Total risk	
The commitments and contingencies constitute the following:	Principal amount	equivalent amount	weighted amount	Principal amount	equivalent amount	weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Contingent liabilities						
Direct credit substitutes	61,401	61,401	60,691	62,225	62,225	62,072
Trade-related contingencies	9,778	1,956	1,444	18,829	3,766	2,810
Transaction related contingencies	247,807	123,904	123,775	246,641	123,320	122,737
Commitments						
Credit extension commitment:						
- Maturity within one year	808,248	161,650	155,099	1,261,070	252,214	229,846
- Maturity exceeding one year	1,878,796	939,398	185,501	2,010,431	1,005,215	240,756
Islamic derivative financial instruments						
Foreign exchange related contracts	1,333,866	61,167	37,838	2,181,114	67,921	44,486
Profit rate related contract	3,675,000	48,901	9,780	3,675,000	89,596	17,920
	8,014,896	1,398,377	574,128	9,455,310	1,604,257	720,627

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42. Financial risk management objectives and policies

Overview

The integrated risk management system enables the Group and Bank to achieve a single view of risks across its various business operations and in order to gain strategic competitive advantage from its capabilities. It can be described as the strategy and technique of managing risks by taking a holistic approach towards risk management process, which includes risk identification, measurement and management. It also aims at integrating the control and optimisation of the principal risk areas of Market Risk ("MR"), Asset and Liability Management ("ALM"), Credit Risk ("CR"), Operational Risk ("OR") and Shariah Compliance Risk; and building the requisite risk management organisation, infrastructure, process and technology with the objective of advancing the Group and Bank towards value protection and creation.

Generally, the objectives of the Group and Bank integrated risk management system include the following:

- Identifying all the risks exposures and their impact;
- Establishment of sound policies and procedures in line with the Group's and Bank's strategy, lines of business and nature of operations;
- Set out an enterprise-wide organisation structure and defining the appropriate roles and responsibilities; and
- Instill the risk culture within the Group and Bank.

Risk governance

A stable enterprise-level organisation structure for risk management is necessary to ensure a uniform view of risks across the Group and Bank and form strong risk governance.

The Board of Directors has the overall responsibility for understanding the risks undertaken by the Group and Bank and ensuring that these risks are properly managed. While the Board of Directors is ultimately responsible for risk management of the Group and Bank, it has entrusted the Board Risk Management Committee ("BRMC") to carry out its functions. BRMC, which is chaired by an independent director of the Board, oversees the overall management of risks.

The execution of the Board's risk strategies and policies is the responsibility of the Group's and Bank's management and the conduct of these functions are being exercised under a committee structure, namely the Executive Risk Management Committee ("ERMC"), which is chaired by the Chief Executive Officer ("CEO"). The Committee focuses on the overall business strategies and day-to-day business operations of the Group and Bank in respect of risk management.

In addition, as an Islamic Bank, a Shariah Committee ("SC") is set up as an independent external body to decide on Shariah issues and simultaneously to assist towards risk mitigation and compliance with the Shariah principles.

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

Risk governance (cont'd.)

There are other risk committees at the management level to oversee specific risk areas and control function the following is the detail:

Committee	Objective
Asset & Liability Working Committee ("ALCO")	To ensure that all strategies conform to the Bank's risk appetite and levels of exposure as determined by BRMC. These include areas of capital management, funding and liquidity management and market risk.
Credit Committee ("CC")	To manage the direction of the Bank's large financing exposure (business and consumer). These include authority to decide on new and/or additional exposures and review the direction of existing exposure.
Investment Committee ("IC")	To manage the Bank's investments and decides on new and/or additional increases of existing investment securities and/or other Treasury investment-related activities.
Operational Risk Management Committee ("ORMC")	To ensure effective implementation of Operational Risk Management Framework.

To carry out the day-to-day risk management functions, a dedicated Risk Management Department ("RMD") that is independent of profit and volume target, supports the above committees.

(a) Credit risk

Credit risk is defined as the potential loss to the Group and Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and Bank comprehend that credit risk is inherent in its credit products activities such as credit financing facilities activities (funded/non-funded facilities); treasury activities (including inter-bank money market, money and capital trading, foreign exchange); and investment banking activities (including underwriting of private debt securities issuance).

The Group and Bank's RMD and Senior Management via ERM implement and execute the strategies and policies in managing credit risk to ensure that the Bank's exposure to credit are always kept within the Group's and Bank's risk appetite parameters and the Group and Bank will be able to identify its risk tolerance levels. The administration of credit risk is governed by a full set of credit related policies such as Credit Risk Policy ("CRP"), and Guidelines to Credit Risk Policies ("GCRP"), product manuals and standard operating procedures.

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

(a) Credit risk (cont'd.)

Credit exposures are controlled via a thorough credit assessment process which include, among others, assessing the adequacy of the identified source of payments and/or income generation from the customer, as well as determining the appropriate structure for financing.

As a supporting tool for the assessment, the Group and Bank adopt credit risk rating (internal/external) mechanisms. The internal risk rating/grading mechanism is consistent with the nature, size and complexity of the Group and Bank activities. It is also in compliance with the regulatory authority's requirements. Where applicable, the external rating assessment will be applied. This is provided by more than one of the selected reputable External Credit Assessment Institutions ("ECAI").

To mitigate credit concentration risks, the Group and Bank set exposure limits to individual/single customer, groups of related customers, connected parties, global counterparty, industry/sector and other various funded and non-funded exposures. This is monitored and enforced throughout the credit delivery process.

The Group and Bank also introduced the Credit Risk Mitigation Techniques ("CRMT") to ascertain the strength of collaterals and securities pledged for financing. The technique outlines the criteria for the eligibility and valuation as well as the monitoring process of the collaterals and securities pledged.

The Group and Bank credit risk disclosures also cover past due and impaired financing including the approaches in determining the individual and collective impairment provisions.

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

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration

The following tables presents the Group's and the Bank's maximum exposure to credit risk (without taking account of any collateral held or other credit enhancements) for each class of financial assets, including derivatives with positive fair values, and commitments and contingencies. Where financial assets are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. Included in commitments and contingencies are contingent liabilities and credit commitments. For contingent liabilities, the maximum exposures to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of undrawn credit granted to customers and derivative financial instruments.

A concentration credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By sector analysis

The analysis of credit risk concentration presented relates to financial assets, including derivatives with positive fair values, and commitments and contingencies, subject to credit risk and are based on the sector in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account of any collateral held or other credit enhancements.

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

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 2016	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,008,391	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	177,322	9,033	-	-	-	186,355
Financial investments available-for-sale	3,165,501	701,266	558,673	127,018	-	1,147,707	5,700,165
Financial investments held-to-maturity	140,608	-	-	-	-	-	140,608
Islamic derivative financial assets	-	40,601	-	-	-	-	40,601
Financing of customers	551,610	963,217	1,138,048	1,409,890	15,095	10,435,017	14,512,877
Statutory deposits with Bank Negara Malaysia	703,261	-	-	-	-	-	703,261
Other financial assets	-	-	-	-	-	2,092	2,092
	4,560,980	2,951,507	1,705,754	1,536,908	15,095	11,584,816	22,355,060
Commitments and contingencies							
Contingent liabilities	2,131	32,250	65,774	186,646	8,581	23,604	318,986
Commitments	1,497,869	108,077	557,654	368,915	9,935	144,594	2,687,044
Islamic derivative financial instruments	-	5,008,866	-	-	-	-	5,008,866
	1,500,000	5,149,193	623,428	555,561	18,516	168,198	8,014,896
Total credit exposures	6,060,980	8,100,700	2,329,182	2,092,469	33,611	11,753,014	30,369,956

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

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Group 2015	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,115,809	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	3	114,554	4,100	-	-	-	118,657
Financial investments available-for-sale	3,370,955	797,102	673,790	-	-	1,593,632	6,435,479
Financial investments held-to-maturity	139,042	-	-	-	-	-	139,042
Islamic derivative financial assets	598	43,544	236	-	-	-	44,378
Financing of customers	551,361	738,830	1,402,751	1,146,515	22,223	9,552,990	13,414,670
Statutory deposits with Bank Negara Malaysia	757,721	-	-	-	-	-	757,721
Other financial assets	-	-	-	-	-	6,963	6,963
	4,819,680	2,920,974	2,080,877	1,146,515	22,223	11,153,585	22,143,854
Commitments and contingencies							
Contingent liabilities	3,922	14,182	61,302	191,174	-	57,115	327,695
Commitments	1,503,328	101,092	773,165	350,131	-	543,785	3,271,501
Islamic derivative financial instruments	22,177	5,748,798	80,423	-	-	4,716	5,856,114
	1,529,427	5,864,072	914,890	541,305	-	605,616	9,455,310
Total credit exposures	6,349,107	8,785,046	2,995,767	1,687,820	22,223	11,759,201	31,599,164

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

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 2016	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,008,391	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	60,710	-	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	177,322	-	-	-	-	177,322
Financial investments available-for-sale	3,165,501	701,266	558,673	127,018	-	1,147,554	5,700,012
Financial investments held-to-maturity	140,608	-	-	-	-	-	140,608
Islamic derivative financial assets	-	40,601	-	-	-	-	40,601
Financing of customers	551,610	963,218	1,147,781	1,409,890	15,095	10,434,600	14,522,194
Statutory deposits with Bank Negara Malaysia	703,261	-	-	-	-	-	703,261
Other financial assets	-	-	-	-	-	8,239	8,239
	4,560,980	2,951,508	1,706,454	1,536,908	15,095	11,590,393	22,361,338
Commitments and contingencies							
Contingent liabilities	2,131	32,250	65,774	186,646	8,581	23,604	318,986
Commitments	1,497,869	108,077	557,654	368,915	9,935	144,594	2,687,044
Derivative financial instruments	-	5,008,866	-	-	-	-	5,008,866
	1,500,000	5,149,193	623,428	555,561	18,516	168,198	8,014,896
Total credit exposures	6,060,980	8,100,701	2,329,882	2,092,469	33,611	11,758,591	30,376,234

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

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By sector analysis (cont'd.)

Bank 2015	Government and statutory bodies RM'000	Finance, takaful and business services RM'000	Agriculture, manufacturing, wholesale, retail and restaurant RM'000	Construction and real estate RM'000	Purchase of transport vehicles RM'000	Others RM'000	Total RM'000
On balance sheet exposures							
Cash and short-term funds	-	1,115,809	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	3	114,554	-	-	-	-	114,557
Financial investments available-for-sale	3,370,955	797,102	673,790	-	-	1,593,632	6,435,479
Financial investments held-to-maturity	139,042	-	-	-	-	-	139,042
Islamic derivative financial assets	598	43,544	236	-	-	-	44,378
Financing of customers	551,361	743,830	1,413,551	1,140,515	22,223	9,554,373	13,425,853
Statutory deposits with Bank Negara Malaysia	757,721	-	-	-	-	-	757,721
Other financial assets	-	-	-	-	-	6,213	6,213
	4,819,680	2,925,974	2,087,577	1,140,515	22,223	11,154,218	22,150,187
Commitments and contingencies							
Contingent liabilities	3,922	14,182	61,302	191,174	-	57,115	327,695
Commitments	1,503,328	101,092	773,165	350,131	-	543,785	3,271,501
Derivative financial instruments	22,177	5,748,798	80,423	-	-	4,716	5,856,114
	1,529,427	5,864,072	914,890	541,305	-	605,616	9,455,310
Total credit exposures	6,349,107	8,790,046	3,002,467	1,681,820	22,223	11,759,834	31,605,497

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

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis

The analysis of credit concentration risk of financial assets and commitments and contingencies of the Group and the Bank categorised by geographical distribution (based on the geographical location where the credit risk resides) are as follows:

	Group		Bank	
	Domestic	Labuan	Domestic	Labuan
	RM'000	RM'000	RM'000	RM'000
2016				
On Balance Sheet				
Exposures				
Cash and short-term funds	1,017,374	(8,983)	1,017,374	(8,983)
Cash and placements with financial institutions	60,710	-	60,710	-
Financial investments designated at fair value through profit and loss	9,033	177,322	-	177,322
Financial investments available-for-sale	5,673,083	27,082	5,672,930	27,082
Financial investments held-to-maturity	140,608	-	140,608	-
Islamic derivative financial assets	40,597	4	40,597	4
Financing of customers	14,457,070	55,807	14,466,387	55,807
Statutory deposits with Bank Negara Malaysia	703,261	-	703,261	-
Other financial assets	2,092	3	8,239	3
	<u>22,103,828</u>	<u>251,235</u>	<u>22,110,106</u>	<u>251,235</u>
Commitments and contingencies				
Contingent liabilities	318,986	-	318,986	-
Commitments	2,687,016	28	2,687,016	28
Derivative financial instruments	5,008,857	9	5,008,857	9
	<u>8,014,859</u>	<u>37</u>	<u>8,014,859</u>	<u>37</u>
Total credit exposures	<u>30,118,687</u>	<u>251,272</u>	<u>30,124,965</u>	<u>251,272</u>

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

(a) Credit risk (cont'd.)

(i) Maximum credit risk exposures and credit risk concentration (cont'd.)

By geographical analysis (cont'd.)

	Group		Bank	
	Domestic RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2015				
On Balance Sheet				
Exposures				
Cash and short-term funds	1,063,323	52,486	1,063,323	52,486
Cash and placements with financial institutions	111,135	-	111,135	-
Financial investments designated at fair value through profit and loss	4,103	114,554	3	114,554
Financial investments held-to-maturity	139,042	-	139,042	-
Financial investments available-for-sale	6,406,100	29,379	6,406,100	29,379
Islamic derivative financial assets	43,293	1,085	43,293	1,085
Financing of customers	13,407,776	6,894	13,418,959	6,894
Statutory deposits with Bank Negara Malaysia	757,721	-	757,721	-
Other financial assets	6,959	4	6,209	4
	<u>21,939,452</u>	<u>204,402</u>	<u>21,945,785</u>	<u>204,402</u>
Commitments and contingencies				
Contingent liabilities	327,695	-	327,695	-
Commitments	3,271,501	-	3,271,501	-
Derivative financial instruments	5,856,114	-	5,856,114	-
	<u>9,455,310</u>	<u>-</u>	<u>9,455,310</u>	<u>9,455,310</u>
Total credit exposures	<u>31,394,762</u>	<u>204,402</u>	<u>31,401,095</u>	<u>9,659,712</u>

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers

The credit quality for financing of customers is managed by the Group and the Bank using the internal credit ratings. The table below shows the credit quality for financing of customers exposed to credit risk, based on the Group's and the Bank's internal credit ratings.

Financing of customers are analysed as follows:

Group	Neither past due nor impaired		Past due	Impaired	Total
2016	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	4,010,889	267,635	192,189	75,343	4,546,056
- Syndicated financing	508,030	-	-	-	508,030
- Hire purchase receivables	810,831	33,068	28,041	28,456	900,396
- Leasing receivables	-	-	-	9,038	9,038
- Other term financing	6,055,712	69,584	69,898	111,916	6,307,110
Other financing	2,389,720	32,709	7,618	101,717	2,531,764
	13,775,182	402,996	297,746	326,470	14,802,394
Less:					
- Collective assesment allowance	-	-	-	-	(208,439)
- Individual assesment allowance	-	-	-	(81,078)	(81,078)
Total net financing	13,775,182	402,996	297,746	245,392	14,512,877

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Group	Neither past due nor impaired		Past due	Impaired	Total
2015	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
Term financing					
- Home financing	3,380,316	383,492	291,072	103,743	4,158,623
- Syndicated financing	340,712	-	-	-	340,712
- Hire purchase receivables	968,276	34,228	35,630	36,313	1,074,447
- Leasing receivables	-	-	-	12,596	12,596
- Other term financing	5,311,584	92,434	60,356	67,260	5,531,634
Other financing	2,438,827	10,665	9,222	119,802	2,578,516
	12,439,715	520,819	396,280	339,714	13,696,528
Less:					
- Collective assesment allowance	-	-	-	-	(239,227)
- Individual assesment allowance	-	-	-	(42,631)	(42,631)
Total net financing	12,439,715	520,819	396,280	297,083	13,414,670

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Bank	Neither past due nor impaired		Past due	Impaired	Total
2016	Good	Satisfactory	but not	financing	
	RM'000	RM'000	impaired	RM'000	RM'000
			RM'000		
Term financing					
- Home financing	4,010,889	267,635	192,189	75,343	4,546,056
- Syndicated financing	508,030	-	-	-	508,030
- Hire purchase receivables	810,831	33,068	28,041	28,456	900,396
- Leasing receivables	-	-	-	9,038	9,038
- Other term financing	6,065,029	69,584	69,898	111,916	6,316,427
Other financing	2,389,720	32,709	7,618	101,717	2,531,764
	13,784,499	402,996	297,746	326,470	14,811,711
Less:					
- Collective assesment allowance	-	-	-	-	(208,439)
- Individual assesment allowance	-	-	-	(81,078)	(81,078)
Total net financing	13,784,499	402,996	297,746	245,392	14,522,194

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Financing of customers are analysed as follows: (cont'd.)

Bank 2015	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total
	Good RM'000	Satisfactory RM'000	RM'000	RM'000	RM'000
Term financing					
- Home financing	3,380,316	383,492	291,072	103,743	4,158,623
- Syndicated financing	340,712	-	-	-	340,712
- Hire purchase receivables	968,276	34,228	35,630	36,313	1,074,447
- Leasing receivables	-	-	-	12,596	12,596
- Other term financing	5,322,767	92,434	60,356	73,260	5,548,817
Other financing	2,438,827	10,665	9,222	119,802	2,578,516
	<u>12,450,898</u>	<u>520,819</u>	<u>396,280</u>	<u>345,714</u>	<u>13,713,711</u>
Less:					
- Collective assesment allowance	-	-	-	-	(239,227)
- Individual assesment allowance	-	-	-	(48,631)	(48,631)
Total net financing	<u>12,450,898</u>	<u>520,819</u>	<u>396,280</u>	<u>297,083</u>	<u>13,425,853</u>

Neither past due nor impaired

Financing of customers which are neither past due nor impaired are identified into the following grades:

- "Good grade" refers to financing of customers which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.
- "Satisfactory grade" refers to financing of customers which may have been past due but not impaired or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Past due but not impaired

Past due but not impaired financing of customers refers to where the customer has failed to make principal or profit payment or both after the contractual due date for more than one day but less than three (3) months.

Aging analysis of past due but not impaired is as follows:

Group and Bank 2016	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	141,222	50,967	192,189
- Hire purchase receivables	-	22,153	5,888	28,041
- Other term financing	-	46,871	23,027	69,898
Other financing	-	3,437	4,181	7,618
Total	-	213,683	84,063	297,746

Group and Bank 2015	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	187,108	103,963	291,071
- Hire purchase receivables	-	24,807	10,823	35,630
- Other term financing	-	39,014	21,342	60,356
Other financing	891	6,740	1,592	9,223
Total	891	257,669	137,720	396,280

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Past due but not impaired (cont'd.)

The following tables present an analysis of the past due but not impaired financing by economic purpose.

Group and Bank

	2016	2015
	RM'000	RM'000
Purchase of transport vehicles	28,207	35,475
Purchase of landed properties of which:		
– residential	195,728	292,977
– non-residential	13,253	29,490
Purchase of fixed assets (excluding landed properties)	879	-
Personal use	56,837	30,796
Working capital	933	-
Other purpose	1,909	7,542
	297,746	396,280

Impaired financing

Classification of impaired financing and provisioning is made on the Group's and Bank's financing assets upon determination of the existence of "objective evidence of impairment" and categorisation into individual and collective assessment.

Individual assessment allowance

Financing are classified as individually impaired when they fulfill either of the following criteria:

- (a) principal or profit or both are past due for more than three (3) months;
- (b) where a financing is in arrears for less than three (3) months, and exhibits the indications of credit weaknesses; or
- (c) where an impaired financing has been rescheduled or restructured, the financing continues to be classified as impaired until payment based on the rescheduled and restructured terms have been observed continuously for a minimum period of six (6) months.

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Impaired financing (cont'd.)

Individual assessment allowance (cont'd.)

In addition, for all financing that are considered individually significant, the Group and the Bank assesses the financing at each reporting date whether there is any objective evidence that a financing is impaired. The criteria that the Group uses to determine that there is objective evidence of impairment include:

1. Bankruptcy petition filed against the customer
2. Customer resorting to Section 176 Companies Act 1965 (and alike)
3. Other banks calling their lines (revealed through publicised news, market rumours, etc)
4. Customer involved in material fraud
5. Excess drawing or unpaid profit/principal
6. 90 days past due
7. Abandoned project
8. Future cash flows barely covers profit
9. Distressed debt restructuring
10. Improper use of credit lines
11. Legal action by other creditors

Collective assessment allowance

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

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

(a) Credit risk (cont'd.)

(ii) Credit quality financing of customers (cont'd.)

Impaired financing (cont'd.)

Collateral and other credit enhancements

The amount and type of collateral required depends on assessment of credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types and collateral and valuation parameters.

The main types of collateral obtained by the Group and the Bank are as follows:

- For home financing - mortgages over residential properties;
- For syndicated financing - charges over the properties being financed;
- For hire purchase financing - charges over the vehicles financed;
- For share margin financing - pledges over securities from listed exchange;
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing of customer for the Group and the Bank is at 100.6% as at 31 March 2016 (86% as at 31 March 2015). The financial effect of collateral held for other financial assets is not significant.

At 31 March 2016, the fair value of collateral that the Group and Bank hold relating to financing of customers individually determined to be impaired amounts to RM84,028,221 as compared with 31 March 2015 of RM100,622,189. The collateral consists of cash, securities, letters of guarantee and properties.

Reposessed collateral

It is the Group's and the Bank's policy to dispose of reposessed collateral in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral reposessed are subject to disposal as soon as practicable. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank does not occupy reposessed properties for its own business use.

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Group 2016	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
<u>Individual assessment allowance</u>					
At 1 April 2015	42,631	700	64,358	-	107,689
Allowance made during the year	50,307	-	22,790	-	73,097
Amount written back	(5,658)	-	-	-	(5,658)
Amount written off	(6,202)	-	-	-	(6,202)
Foreign exchange differences	-	-	204	-	204
As at 31 March 2016	81,078	700	87,352	-	169,130

Group 2015	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
<u>Individual assessment allowance</u>					
At 1 April 2014	74,492	700	85,900	-	161,092
Allowance made during the year	36,636	-	6,630	-	43,266
Amount written back	(6,929)	-	(28,634)	-	(35,563)
Amount written off	(61,568)	-	-	-	(61,568)
Foreign exchange differences	-	-	462	-	462
As at 31 March 2015	42,631	700	64,358	-	107,689

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

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets: (cont'd.)

Bank 2016	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
<u>Individual assessment allowance</u>					
At 1 April 2015	48,631	-	64,358	-	112,989
Allowance made during the year	50,307	-	22,790	-	73,097
Amount written back	(5,658)	-	-	-	(5,658)
Amount written off	(12,202)	-	-	-	(12,202)
Foreign exchange differences	-	-	204	-	204
As at 31 March 2016	81,078	-	87,352	-	168,430

Bank 2015	Financing of customers RM'000	Financial investments at fair value through profit or loss RM'000	Financial investments available -for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
<u>Individual assessment allowance</u>					
At 1 April 2014	80,492	-	85,900	-	166,392
Allowance made during the year	36,636	-	6,630	-	43,266
Amount written back	(6,929)	-	(28,634)	-	(35,563)
Amount written off	(61,568)	-	-	-	(61,568)
Foreign exchange differences	-	-	462	-	462
As at 31 March 2015	48,631	-	64,358	-	112,989

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

(a) Credit risk (cont'd.)

(iv) Credit quality of financial investments and other financial assets

Set out below are the credit quality of financial investments (non-money market instruments-debt securities) and other financial assets analysed by ratings from external credit ratings agencies:

Group	Financial investments held-to-maturity			Financial investments available-for-sale			
	Non Money Market Instruments - Debt			Non Money Market Instruments - Debt			Other financial assets RM'000
	Securities		Total	Securities		Total	
	International Ratings RM'000	Domestic Ratings RM'000		International Ratings RM'000	Domestic Ratings RM'000		
2016							
AAA+ to AA-	-	-	-	-	1,989,489	1,989,489	-
A+ to A-	-	-	-	19,681	38,948	58,629	-
BBB+ to BB-	-	140,608	140,608	-	-	-	-
Unrated	-	-	-	-	163,125	163,125	2,092
Defaulted	-	-	-	7,401	6,482	13,883	-
Sovereign	-	-	-	-	3,379,263	3,379,263	-
Total	-	140,608	140,608	27,082	5,577,307	5,604,389	2,092
2015							
AAA+ to AA-	-	-	-	-	2,616,658	2,616,658	-
A+ to A-	-	-	-	22,458	-	22,458	-
BBB+ to BB-	-	139,042	139,042	-	-	-	-
Unrated	-	-	-	-	177,212	177,212	6,963
Defaulted	-	-	-	6,922	9,874	16,796	-
Sovereign	-	-	-	-	3,602,355	3,602,355	-
Total	-	139,042	139,042	29,380	6,406,099	6,435,479	6,963

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

(a) Credit risk (cont'd.)

(iv) Credit quality of financial investments and other financial assets (cont'd.)

Set out below are the credit quality of financial investments (non-money market instruments-debt securities) and other financial assets analysed by ratings from external credit ratings agencies: (cont'd.)

Bank	Financial investments held-to-maturity			Financial investments available-for-sale			
	Non Money Market Instruments - Debt			Non Money Market Instruments - Debt			Other financial assets RM'000
	Securities		Total RM'000	Securities		Total RM'000	
	International Ratings RM'000	Domestic Ratings RM'000		International Ratings RM'000	Domestic Ratings RM'000		
2016							
AAA+ to AA-	-	-	-	-	1,989,489	1,989,489	-
A+ to A-	-	-	-	19,681	38,948	58,629	-
BBB+ to BB-	-	140,608	140,608	-	-	-	-
Unrated	-	-	-	-	162,972	162,972	8,239
Defaulted	-	-	-	7,401	6,482	13,883	-
Sovereign	-	-	-	-	3,379,263	3,379,263	-
Total	-	140,608	140,608	27,082	5,577,154	5,604,236	8,239
2015							
AAA+ to AA-	-	-	-	-	2,616,658	2,616,658	-
A+ to A-	-	-	-	22,458	-	22,458	-
BBB+ to BB-	-	139,042	139,042	-	-	-	-
Unrated	-	-	-	-	177,212	177,212	6,213
Defaulted	-	-	-	6,922	9,874	16,796	-
Sovereign	-	-	-	-	3,602,355	3,602,355	-
Total	-	139,042	139,042	29,380	6,406,099	6,435,479	6,213

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

(a) Credit risk (cont'd.)

(iv) Credit quality of financial investments and other financial assets (cont'd.)

The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance. As at the reporting date, none of the financial investments above are past due, except for defaulted private debt securities of the Group and the Bank held under financial investments available-for-sale with carrying value of RM13,830,785 (31 March 2015: RM16,538,678), which has been classified as impaired.

At 31 March 2016, the fair value of collateral that the Group's and Bank's holds relating to defaulted private debt securities held under financial investments available-for-sale amounts to RM36,768,150 (31 March 2015: RM33,531,916). The collateral consists of cash, securities, letters of guarantee and properties.

(b) Market risk

Market risk is the potential loss arising from adverse movements in market variables such as rate of return, foreign exchange rate, equity prices and commodity prices.

Types of market risk

(i) Traded market risk

Traded market risk, primarily rate of return risk and credit spread risk, exists in the Group's and Bank's trading positions held for the purpose of benefiting from short-term price movements, which are conducted primarily by the treasury operations.

Risk measurement approach

The Group's and Bank's traded market risk framework comprises market risk policies and practices, delegation of authority, market risk limits and valuation methodologies. The Group's and Bank's traded market risk for its profit-sensitive fixed income instruments is measured by the present value of a one basis point change ("PV01") and is monitored independently by the Compliance Unit on a daily basis against approved market risk limits. In addition, the Compliance Unit is also responsible to monitor and report on limit excesses and the daily mark-to-market valuation of fixed income securities. The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by Risk Management Department. Changes to market risk limits must be approved by the Board. The trading positions and limits are regularly reported to the ALCO. The Group and Bank maintain its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk

The Group's and Bank's core non-traded market risks is the rate of return risk in the Group's Islamic banking business, foreign exchange risk and equity risk.

Rate of return risk

Rate of return risk is the potential loss of income arising from changes in market rates on the return on assets and on the returns payable on funding. The risk arises from option embedded in many Group's and Bank's assets, liabilities and off-balance-sheet portfolio.

Rate of return risk emanates from the repricing mismatches of the Group's and Bank's banking assets and liabilities and also from the Group's and Bank's investment of its surplus funds.

Risk measurement approach

The primary objective in managing the rate of return risk is to manage the volatility in the Group's and the Bank's net profit income ("NPI") and economic value of equity ("EVE"), whilst balancing the cost of such hedging activities on the current revenue streams. This is achieved in a variety of ways that involve the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in profit rate sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects.

The Group and the Bank uses various tools including repricing gap reports, sensitivity analysis and income scenario simulations to measure its rate of return risk. The impact on earnings and EVE is considered at all times in measuring the rate of return risk and is subject to limits approved by the Board.

The following tables indicate the effective profit rates at the reporting date and the Group's and the Bank's sensitivity to profit rates by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of financings or early withdrawal of deposits.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	816,520	65,765	-	-	-	-	-	-	126,106	-	1,008,391	2.4%
Cash and placements with financial institutions	-	-	-	-	-	-	-	-	60,710	-	60,710	2.4%
Financials investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	186,355	-	186,355	-
Financial investments available-for-sale	46,065	61,003	534,942	1,052,450	1,002,145	473,100	839,889	1,475,698	214,873	-	5,700,165	4.0%
Financial investments held-to-maturity	-	-	-	-	-	-	-	140,608	-	-	140,608	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	40,601	40,601	-
Financing of customers:												
- non-impaired	9,004,600	361,573	380,292	275,779	854,178	369,183	161,233	2,971,416	97,670	-	14,475,924	6.0%
- impaired*	-	-	-	-	-	-	-	-	245,392	-	245,392	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(208,439)	-	(208,439)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	987,182	-	987,182	-
TOTAL ASSETS	9,867,185	488,341	915,234	1,328,229	1,856,323	842,283	1,001,122	4,587,722	1,709,849	40,601	22,636,889	
LIABILITIES AND EQUITY												
Deposits from customers	9,258,806	3,798,694	3,228,712	3,206,197	91	176	25,302	-	125,450	-	19,643,428	3.1%
Deposits and placements of banks and other financial institutions	230,650	200,600	250	1,817	2,495	1,728	2,592	-	2,120	-	442,252	2.6%
Bills and acceptances payable	-	-	-	-	-	-	-	-	29,350	-	29,350	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	49,359	49,359	-
Subordinated sukuk	-	400,000	-	-	-	-	-	-	6,079	-	406,079	5.1%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	70,484	-	70,484	-
Total Liabilities	9,489,456	4,399,294	3,228,962	3,208,014	2,586	1,904	27,894	-	233,483	49,359	20,640,952	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,995,937	-	1,995,937	-
TOTAL LIABILITIES AND EQUITY	9,489,456	4,399,294	3,228,962	3,208,014	2,586	1,904	27,894	-	2,229,420	49,359	22,636,889	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	377,729	(3,910,953)	(2,313,728)	(1,879,785)	1,853,737	840,379	973,228	4,587,722	(519,571)	(8,758)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	3,675,000	3,675,000	-
TOTAL PROFIT SENSITIVITY GAP	377,729	(3,910,953)	(2,313,728)	(1,879,785)	1,853,737	840,379	973,228	4,587,722	(519,571)	3,666,242	3,675,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	793,115	-	-	-	-	-	-	-	322,694	-	1,115,809	3.3%
Cash and placements with financial institutions	-	111,135	-	-	-	-	-	-	-	-	111,135	3.3%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	118,654	3	118,657	-
Financial investment available-for-sale	127,615	45,166	852,032	806,402	1,296,219	1,203,887	584,638	1,431,174	88,346	-	6,435,479	4.0%
Financial investment held-to-maturity	-	-	-	-	-	-	-	139,042	-	-	139,042	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	44,378	44,378	-
Financing of customers:												
- non-impaired	7,415,663	394,479	553,435	356,986	296,274	932,747	458,998	2,723,602	218,628	-	13,350,812	5.3%
- impaired*	-	-	-	-	-	-	-	-	303,085	-	303,085	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(239,227)	-	(239,227)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,058,866	-	1,058,866	-
TOTAL ASSETS	8,336,393	550,780	1,405,467	1,163,388	1,592,493	2,136,634	1,043,636	4,293,818	1,871,046	44,381	22,438,036	
LIABILITIES AND EQUITY												
Deposits from customers	7,795,350	4,874,615	3,539,443	3,213,421	540	194	159	-	120,828	-	19,544,549	2.5%
Deposits and placements of banks and other financial institutions	350,000	50,000	650	850	1,929	2,867	1,868	-	672	-	408,836	3.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	67,723	-	67,723	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	46,193	46,193	-
Subordinated sukuk	-	-	-	406,055	-	-	-	-	-	-	406,055	4.7%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	109,986	-	109,986	-
Total Liabilities	8,145,350	4,924,615	3,540,093	3,620,326	2,469	3,061	2,027	-	299,209	46,193	20,583,342	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,854,694	-	1,854,694	-
TOTAL LIABILITIES AND EQUITY	8,145,350	4,924,615	3,540,093	3,620,326	2,469	3,061	2,027	-	2,153,903	46,193	22,438,036	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	191,043	(4,373,835)	(2,134,626)	(2,456,938)	1,590,024	2,133,573	1,041,609	4,293,818	(282,857)	(1,812)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	3,675,000	3,675,000	-
TOTAL PROFIT SENSITIVITY GAP	191,043	(4,373,835)	(2,134,626)	(2,456,938)	1,590,024	2,133,573	1,041,609	4,293,818	(282,857)	3,673,188	3,675,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	816,520	65,765	-	-	-	-	-	-	126,106	-	1,008,391	2.4%
Cash and placements with financial institutions	-	-	-	-	-	-	-	-	60,710	-	60,710	2.4%
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	177,322	-	177,322	-
Financial investments available-for-sale	46,065	61,003	534,942	1,052,450	1,002,145	467,351	828,663	1,435,041	272,352	-	5,700,012	4.0%
Financial investments held-to-maturity	-	-	-	-	-	-	-	140,608	-	-	140,608	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	40,601	40,601	-
Financing of customers:												
- non-impaired	9,004,600	361,573	380,292	275,779	854,178	369,183	161,233	2,971,416	106,987	-	14,485,241	6.0%
- impaired*	-	-	-	-	-	-	-	-	245,392	-	245,392	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(208,439)	-	(208,439)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	999,929	-	999,929	-
TOTAL ASSETS	9,867,185	488,341	915,234	1,328,229	1,856,323	836,534	989,896	4,547,065	1,780,359	40,601	22,649,767	
LIABILITIES AND EQUITY												
Deposits from customers	9,258,806	3,798,694	3,228,712	3,206,197	91	176	25,302	-	146,242	-	19,664,220	3.1%
Deposits and placements of banks and other financial institutions	230,650	200,600	250	1,817	2,495	1,728	2,592	-	2,120	-	442,252	2.6%
Bills and acceptances payable	-	-	-	-	-	-	-	-	29,350	-	29,350	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	49,359	49,359	-
Subordinated sukuk	-	400,000	-	-	-	-	-	-	6,079	-	406,079	5.1%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	69,737	-	69,737	-
Total Liabilities	9,489,456	4,399,294	3,228,962	3,208,014	2,586	1,904	27,894	-	253,528	49,359	20,660,997	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,988,770	-	1,988,770	-
TOTAL LIABILITIES AND EQUITY	9,489,456	4,399,294	3,228,962	3,208,014	2,586	1,904	27,894	-	2,242,298	49,359	22,649,767	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	377,729	(3,910,953)	(2,313,728)	(1,879,785)	1,853,737	834,630	962,002	4,547,065	(461,939)	(8,758)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	3,675,000	3,675,000	-
TOTAL PROFIT SENSITIVITY GAP	377,729	(3,910,953)	(2,313,728)	(1,879,785)	1,853,737	834,630	962,002	4,547,065	(461,939)	3,666,242	3,675,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
ASSETS												
Cash and short-term funds	755,964	-	-	-	-	-	-	-	359,845	-	1,115,809	3.3%
Cash and placements with financial institutions	-	111,135	-	-	-	-	-	-	-	-	111,135	3.3%
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	114,554	3	114,557	-
Financial investment available-for-sale	127,615	45,166	852,032	796,402	1,296,219	1,183,887	574,638	1,371,174	188,346	-	6,435,479	4.0%
Financial investment held-to-maturity	-	-	-	-	-	-	-	139,042	-	-	139,042	-
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	44,378	44,378	-
Financing of customers:												
- non-impaired	7,651,476	394,479	553,435	356,986	296,274	932,747	458,998	2,723,602	-	-	13,367,997	5.3%
- impaired*	-	-	-	-	-	-	-	-	297,083	-	297,083	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(239,227)	-	(239,227)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,063,633	-	1,063,633	-
TOTAL ASSETS	8,535,055	550,780	1,405,467	1,153,388	1,592,493	2,116,634	1,033,636	4,233,818	1,784,234	44,381	22,449,886	
LIABILITIES AND EQUITY												
Deposits from customers	7,800,650	4,874,615	3,539,443	3,213,421	540	194	159	-	137,587	-	19,566,609	2.5%
Deposits and placements of banks and other financial institutions	350,000	50,000	650	850	1,929	2,867	1,868	-	672	-	408,836	3.5%
Bills and acceptances payable	-	-	-	-	-	-	-	-	67,723	-	67,723	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	46,193	46,193	-
Subordinated sukuk	-	-	-	406,055	-	-	-	-	-	-	406,055	4.7%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	109,454	-	109,454	-
Total Liabilities	8,150,650	4,924,615	3,540,093	3,620,326	2,469	3,061	2,027	-	315,436	46,193	20,604,870	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	1,845,016	-	1,845,016	-
TOTAL LIABILITIES AND EQUITY	8,150,650	4,924,615	3,540,093	3,620,326	2,469	3,061	2,027	-	2,160,452	46,193	22,449,886	

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Bank 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-2 years RM'000	>2-3 years RM'000	>3-4 years RM'000	>4-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
On-balance sheet profit sensitivity gap	384,405	(4,373,835)	(2,134,626)	(2,466,938)	1,590,024	2,113,573	1,031,609	4,233,818	(376,218)	(1,812)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	-	-	-	-	-	-	3,675,000	3,675,000	-
TOTAL PROFIT SENSITIVITY GAP	384,405	(4,373,835)	(2,134,626)	(2,466,938)	1,590,024	2,113,573	1,031,609	4,233,818	(376,218)	3,673,188	3,675,000	

* This is arrived at after deducting individual assessment allowance from the gross impaired financing.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Effects of rate of return risk

- Earnings at Risk ("EAR")

The focus of analysis is more on the impact of changes in rate of return on accrual or reported earnings. Variation in earnings such as reduced earnings or outright losses can threaten the financial stability of the Group and Bank by undermining its capital adequacy and reducing market confidence.

- Economic value of Equity ("EVE")

Economic value of an instrument represents an assessment of present value of its expected net cash flows, discounted to reflect market rates. Economic value of the Group and the Bank can be viewed as the present value of the Group's and Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance-sheet position. The sensitivity of the Group's and Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

Rate of return risk measurement

- Gap analysis

Repricing gap analysis measures the difference or gap between the absolute value of rate of return sensitive assets and rate of return sensitive liabilities, which are expected to experience changes in contractual rates (repriced) over the residual maturity period or on maturity.

A rate sensitive gap greater than one implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of returns rise, the income on assets will increase faster than the funding costs, resulting in higher spread income.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Rate of return risk measurement (cont'd.)

- Gap analysis (cont'd.)

A rate sensitive gap less than one suggests a higher ratio of rate of return in sensitive liabilities than in sensitive assets. If rate of returns rises, funding costs will grow at a faster rate than the income on assets, resulting in a fall in spread income (net rate of return income).

- Simulation analysis

Detail assessments on the potential effects of changes in rate of return on the Group's and Bank's earnings is carried out by simulating future path of rate of returns and also their impact on cash flows.

Simulation analysis will also be used to evaluate the impact of possible decisions on the following:

- Product pricing changes;
- New product introduction;
- Derivatives and hedging strategies; and
- Changes in the asset-liability mix.

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Rate of return risk (cont'd.)

Sensitivity analysis for rate of return risk

The increase or decline in earnings and economic value for upward and downward rate shocks which are consistent with shocks applied in the stress test for measuring:

		Group		Bank	
	Tax rate %	-50 Basis Points RM'000	+50 Basis Points RM'000	-50 Basis Points RM'000	+50 Basis Points RM'000
2016					
Effect on profit after tax	24%	3,282	(3,282)	3,282	(3,282)
Effect on other comprehensive income, net of tax	24%	75,592	(75,592)	74,600	(74,600)
Effect on equity		117,001	(117,001)	115,644	(115,644)
2015					
Effect on profit after tax	25%	5,354	(5,354)	5,560	(5,560)
Effect on other comprehensive income, net of tax	25%	79,059	(79,059)	77,275	(77,275)
Effect on equity		110,318	(110,318)	107,970	(107,970)

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Group controls its FX exposures by transacting in permissible currencies. It has an internal Foreign Exchange Net Open Position ("FX NOP") to measure, control and monitor its FX risk and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

The table below analyses the net foreign exchange positions of the Group and the Bank by major currencies, which are mainly in Ringgit Malaysia, US Dollar, Swiss Franc, Euro, the Great Britain Pound and Japan Yen. The "others" foreign exchange risk include mainly exposure to Canadian Dollar and Singapore Dollar.

Group 2016	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	587,498	369,684	222	5,288	4,344	38,329	3,026	1,008,391
Cash and placements with financial institutions	-	58,497	-	2,213	-	-	-	60,710
Financial investments designated at fair value through profit and loss	4,100	182,255	-	-	-	-	-	186,355
Financial investments available-for-sale	5,666,656	29,249	-	-	-	-	4,260	5,700,165
Financial investments held-to-maturity	140,608	-	-	-	-	-	-	140,608
Islamic derivative financial assets	40,587	14	-	-	-	-	-	40,601
Financing of customers	14,457,070	55,807	-	-	-	-	-	14,512,877
Other assets	71,909	-	-	-	-	-	-	71,909
Statutory deposits with Bank Negara Malaysia	703,261	-	-	-	-	-	-	703,261
Investment properties	32,529	-	-	-	-	-	-	32,529
Intangible assets	121,121	-	-	-	-	-	-	121,121
Property, plant and equipment	58,127	-	-	-	-	-	-	58,127
Prepaid land lease payments	235	-	-	-	-	-	-	235
Total assets	21,883,701	695,506	222	7,501	4,344	38,329	7,286	22,636,889

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2016 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities								
Deposits from customers	19,298,930	337,377	-	7,056	63	-	2	19,643,428
Deposits and placements of banks and other financial institutions	442,252	-	-	-	-	-	-	442,252
Bills and acceptances payable	29,348	1	-	-	-	-	1	29,350
Islamic derivative financial liabilities	49,359	-	-	-	-	-	-	49,359
Other liabilities	64,981	-	-	-	-	-	-	64,981
Provision for taxation and zakat	4,915	20	-	-	-	-	-	4,935
Deferred tax liabilities	568	-	-	-	-	-	-	568
Subordinated sukuk	406,079	-	-	-	-	-	-	406,079
Total liabilities	20,296,432	337,398	-	7,056	63	-	3	20,640,952
On-balance sheet open position	1,587,269	358,108	222	445	4,281	38,329	7,283	1,995,937
Less: Islamic derivative financial assets	(40,587)	(14)	-	-	-	-	-	(40,601)
Add: Islamic derivative financial liabilities	49,359	-	-	-	-	-	-	49,359
Net open position	1,596,041	358,094	222	445	4,281	38,329	7,283	2,004,695

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group 2015	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	258,075	785,758	61	35,517	5,194	9,293	21,911	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	4,100	114,557	-	-	-	-	-	118,657
Financial investments available-for-sale	6,403,932	31,547	-	-	-	-	-	6,435,479
Financial investments held-to-maturity	139,042	-	-	-	-	-	-	139,042
Islamic derivative financial assets	43,293	1,085	-	-	-	-	-	44,378
Financing of customers	13,407,776	6,894	-	-	-	-	-	13,414,670
Other assets	96,462	-	-	-	-	-	-	96,462
Statutory deposits with Bank Negara Malaysia	757,721	-	-	-	-	-	-	757,721
Investment properties	8,047	-	-	-	-	-	-	8,047
Intangible assets	127,179	-	-	-	-	-	-	127,179
Property, plant and equipment	69,218	-	-	-	-	-	-	69,218
Prepaid land lease payments	239	-	-	-	-	-	-	239
Total assets	21,315,084	1,050,976	61	35,517	5,194	9,293	21,911	22,438,036

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Group	Malaysian	United	Swiss	Euro	Great	Japan	Others	Total
2015 (cont'd.)	Ringgit	States	Franc		Britain	Yen		
	RM'000	Dollar	RM'000	RM'000	Pound	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	18,878,318	657,953	-	8,143	116	-	19	19,544,549
Deposits and placements of banks and other financial institutions	408,822	14	-	-	-	-	-	408,836
Bills and acceptances payable	67,705	1	-	-	14	-	3	67,723
Islamic derivative financial liabilities	44,835	1,358	-	-	-	-	-	46,193
Other liabilities	24,034	-	61	26,202	5,060	9,293	21,888	86,538
Provision for taxation and zakat	4,481	20	-	-	-	-	-	4,501
Deferred tax liabilities	18,947	-	-	-	-	-	-	18,947
Subordinated sukuk	406,055	-	-	-	-	-	-	406,055
Total liabilities	19,853,197	659,346	61	34,345	5,190	9,293	21,910	20,583,342
On-balance sheet open position	1,461,887	391,630	-	1,172	4	-	1	1,854,694
Less: Islamic derivative financial assets	(43,293)	(1,085)	-	-	-	-	-	(44,378)
Add: Islamic derivative financial liabilities	44,835	1,358	-	-	-	-	-	46,193
Net open position	1,463,429	391,903	-	1,172	4	-	1	1,856,509

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2016	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	587,498	369,684	222	5,288	4,344	38,329	3,026	1,008,391
Cash and placements with financial institutions	-	58,497	-	2,213	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	177,322	-	-	-	-	-	177,322
Financial investments available-for-sale	5,666,503	29,249	-	-	-	-	4,260	5,700,012
Financial investments held-to-maturity	140,608	-	-	-	-	-	-	140,608
Islamic derivative financial assets	40,587	14	-	-	-	-	-	40,601
Financing of customers	14,466,387	55,807	-	-	-	-	-	14,522,194
Other assets	77,236	-	-	-	-	-	-	77,236
Statutory deposits with Bank Negara Malaysia	703,261	-	-	-	-	-	-	703,261
Investment in subsidiaries	8,055	-	-	-	-	-	-	8,055
Investment properties	32,529	-	-	-	-	-	-	32,529
Intangible assets	120,563	-	-	-	-	-	-	120,563
Property, plant and equipment	58,050	-	-	-	-	-	-	58,050
Prepaid land lease payments	235	-	-	-	-	-	-	235
Total assets	21,901,512	690,573	222	7,501	4,344	38,329	7,286	22,649,767

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2016 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities								
Deposits from customers	19,319,722	337,377	-	7,056	63	-	2	19,664,220
Deposits and placements of banks and other financial institutions	442,252	-	-	-	-	-	-	442,252
Bills and acceptances payable	29,348	1	-	-	-	-	1	29,350
Islamic derivative financial liabilities	49,359	-	-	-	-	-	-	49,359
Other liabilities	64,657	-	-	-	-	-	-	64,657
Provision for taxation and zakat	4,492	20	-	-	-	-	-	4,512
Deferred tax liabilities	568	-	-	-	-	-	-	568
Subordinated sukuk	406,079	-	-	-	-	-	-	406,079
Total liabilities	20,316,477	337,398	-	7,056	63	-	3	20,660,997
On-balance sheet open position	1,585,035	353,175	222	445	4,281	38,329	7,283	1,988,770
Less: Islamic derivative financial assets	(40,587)	(14)	-	-	-	-	-	(40,601)
Add: Islamic derivative financial liabilities	49,359	-	-	-	-	-	-	49,359
Net open position	1,593,807	353,161	222	445	4,281	38,329	7,283	1,997,528

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2015	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets								
Cash and short-term funds	258,075	785,758	61	35,517	5,194	9,293	21,911	1,115,809
Cash and placements with financial institutions	-	111,135	-	-	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	114,557	-	-	-	-	-	114,557
Financial investments available-for-sale	6,403,932	31,547	-	-	-	-	-	6,435,479
Financial investments held-to-maturity	139,042	-	-	-	-	-	-	139,042
Islamic derivative financial assets	43,293	1,085	-	-	-	-	-	44,378
Financing of customers	13,418,959	6,894	-	-	-	-	-	13,425,853
Other assets	95,713	-	-	-	-	-	-	95,713
Statutory deposits with Bank Negara Malaysia	757,721	-	-	-	-	-	-	757,721
Investment in subsidiaries	6,384	-	-	-	-	-	-	6,384
Investment properties	8,047	-	-	-	-	-	-	8,047
Intangible assets	126,426	-	-	-	-	-	-	126,426
Property, plant and equipment	69,103	-	-	-	-	-	-	69,103
Prepaid land lease payments	239	-	-	-	-	-	-	239
Total assets	21,326,934	1,050,976	61	35,517	5,194	9,293	21,911	22,449,886

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

Bank 2015 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities								
Deposits from customers	18,900,378	657,953	-	8,143	116	-	19	19,566,609
Deposits and placements of banks and other financial institutions	408,822	14	-	-	-	-	-	408,836
Bills and acceptances payable	67,705	1	-	-	14	-	3	67,723
Islamic derivative financial liabilities	44,835	1,358	-	-	-	-	-	46,193
Other liabilities	24,567	-	61	26,202	5,060	9,293	21,888	87,071
Provision for taxation and zakat	3,416	20	-	-	-	-	-	3,436
Deferred tax liabilities	18,947	-	-	-	-	-	-	18,947
Subordinated sukuk	406,055	-	-	-	-	-	-	406,055
Total liabilities	19,874,725	659,346	61	34,345	5,190	9,293	21,910	20,604,870
On-balance sheet open position	1,452,209	391,630	-	1,172	4	-	1	1,845,016
Less: Islamic derivative financial assets	(43,293)	(1,085)	-	-	-	-	-	(44,378)
Add: Islamic derivative financial liabilities	44,835	1,358	-	-	-	-	-	46,193
Net open position	1,453,751	391,903	-	1,172	4	-	1	1,846,831

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

(ii) Non-traded market risk (cont'd.)

Foreign exchange risk (cont'd.)

No sensitivity has been performed for foreign exchange risk as the Group and the Bank do not have significant exposures denominated in foreign currencies.

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost while Market liquidity risk refers to the Group's and Bank's potential inability to liquidate positions quickly and insufficient volumes, at a reasonable price.

The Group and the Bank monitors the maturity profile of assets and liabilities so that adequate liquidity is maintained at all times. The Group's and Bank's ability to maintain a stable liquidity profile is primarily on account of its success in retaining and growing its customer deposits base.

The marketing strategy of the Group and Bank have ensured a balanced mix of deposits. Stability of the deposits base thus minimises the Group's and Bank's dependence on volatile short-term receiving. Considering the effective maturities of deposits based on retention history (behavioral method) and in view of the ready availability of liquidity investments, the Group and Bank are able to ensure that sufficient liquidity is always available whenever is necessary.

The Asset & Liability Working Committee (ALCO) chaired by the Chief Operating Officer-Business, will be conducted on monthly basis purposely to review the Liquidity Gap Profile of the Group and the Bank. In addition, the Group and Bank apply the liquidity stress test which addresses strategic issues concerning liquidity risk.

The table below is the analysis of assets and liabilities of the Group and Bank as at 31 March 2016 based on remaining contractual maturities.

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

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity:

Group 2016	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	812,501	195,890	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	186,355	186,355
Financial investments available-for-sale	10,283	35,782	61,003	191,329	343,335	5,058,433	5,700,165
Financial investments held-to-maturity	-	-	-	-	-	140,608	140,608
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	10,600,484	14,512,877
Other assets	-	-	-	-	71,309	915,873	987,182
Total assets	823,278	1,770,444	939,442	832,675	1,369,297	16,901,753	22,636,889
Liabilities							
Deposits from customers	7,156,697	5,350,521	3,689,945	972,379	2,406,899	66,987	19,643,428
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	442,252
Islamic derivative financial liabilities	569	35	13,846	13,189	7,817	13,903	49,359
Other liabilities	-	38,916	6,079	-	60,351	400,567	505,913
Total liabilities	7,258,409	5,520,113	3,911,456	985,568	2,475,317	490,089	20,640,952
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,995,937	1,995,937
Net maturity mismatch	(6,435,131)	(3,749,669)	(2,972,014)	(152,893)	(1,106,020)	14,415,727	-

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

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Group 2015	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	596,194	519,615	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	-	111,135	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	3	-	-	-	118,654	118,657
Financial investments available-for-sale	30,664	96,951	45,166	286,663	564,672	5,411,363	6,435,479
Financial investments held-to-maturity	-	-	-	-	-	139,042	139,042
Islamic derivative financial assets	4,754	7,282	10,683	13,061	8,598	-	44,378
Financing of customers	-	1,007,750	631,792	574,358	949,996	10,250,774	13,414,670
Other assets	-	-	-	-	95,861	963,005	1,058,866
Total assets	631,612	1,631,601	798,776	874,082	1,619,127	16,882,838	22,438,036
Liabilities							
Deposits from customers	2,197,902	8,846,795	4,688,006	2,617,178	1,142,842	51,826	19,544,549
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,514	408,836
Islamic derivative financial liabilities	703	12,028	776	8,851	13,028	10,807	46,193
Other liabilities	-	100,977	-	-	57,786	425,001	583,764
Total liabilities	2,549,118	8,959,814	4,738,927	2,626,279	1,214,056	495,148	20,583,342
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,854,694	1,854,694
Net maturity mismatch	(1,917,506)	(7,328,213)	(3,940,151)	(1,752,197)	405,071	14,532,996	-

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

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Bank 2016	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	812,501	195,890	-	-	-	-	1,008,391
Cash and placements with financial institutions	-	-	60,710	-	-	-	60,710
Financial investments designated at fair value through profit and loss	-	-	-	-	-	177,322	177,322
Financial investments available-for-sale	10,283	35,782	61,003	191,329	343,335	5,058,280	5,700,012
Financial investments held-to-maturity	-	-	-	-	-	140,608	140,608
Islamic derivative financial assets	494	2,600	17,692	11,541	8,274	-	40,601
Financing of customers	-	1,536,172	800,037	629,805	946,379	10,609,801	14,522,194
Other assets	-	-	-	-	77,238	922,691	999,929
Total assets	823,278	1,770,444	939,442	832,675	1,375,226	16,908,702	22,649,767
Liabilities							
Deposits from customers	7,169,989	5,358,021	3,689,945	972,379	2,406,899	66,987	19,664,220
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	8,632	442,252
Islamic derivative financial liabilities	569	35	13,846	13,189	8,013	13,707	49,359
Other liabilities	-	37,660	406,079	-	60,860	567	505,166
Total liabilities	7,271,701	5,526,357	4,311,456	985,568	2,476,022	89,893	20,660,997
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,988,770	1,988,770
Net maturity mismatch	(6,448,423)	(3,755,913)	(3,372,014)	(152,893)	(1,100,796)	14,830,039	-

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

(c) Liquidity and funding risk (cont'd.)

(i) Maturity analysis of assets and liabilities based on remaining contractual maturity: (cont'd.)

Bank 2015	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
Assets							
Cash and short-term funds	596,194	519,615	-	-	-	-	1,115,809
Cash and placements with financial institutions	-	-	111,135	-	-	-	111,135
Financial investments designated at fair value through profit and loss	-	3	-	-	-	114,554	114,557
Financial investments available-for-sale	30,664	96,951	45,166	286,663	564,672	5,411,363	6,435,479
Financial investments held-to-maturity	-	-	-	-	-	139,042	139,042
Islamic derivative financial assets	4,754	7,282	10,683	13,061	8,598	-	44,378
Financing of customers	-	1,007,750	631,792	574,358	949,996	10,261,957	13,425,853
Other assets	-	-	-	-	95,115	968,518	1,063,633
Total assets	631,612	1,631,601	798,776	874,082	1,618,381	16,895,434	22,449,886
Liabilities							
Deposits from customers	2,219,962	8,846,795	4,688,006	2,617,178	1,142,842	51,826	19,566,609
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,514	408,836
Islamic derivative financial liabilities	703	12,028	776	8,851	13,028	10,807	46,193
Other liabilities	-	101,524	-	-	56,706	425,002	583,232
Total liabilities	2,571,178	8,960,361	4,738,927	2,626,279	1,212,976	495,149	20,604,870
Equity attributable to shareholders of the Bank	-	-	-	-	-	1,845,016	1,845,016
Net maturity mismatch	(1,939,566)	(7,328,760)	(3,940,151)	(1,752,197)	405,405	14,555,269	-

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

(c) Liquidity and funding risk (cont'd.)

(ii) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and current deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

	Deposits from customers						Total RM'000
	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	
Group							
2016							
By contractual maturity	7,156,697	5,350,521	3,689,945	972,379	2,406,899	66,987	19,643,428
By behavioural maturity	2,227,648	2,111,998	833,977	417,532	496,769	13,555,504	19,643,428
Difference	4,929,049	3,238,523	2,855,968	554,847	1,910,130	(13,488,517)	-
2015							
By contractual maturity	2,197,902	8,846,795	4,688,006	2,617,178	1,142,842	51,826	19,544,549
By behavioural maturity	2,052,876	1,951,758	987,581	244,713	224,863	14,082,758	19,544,549
Difference	145,026	6,895,037	3,700,425	2,372,465	917,979	(14,030,932)	-
Bank							
2016							
By contractual maturity	7,169,989	5,358,021	3,689,945	972,379	2,406,899	66,987	19,664,220
By behavioural maturity	2,240,941	2,119,498	833,977	417,532	496,769	13,555,503	19,664,220
Difference	4,929,048	3,238,523	2,855,968	554,847	1,910,130	(13,488,516)	-
Bank							
2015							
By contractual maturity	2,219,962	8,846,795	4,688,006	2,617,178	1,142,842	51,826	19,566,609
By behavioural maturity	2,069,636	1,957,058	987,581	244,713	224,863	14,082,758	19,566,609
Difference	150,326	6,889,737	3,700,425	2,372,465	917,979	(14,030,932)	-

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

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The financial liabilities in the tables below will not agree to the balances reported in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The cash flows of commitments and contingent liabilities are not presented on an undiscounted basis as the total outstanding contractual amounts do not represent future cash requirements since the Group and the Bank expect many of these contingencies to expire or be unconditionally cancelled without being called or drawn upon and many of the contingent liabilities are reimbursable by customers.

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2016							
Non-derivative liabilities							
Deposits from customers	7,156,697	5,350,521	3,689,945	972,379	2,406,899	71,598	19,648,039
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	9,389	443,009
Bills and acceptances payable	-	29,350	-	-	-	-	29,350
Other liabilities	-	13,566	-	-	1,096	-	14,662
Subordinated sukuk	-	-	-	-	-	408,467	408,467
Derivative liabilities	569	35	13,846	13,189	7,817	13,903	49,359
Total financial liabilities	7,258,409	5,524,113	3,905,377	985,568	2,416,062	503,357	20,592,886

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

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Group	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2015							
Non-derivative liabilities							
Deposits from customers	2,197,902	8,846,795	4,688,006	2,617,178	1,142,842	52,335	19,545,058
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,827	409,149
Bills and acceptances payable	-	67,723	-	-	-	-	67,723
Other liabilities	-	16,382	-	-	1,397	-	17,779
Subordinated sukuk	-	-	-	-	-	409,352	409,352
Derivative liabilities	703	12,028	776	8,851	13,028	10,807	46,193
Total financial liabilities	2,549,118	8,942,942	4,738,927	2,626,279	1,157,667	480,321	20,495,254

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

(c) Liquidity and funding risk (cont'd.)

(iii) Maturity analysis of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 7 Days RM'000	>7 Days - 1 Month RM'000	>1-3 Months RM'000	>3-6 Months RM'000	>6-12 Months RM'000	>1 Year RM'000	Total RM'000
2016							
Non-derivative liabilities							
Deposits from customers	7,169,989	5,358,021	3,689,945	972,379	2,406,899	71,598	19,668,831
Deposits and placements of banks and other financial institutions	101,143	130,641	201,586	-	250	9,389	443,009
Bills and acceptances payable	-	29,350	-	-	-	-	29,350
Other liabilities	-	13,288	-	-	1,079	-	14,367
Subordinated sukuk	-	-	-	-	-	408,467	408,467
Derivative liabilities	569	35	13,846	13,189	8,013	13,707	49,359
Total financial liabilities	7,271,701	5,531,335	3,905,377	985,568	2,416,241	503,161	20,613,383
2015							
Non-derivative liabilities							
Deposits from customers	2,219,962	8,846,795	4,688,006	2,617,178	1,142,842	52,335	19,567,118
Deposits and placements of banks and other financial institutions	350,513	14	50,145	250	400	7,827	409,149
Bills and acceptances payable	-	67,723	-	-	-	-	67,723
Other liabilities	-	16,929	-	-	1,381	-	18,310
Subordinated sukuk	-	-	-	-	-	409,352	409,352
Derivative liabilities	703	12,028	776	8,851	13,028	10,807	46,193
Total financial liabilities	2,571,178	8,943,489	4,738,927	2,626,279	1,157,651	480,321	20,517,845

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

(d) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through an operational risk management framework with established operational risk management processes. To manage and control operational risk, the Group and Bank place great emphasis on the importance of proper monitoring and reporting of business units' adherence to established risk policies, procedures and limits by independent control and support units, oversight provided by the management and the Board of Directors, and independent assessment of the adequacy and reliability of the risk management processes by the Internal Audit Division.

The operational risk management processes include establishment of system of internal controls, identification and assessment of operational risk inherent in new and existing products, processes and systems, regular disaster recovery and business continuity planning and simulations, self-compliance audit, and operational risk incident reporting and data collection.

43. Fair value measurements

(a) Financial and non-financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

Level 1 - Quoted (unadjusted) market prices in active markets for identical instruments;

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement that is directly (i.e. prices) or indirectly (i.e. derived from prices), observable; and

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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43. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial and non-financial instruments at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

The following table shows the financial and non-financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

Group	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2016				
Non-financial assets				
Investment properties	-	-	32,529	32,529
Financial assets				
Financial investments designated at fair value through profit or loss	-	-	186,355	186,355
Financial investments available-for-sale	95,930	5,584,971	19,264	5,700,165
Derivative financial assets	-	40,601	-	40,601
Total financial assets measured at fair value	95,930	5,625,572	205,619	5,927,121
Financial liabilities				
Derivative financial liabilities	-	49,359	-	49,359
Total financial liabilities measured at fair value	-	49,359	-	49,359

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43. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Group	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2015				
Non-financial assets				
Investment properties	-	-	8,047	8,047
Financial assets				
Financial investments designated at fair value through profit or loss	-	3	118,654	118,657
Financial investments available-for-sale	67,581	6,345,896	22,002	6,435,479
Derivative financial assets	-	44,378	-	44,378
Total financial assets measured at fair value	67,581	6,390,277	140,656	6,598,514
Financial liabilities				
Derivative financial liabilities	-	46,193	-	46,193
Total financial liabilities measured at fair value	-	46,193	-	46,193
Bank	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2016				
Non-financial assets				
Investment properties	-	-	32,529	32,529
Financial assets				
Financial investments designated at fair value through profit or loss	-	-	177,322	177,322
Financial investments available-for-sale	95,776	5,584,972	19,264	5,700,012
Derivative financial assets	-	40,601	-	40,601
Total financial assets measured at fair value	95,776	5,625,573	196,586	5,917,935

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43. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Bank	Quoted Market Price Level 1 RM'000	<u>Valuation technique using</u>		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2016				

Financial liabilities

Derivative financial liabilities	-	49,359	-	49,359
Total financial liabilities measured at fair value	-	49,359	-	49,359

Bank	Quoted Market Price Level 1 RM'000	<u>Valuation technique using</u>		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2015				

Non-financial assets

Investment properties	-	-	8,047	8,047
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Financial assets

Financial investments designated at fair value through profit or loss	-	3	114,554	114,557
Financial investments available-for-sale	67,581	6,345,896	22,002	6,435,479
Derivative financial assets	-	44,378	-	44,378
Total financial assets measured at fair value	67,581	6,390,277	136,556	6,594,414

Financial liabilities

Derivative financial liabilities	-	46,193	-	46,193
Total financial liabilities measured at fair value	-	46,193	-	46,193

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43. Fair value measurements (cont'd.)

(a) Financial and non-financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Reconciliation of financial assets at fair value measurements in Level 3 of the fair value hierarchy:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 April 2015	140,656	235,970	136,556	231,870
Gains recognised in income statement	30,448	24,354	30,448	24,354
Purchases	27,011	21,409	27,011	21,409
Sales	(474)	(16,010)	(474)	(16,010)
Reclassification	4,933	(136,230)	-	(136,230)
Foreign exchange translation difference	6,526	12,134	6,526	12,134
Coupon received	(3,481)	(971)	(3,481)	(971)
At 31 March 2016	205,619	140,656	196,586	136,556

Group and Bank
2016 **2015**
RM'000 **RM'000**

Total gains recognised in income statement for financial
instruments measured at fair value at the end of the
financial year

30,448 **24,357**

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43. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value

Group	Level 1	Level 2	Level 3	Total	Carrying
2016	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	143,142	-	143,142	140,608
Financing of customers	-	8,199,566	4,706,692	12,906,258	14,512,877
Financial liabilities					
Deposits from customers	-	1,481,074	18,163,632	19,644,706	19,643,428
Deposits and placements of banks and other financial institutions	-	432,120	9,823	441,944	442,252
Bills and acceptances payable	-	-	29,350	29,350	29,350
Subordinated sukuk	-	406,879	-	406,879	406,079
2015					
Financial assets					
Financial investments held-to-maturity	-	137,271	-	137,271	139,042
Financing of customers	-	7,177,644	4,484,165	11,661,809	13,414,670
Financial liabilities					
Deposits from customers	-	13,533,376	6,012,314	19,545,690	19,544,549
Deposits and placements of banks and other financial institutions	-	403,783	4,718	408,500	408,836
Bills and acceptances payable	-	-	67,723	67,723	67,723
Subordinated sukuk	-	409,867	-	409,867	406,055

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43. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

Bank	Level 1	Level 2	Level 3	Total	Carrying
2016	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	143,142	-	143,142	140,608
Financing of customers	-	8,199,566	4,716,008	12,915,574	14,522,194
Financial liabilities					
Deposits from customers	-	1,481,074	18,184,424	19,665,498	19,664,220
Deposits and placements of banks and other financial institutions	-	432,120	9,823	441,944	442,252
Bills and acceptances payable	-	-	29,350	29,350	29,350
Subordinated sukuk	-	406,879	-	406,879	406,079
2015					
Financial assets					
Financial investments held-to-maturity	-	137,271	-	137,271	139,042
Financing of customers	-	7,177,644	4,495,348	11,672,992	13,425,853
Financial liabilities					
Deposits from customers	-	13,555,436	6,012,314	19,567,750	19,566,609
Deposits and placements of banks and other financial institutions	-	403,783	4,718	408,501	408,836
Bills and acceptances payable	-	-	67,723	67,723	67,723
Subordinated sukuk	-	409,867	-	409,867	406,055

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43. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

Fair value is the estimated amount at which a financial asset or liability can be exchanged between two parties under normal market conditions. However, for certain assets such as financing and deposits, fair values are not readily available as there is no open market where these instruments are traded. The fair values for these instruments are estimated based on the assumptions below. These methods are subjective in nature, therefore, the fair values presented may not be indicative of the actual realisable value.

Fair value information has been disclosed for the Group and the Bank investments in equity instruments that are carried at cost because fair value cannot be measured reliably. The Group and the Bank does not intend to dispose of this investment in the foreseeable future.

Cash and short-term funds, statutory deposits with Bank Negara Malaysia, other assets, deposits and placements of banks and other financial institutions, bills and acceptances payable and other liabilities

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Financial investments available-for-sale and financial investments held-to-maturity

Where quoted or observable market prices are not available, the fair values are estimated using pricing models or discounted cash flow techniques. Where the discounted cash flow technique is used, the expected future cash flows are discounted using market profit rates for similar instruments.

Financing of customers

The fair values of financing of customers not designated as hedged item are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of non-performing financing, the fair values are deemed to approximate the carrying values, which are net of individual assessment allowance for bad and doubtful financing.

Deposits from customers

The fair values of deposits from customers are estimated to approximate their carrying values as the profit rates are determined at the end of their holding periods based on the actual profits generated from the assets invested.

Subordinated sukuk

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for financings with similar risks profiles.

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44. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group and Bank	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount set off in the statements of financial position RM'000	Net amount presented in the statements of financial position RM'000	Amount not set off in the statement of financial position		Net amount RM'000
				Amount related to recognised financial instruments RM'000	Amount related to financial collateral RM'000	
2016						
Derivative assets	41,752	1,151	40,601	-	-	40,601
Derivative liabilities	50,510	1,151	49,359	-	-	49,359
2015						
Derivative assets	47,724	3,346	44,378	-	-	44,378
Derivative liabilities	49,539	3,346	46,193	-	-	46,193

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The amount not set off in the statement of financial position relate to transactions where:

- (i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set off only in the event of default, insolvency or bankruptcy; and
- (ii) cash or securities are received or cash pledged in respect of the transaction described above.

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45. Capital and other commitments

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group	
	2016	2015
	RM'000	RM'000
Approved and contracted for	8,382	8,652
Approved but not contracted for	63,750	55,753
	72,132	64,405

	Bank	
	2016	2015
	RM'000	RM'000
Approved and contracted for	8,382	8,652
Approved but not contracted for	63,750	55,850
	72,132	64,502

46. Capital adequacy

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	13,248,485	12,774,186
Total market RWA	80,829	85,435
Total operational RWA	1,078,204	1,052,745
Total RWA	14,407,518	13,912,366

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46. Capital adequacy (cont'd.)

- (a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:
(cont'd.)

	Group	
	2016	2015
	RM'000	RM'000
Computation of capital ratios		
<u>Tier-I capital</u>		
Paid-up ordinary share capital	1,195,000	1,195,000
Retained profits	219,957	155,258
Other Reserves		
Statutory reserve	582,822	515,612
Unrealised gains/(losses) on available for-sale financial instruments	95	(10,592)
Foreign exchange translation reserve	(2,054)	(584)
Less: Regulatory Adjustment		
Deferred tax assets (net)	-	-
Total Common Equity Tier-I Capital	1,995,820	1,854,694
Total Tier-I Capital	1,995,820	1,854,694
<u>Tier-II capital</u>		
Subordinated sukuk	243,647	284,239
Collective assessment allowance for non-impaired financing	77,134	103,704
Total Tier-II Capital	320,781	387,943
Total Capital Base	2,316,601	2,242,637
<u>Ratio (%)</u>		
CET 1 Capital	13.85%	13.33%
Tier 1 Capital	13.85%	13.33%
Total Capital	16.08%	16.12%

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46. Capital adequacy (cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the the Bank are as follows:

	Bank	
	2016	2015
	RM'000	RM'000
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	13,253,311	12,724,994
Total market RWA	80,829	85,435
Total operational RWA	1,062,151	1,041,853
Total RWA	<u>14,396,291</u>	<u>13,852,282</u>
Computation of capital ratios		
<u>Tier-I capital</u>		
Paid-up ordinary share capital	1,195,000	1,195,000
Retained profits	214,387	147,177
Other Reserves		
Statutory reserve	581,225	514,015
Unrealised gains/(losses) on available for-sale financial instruments	95	(10,592)
Foreign exchange translation reserve	(2,054)	(584)
Regulatory Adjustment		
Less: Deferred tax assets (net)	-	-
Less: Investment in subsidiaries	(8,055)	(6,384)
Total Common Equity Tier- I Capital	<u>1,980,598</u>	<u>1,838,632</u>
Total Tier-I Capital	<u>1,980,598</u>	<u>1,838,632</u>
<u>Tier-II capital</u>		
Subordinated sukuk	243,647	284,239
Collective assessment allowance for non-impaired financing	77,134	103,704
Total Tier-II Capital	<u>320,781</u>	<u>387,943</u>
Total Capital Base	<u>2,301,379</u>	<u>2,226,575</u>

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46. Capital adequacy (cont'd.)

- (a) The core capital ratios and risk-weighted capital ratios of the the Bank are as follows (cont'd.):

	Bank	
	2016	2015
	RM'000	RM'000
Computation of capital ratios (cont'd.)		
<u>Ratio (%)</u>		
CET 1 Capital	13.76%	13.27%
Tier 1 Capital	13.76%	13.27%
Total Capital	15.99%	16.07%

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I capital ratio and Tier I capital ratio are 4.5% and 6.0% respectively for the current period. The minimum regulatory capital adequacy requirement remains at 8.0% (2015: 8.0%) for total capital ratio.

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46. Capital adequacy (cont'd.)

(b) Credit risk disclosure by risk weights of the Group as at 31 March, are as follows:

	Group			
	2016		2015	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	6,045,417	-	6,128,593	-
20%	2,655,462	531,092	3,878,573	775,715
35%	2,219,360	776,776	1,340,013	469,005
50%	1,234,416	617,208	782,980	391,490
75%	2,315,148	1,736,361	3,524,308	2,643,231
100%	9,526,093	9,526,093	8,200,532	8,200,532
150%	40,636	60,955	196,142	294,213
Risk weighted assets for credit risk	24,036,532	13,248,485	24,051,141	12,774,186
Risk weighted assets for market risk		80,829		85,435
Risk weighted assets for operational risk		1,078,204		1,052,745
Total risk weighted assets		14,407,518		13,912,366

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46. Capital adequacy (cont'd.)

(b) Credit risk disclosure by risk weights of the Bank as at 31 March, are as follows:

	Bank			
	2016		2015	
	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000	Total exposures after netting and credit risk mitigation RM'000	Total risk weighted assets RM'000
0%	6,045,417	-	6,128,593	-
20%	2,655,462	531,092	3,878,573	775,715
35%	2,219,360	776,776	1,340,013	469,005
50%	1,234,416	617,208	782,980	391,490
75%	2,315,148	1,736,361	3,524,308	2,643,231
100%	9,530,919	9,530,919	8,315,312	8,315,312
150%	40,636	60,955	86,827	130,241
Risk weighted assets for credit risk	24,041,358	13,253,311	24,056,606	12,724,994
Risk weighted assets for market risk		80,829		85,435
Risk weighted assets for operational risk		1,062,151		1,041,853
Total risk weighted assets		14,396,291		13,852,282

47. Capital management

The issuance of subordinated sukuk which qualifies for Tier 2 capital amounting to RM400 million which was issued in June 2011, had ensured that the Group and the Banks' RWCR remain competitive throughout the duration of the 5-year business plan.

Board of Directors holds the ultimate responsibility in approving the capital management strategy. At the management level, capital management strategy review is a period exercise that is under the purview of Asset-Liability Working Committee ("ALCO"). The said exercise refers to an assessment of the Bank's capital requirement vis-à-vis the development of the Bank as well as the broad environment, i.e. regulatory and macroeconomic setting.

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47. Capital management (cont'd.)

Latest review exercise revealed that the management of the Bank's capital has remained consistent with the development of the 5-year business plan. This indicates that the present depth in capital is sufficient to meet the requirements of the business plan outlined.

Meanwhile, there were series of developments made from the regulatory perspective, in particular, the proposal by the Basel Committee on Banking Supervision on Basel III. Much has been deliberated as regulators globally strive to address reform in banking supervision, especially in the quality of capital and liquidity standards.

The Bank has adopted the Standardised Approach for the measurement of credit and market risks, and the Basic Indicator Approach for operational risk, in compliance with BNM's requirements vis-à-vis the Capital Adequacy Framework for Islamic Bank. In addition, the stress testing process forecast the Bank's capital requirements under plausible and worst case stress scenarios to assess the Bank's capital to withstand the shocks.

48. Segment information

(a) Business segments

The Bank is organised into three major business segments:

- (i) Business banking - this segment comprises the full range of products and services offered to business customers in the region, ranging from large corporates and the public sector and also commercial enterprises. The products and services offered include long-term financing such as project financing, short-term credit such as Muamalat Cashline and trade financing and fee-based services such as cash management.
- (ii) Consumer banking - this segment comprises the full range of products and services offered to individual customers in Malaysia, including savings accounts, current accounts, general investment accounts, remittance services, internet banking services, cash management services, consumer financing such as mortgage financing, personal financing, hire purchases financing, micro financing, wealth management and bancatakaful products.
- (iii) Treasury and investment banking - this segment comprises the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market securities.

Investment banking focuses on business needs of mainly large corporate customers and financial institutions which include corporate advisory services, bond issuances, Initial Public Offerings (IPOs) and debt restructuring advisory services. It also explores investment opportunities via private equity investments for the Bank.

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48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Other business segments include rental services, none of which is of a sufficient size to be reported separately.

Group 2016	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	<u>267,512</u>	<u>611,644</u>	<u>311,033</u>	<u>19,839</u>	<u>1,210,028</u>
Total income	114,658	292,081	48,945	167,844	623,528
Allowance for impairment on financing	(25,780)	(20,618)	(153)	(12,772)	(59,322)
Provision for commitments and contingencies	-	7,412	-	(10,282)	(2,870)
Impairment loss on investments	-	-	(21,119)	(1,671)	(22,790)
Other expenses	-	-	-	(5,564)	(5,564)
Total net income	<u>88,878</u>	<u>278,875</u>	<u>27,673</u>	<u>137,555</u>	<u>532,982</u>
Total overhead expenses					<u>(365,749)</u>
Profit before zakat and taxation					167,233
Zakat					(4,375)
Taxation					<u>(30,949)</u>
Profit for the year					<u>131,909</u>

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48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group 2015	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	202,829	542,600	294,916	31,891	1,072,236
Total Income	73,303	280,175	45,660	144,900	544,038
(Allowance for)/writeback of impairment on financing	(10,636)	(28,770)	21,858	(20,367)	(37,915)
Provision for commitments and contingencies	-	(750)	-	-	(750)
Impairment loss on investments	-	-	-	22,004	22,004
Other expenses	-	-	-	(7,614)	(7,614)
Total net income	62,667	250,655	67,518	138,923	519,763
Total Overhead expenses					(397,797)
Profit before zakat and taxation					121,966
Zakat					(3,453)
Taxation					(29,233)
Profit for the year					89,280

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48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2016	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	<u>267,512</u>	<u>611,644</u>	<u>301,995</u>	<u>19,840</u>	<u>1,200,991</u>
Total Income	114,658	292,081	39,442	167,844	614,025
Allowance for impairment on financing	<u>(25,780)</u>	<u>(20,618)</u>	<u>5,847</u>	<u>(12,772)</u>	<u>(53,323)</u>
Provision for commitments and contingencies	-	7,412	-	(10,282)	(2,870)
Impairment loss on investments	-	-	(21,119)	-	(21,119)
Other expenses	-	-	-	(5,564)	(5,564)
Total net income	<u>88,878</u>	<u>278,875</u>	<u>24,170</u>	<u>139,226</u>	<u>531,149</u>
Total Overhead expenses					<u>(363,273)</u>
Profit before zakat and taxation					167,876
Zakat					(4,197)
Taxation					<u>(29,259)</u>
Profit for the year					<u>134,420</u>

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48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2015	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	202,829	542,600	292,537	24,361	1,062,327
Total Income	73,303	280,175	43,281	137,190	533,949
(Allowance for)/writeback of impairment on financing	(10,636)	(28,770)	21,858	(20,367)	(37,915)
Provision for commitments and contingencies	-	(750)	-	-	(750)
Impairment loss on investments	-	-	-	22,004	22,004
Other expenses	-	-	-	(7,614)	(7,614)
Total net income	62,667	250,655	65,139	131,213	509,674
Total Overhead expenses					(395,350)
Profit before zakat and taxation					114,324
Zakat					(3,161)
Taxation					(27,348)
Profit for the year					83,815