



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

Directors' Report and Audited Financial
Statements
31 March 2017

6175-W

**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 2017.

Principal activities

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

Other information relating to the subsidiaries are disclosed in Note 11 to the financial statements.

Results

	Group RM'000	Bank RM'000
Profit before zakat and taxation	170,536	171,019
Zakat	(4,463)	(4,402)
Taxation	(16,166)	(15,942)
Profit for the year	<u>149,907</u>	<u>150,675</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 beginning of the financial year to the date of this report are:

Tan Sri Dato' Dr Mohd Munir Abdul Majid	(Chairman)
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	
Ghazali Hj Darman	(appointed on 4 Jan 2017)
Haji Abdul Jabbar Abdul Majid	(resigned on 12 Oct 2016)
Dato' Ahmad Fuaad Mohd Kenali	(resigned on 28 July 2016)

Directors of the subsidiary company

The Directors of the Bank's subsidiaries who have held in office since the beginning of the financial year to the date of this report are:

No	Name of Subsidiary	Name of Directors
1	Muamalat Invest Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid Fakihah Azahari Dato' Adnan Alias Adi Asri Baharom Norahmadi Sulong (appointed on 1 Aug 2016) Sharifatul Hanizah Said Ali (resigned on 1 Aug 2016) Mashitah Osman (resigned on 14 Feb 2016)
2	Muamalat Venture Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed bin Ibramsha Syed Alwi Mohamed Sultan
3	Muamalat Nominees (Asing) Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed bin Ibramsha
4	Muamalat Nominees (Tempatan) Sdn Bhd	Dato' Haji Mohd Redza Shah Abdul Wahid PeerMohamed bin Ibramsha

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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 during the financial year were as follows:

	Number of ordinary shares of RM1.00 each			As at 31.3.2017
	As at 1.4.2016	Acquired	Disposal	
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 Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Directors' benefits

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Bank as shown in Note 33 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.

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Other statutory information (cont'd.)

- (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.
- (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 (12) 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.

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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 were no significant events during the year.

Bank Negara Malaysia ("BNM") announced that effective 3 May 2017, Islamic banks are no longer required to maintain a reserve fund.

Other than the announcement mentioned above, there are no subsequent significant adjusting events after the statement of financial position's date up to the date when the financial statements are authorised for issue.

Business review 2016/2017

The Group recorded a profit before zakat and taxation of RM170.5 million, an increase of nearly 2.0%, as compared to the RM167.2 million posted in the previous corresponding financial year. Its twelve (12) months revenue also increased slightly by 0.5% with gross income to remain approximately at RM1.2 billion while the total net income improved by 2.6% to RM546.9 million.

The increase in total net income was primarily contributed by higher financing income, gain from foreign exchange transactions and higher money market income. In addition, income attributable to depositors was lower by 0.8% during the year financial partly resulted from less concentration on high cost wholesale deposits. However, these were offset by fair valuation loss on financial investments designated at fair value through profit or loss, and higher allowance for impairment on financing.

The Group has maintained consistent growth in total assets which has expanded to RM23.5 billion as compared to RM22.6 billion in the previous financial year. This was largely contributed by 7.6% increase in financial investments available-for-sale coupled with 2.8% increase in financing of customers.

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Prospects

The year 2016 marked the slowest growth for global economy since the Global Financial Crisis; growing at only 2.2% year-on-year ("y-o-y"), partly due to subdued global demand, weak business sentiment, low commodity prices, and heightened political and policy uncertainties in major economies. Despite continuous turbulence in the challenging market of external economic environment coupled with volatile domestic financial market as well as the continuous underperformance of Ringgit, Malaysia still managed to record a commendable growth of 4.2% in 2016. Moving forward, global growth is expected to expand at a faster pace in 2017 with Malaysia's gross domestic product ("GDP") expected to grow between 4.3% and 4.8% in 2017, as forecasted in the latest Bank Negara Malaysia's 2016 Annual Report.

In line with the adversity in the external and internal operating environment, growth in banking sector is projected to remain modest mainly due to expectations of higher credit cost, intense competition for deposits, and limited growth in fee-based income. Islamic banking industry will continue to facilitate the Malaysian banking growth, as the demand for this financial service is anticipated to remain strong especially in the area of Islamic investment solutions. Whilst exploring the opportunities for growth, the industry is being cautious on its capital base and measures are currently being put in place by banks and financial institutions to comply with regulatory and accounting requirements especially on liquidity and MFRS 9, effective this January 2018.

In view of the increasingly challenging environment, the Bank has developed a new 5-year business plan to ensure it remains competitive in the current banking landscape. In keeping up with the current technological driven environment, initiatives and measures are being put in place and design to suit customers' preferences for better experience, convenience, and value-added services. Expanding on wealth management, Bancatakaful services, affluent banking as well as continuous marketing efforts on Ar-Rahnu business will be among the top priorities in the Bank's business agenda. Moving forward, the Bank is also focusing its resources towards managing efficiencies particularly in cost supervision as part of the ways to drive financial performance.

Rating by external rating agencies

Details of the Bank's ratings are as follows:

Rating Agency	Date	Classification	Rating Received
Rating Agency Malaysia Berhad	Oct 2016	Long term	A2
		Short term	P1
		Subordinated Sukuk	A3
		Outlook	Stable
Malaysia Rating Corporation Berhad	November 2016	Long term	A
		Short term	MARC-1
		Senior Sukuk	A
		Outlook	Stable

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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.
- (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.

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Disclosure of Shariah Committee (cont'd.)

- (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.

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 2017, the Bank has allocated an amount of RM4.4 million as provision for zakat.

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Auditors and auditors' remuneration

The auditors' remuneration are disclosed in Note 35 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 8 June 2017.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Kuala Lumpur, Malaysia

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**Bank Muamalat Malaysia Berhad
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**Statement by directors
Pursuant to Section 251(2) of the Companies Act, 2016**

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 (2) 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 16 to 195 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016, 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 2017 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 8 June 2017.

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman

Dato' Haji Mohd Redza Shah Abdul Wahid
Director

Kuala Lumpur, Malaysia

**Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act, 2016**

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 16 to 195 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 8 June 2017

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 2017. 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 2017 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 2017 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 audit of the financial statements

Opinion

We have audited the financial statements of Bank Muamalat Malaysia Berhad, which comprise the statements of financial position as at 31 March 2017 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 195.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2017, and of their financial performance and their 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, 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and the Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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**Independent auditors' report to the members of
Bank Muamalat Malaysia Berhad (cont'd.)
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Information other than the financial statements and auditors' report thereon (cont'd.)

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard on Directors' Report.

When we read the Annual Report, if we conclude that there is material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

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**Independent auditors' report to the members of
Bank Muamalat Malaysia Berhad (cont'd.)
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Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit 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 Group and of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

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**Independent auditors' report to the members of
Bank Muamalat Malaysia Berhad (cont'd.)
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the the Companies Act, 2016 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

Muhammad Syarizal Bin Abdul Rahim
No. 03157/01/2019 J
Chartered Accountant

Kuala Lumpur, Malaysia
8 June 2017

Bank Muamalat Malaysia Berhad
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Consolidated statement of financial position as at 31 March 2017 (03 Rejab 1438H)

		Group	
	Note	2017 RM'000	2016 RM'000
Assets			
Cash and short-term funds	4 (a)	1,027,742	1,008,391
Cash and placements with financial institutions	4 (b)	22,183	60,710
Investment accounts due from designated financial institution	18 (a)	382	-
Financial investments designated at fair value through profit or loss	5 (a)	197,208	186,355
Financial investments available-for-sale	5 (b)	6,131,416	5,700,165
Financial investments held-to-maturity	5 (c)	142,168	140,608
Islamic derivative financial assets	6	55,948	40,601
Financing of customers	7	14,918,272	14,512,877
Other assets	9	121,907	71,909
Statutory deposits with Bank Negara Malaysia	10	698,636	703,261
Investment properties	12	38,778	32,529
Intangible assets	13	109,510	121,121
Property, plant and equipment	14	52,309	58,127
Prepaid land lease payments	15	231	235
Deferred tax assets (net)	16	9,652	-
Total assets		23,526,342	22,636,889
Liabilities			
Deposits from customers	17	19,917,482	19,643,428
Deposits and placements of banks and other financial institutions	19	561,654	442,252
Bills and acceptances payable	20	9,196	29,350
Islamic derivative financial liabilities	6	63,088	49,359
Other liabilities	21	56,376	64,981
Provision for zakat and taxation	22	4,806	4,935
Deferred tax liabilities (net)	16	7,086	568
Subordinated sukuk	23 (a)	253,964	406,079
Senior sukuk	23 (b)	514,119	-
Total liabilities		21,387,771	20,640,952

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**Consolidated statement of financial position as at 31 March 2017 (03 Rejab 1438H)
(cont'd.)**

		Group	
	Note	2017	2016
		RM'000	RM'000
Shareholders' equity			
Share capital	24	1,195,000	1,195,000
Reserves	25	943,571	800,937
Total shareholders' equity		2,138,571	1,995,937
Total liabilities and shareholders' equity		23,526,342	22,636,889
Restricted investment accounts	18 (b)	424	-
Total Islamic banking asset and asset under management		23,526,766	22,636,889
Commitments and contingencies	43	7,355,488	8,014,896
Capital adequacy *	48		
CET 1 capital ratio		14.35%	13.13%
Total capital ratio		16.69%	15.37%

* 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.

Bank Muamalat Malaysia Berhad
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Statement of financial position as at 31 March 2017 (03 Rejab 1438H)

		Bank	
	Note	2017	2016
		RM'000	RM'000
Assets			
Cash and short-term funds	4 (a)	1,027,742	1,008,391
Cash and placements with financial institutions	4 (b)	22,183	60,710
Investment accounts due from designated financial institution	18 (a)	382	-
Financial investments designated at fair value through profit or loss	5 (a)	197,208	177,322
Financial investments available-for-sale	5 (b)	6,081,533	5,700,012
Financial investments held-to-maturity	5 (c)	142,168	140,608
Islamic derivative financial assets	6	55,948	40,601
Financing of customers	7	14,937,856	14,522,194
Other assets	9	120,285	77,236
Statutory deposits with Bank Negara Malaysia	10	698,636	703,261
Investment in subsidiaries	11	8,055	8,055
Investment properties	12	38,778	32,529
Intangible assets	13	109,120	120,563
Property, plant and equipment	14	52,270	58,050
Prepaid land lease payments	15	231	235
Deferred tax assets (net)	16	9,652	-
Total assets		23,502,047	22,649,767
Liabilities			
Deposits from customers	17	19,929,759	19,664,220
Deposits and placements of banks and other financial institutions	19	561,654	442,252
Bills and acceptances payable	20	9,196	29,350
Islamic derivative financial liabilities	6	63,088	49,359
Other liabilities	21	55,854	64,657
Provision for zakat and taxation	22	4,677	4,512
Deferred tax liabilities (net)	16	-	568
Subordinated sukuk	23 (a)	253,964	406,079
Senior sukuk	23 (b)	514,119	-
Total liabilities		21,392,311	20,660,997

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

Statement of financial position as at 31 March 2017 (03 Rejab 1438H) (cont'd.)

		Bank	
	Note	2017	2016
		RM'000	RM'000
Shareholders' equity			
Share capital	24	1,195,000	1,195,000
Reserves	25	914,736	793,770
Total shareholders' equity		2,109,736	1,988,770
Total liabilities and shareholders' equity		23,502,047	22,649,767
Restricted investment accounts	18 (b)	7,705	-
Total Islamic banking asset and asset under management		23,509,752	22,649,767
Commitments and contingencies	43	7,355,488	8,014,896
Capital adequacy *	48		
CET 1 capital ratio		14.15%	13.03%
Total capital ratio		16.50%	15.28%

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

**Statements of profit or loss
For the year ended 31 March 2017 (03 Rejab 1438H)**

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Income derived from investment of depositors' funds and others	26	1,172,695	1,110,382	1,172,695	1,110,382
Income derived from investment of investment account funds	27	36	-	36	-
Income derived from investment of shareholders' funds	28	43,028	99,646	45,975	90,609
Allowance for impairment on financing	29	(64,615)	(59,322)	(69,548)	(53,322)
Reversal/(provision) for commitments and contingencies	21(a)	2,282	(2,870)	2,282	(2,870)
Impairment loss on investments	30	(16,899)	(22,790)	(16,899)	(21,119)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(7,826)	(5,564)	(7,826)	(5,564)
Total distributable income		1,128,701	1,119,482	1,126,715	1,118,116
Income attributable to depositors	31	(581,793)	(586,500)	(582,130)	(586,967)
Total net income		546,908	532,982	544,585	531,149
Personnel expenses	32	(178,281)	(183,500)	(176,188)	(180,753)
Other overheads and expenditures	35	(172,513)	(161,626)	(171,800)	(161,897)
Finance cost	36	(25,578)	(20,623)	(25,578)	(20,623)
Profit before zakat and taxation		170,536	167,233	171,019	167,876
Zakat	37	(4,463)	(4,375)	(4,402)	(4,197)
Taxation	38	(16,166)	(30,949)	(15,942)	(29,259)
Profit for the year		149,907	131,909	150,675	134,420
Earnings per share attributable to shareholders of the Bank (sen) (basic and diluted):	39	12.54	11.04		

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

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

**Statements of other comprehensive income
For the year ended 31 March 2017 (03 Rejab 1438H)**

		Group		Bank	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the year		149,907	131,909	150,675	134,420
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss					
Net unrealised gain/(loss) on revaluation of financial investments available-for- sale		2,805	24,437	(26,717)	24,437
Gain transferred to statement of profit or loss upon disposal	28	(17,982)	(10,250)	(17,982)	(10,250)
Income tax relating to net loss/(gain) on financial investments available- for-sale	16	3,667	(3,383)	10,753	(3,383)
Exchange fluctuation reserve		4,237	(1,470)	4,237	(1,470)
Other comprehensive (loss)/ income for the year, net of tax		(7,273)	9,334	(29,709)	9,334
Total comprehensive income for the year		142,634	141,243	120,966	143,754

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

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

**Consolidated statement of changes in equity
For the year ended 31 March 2017 (03 Rejab 1438H)**

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 2016	1,195,000	582,822	(2,054)	212	219,957	1,995,937
Profit for the year	-	-	-	-	149,907	149,907
Other comprehensive income for the year	-	-	4,237	(11,510)	-	(7,273)
Total comprehensive income for the year	-	-	4,237	(11,510)	149,907	142,634
Transfer to statutory reserve	-	75,336	-	-	(75,336)	-
At 31 March 2017	1,195,000	658,158	2,183	(11,298)	294,528	2,138,571
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

* 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 2017 (03 Rejab 1438H)**

	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 2016	1,195,000	581,225	(2,054)	212	214,387	1,988,770
Profit for the year	-	-	-	-	150,675	150,675
Other comprehensive income for the year	-	-	4,237	(33,946)	-	(29,709)
Total comprehensive income for the year	-	-	4,237	(33,946)	150,675	120,966
Transfer to statutory reserve	-	75,336	-	-	(75,336)	-
At 31 March 2017	1,195,000	656,561	2,183	(33,734)	289,726	2,109,736
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

* 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)**

**Statements of cash flows
For the year ended 31 March 2017 (03 Rejab 1438H)**

	Note	Group		Bank	
		2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit before zakat and taxation		170,536	167,233	171,019	167,876
Adjustment for:					
Amortisation of prepaid land lease payments	35	4	4	4	4
Amortisation of intangible assets	35	26,599	23,312	26,401	23,117
Depreciation of property, plant and equipment	35	18,686	20,302	18,648	20,264
Gain on sale of property, plant and equipment	28	(553)	(232)	(553)	(232)
Amortisation of cost on subordinated sukuk and senior sukuk issued		67	-	67	-
Property, plant and equipment written off	35	6	20	6	20
Amortisation of premium less accretion of discount	26 & 28	(1,812)	848	(1,812)	848
Net gain from sale of financial investments available-for-sale	26 & 28	(17,982)	(10,250)	(17,982)	(10,250)
Net gain from sale of financial investments designated at FVTPL	26 & 28	(894)	(617)	(894)	(617)
Unrealised loss/(gain) from financial investment at FVTPL	26 & 28	15,547	(36,331)	6,514	(36,331)
Net gain on revaluation of foreign exchange transaction	28	(16,708)	(9,653)	(16,708)	(9,653)
Net loss from foreign exchange derivatives	28	3,793	3,822	3,793	3,822
Unrealised (gain)/loss on revaluation of Islamic profit rate swap	28	(5,413)	3,097	(5,413)	3,097

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Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2017 (03 Rejab 1438H) (cont'd.)

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities (cont'd.)					
Unrealised loss/(gain) on revaluation of hedged items	28	7,454	(4,470)	7,454	(4,470)
Gain from derecognition of fair value of hedged items	28	(1,772)	(7,052)	(1,772)	(7,052)
Impairment loss on investments	30	16,899	22,790	16,899	22,790
Impairment writeback on investment in a subsidiary	30	-	-	-	(1,671)
Fair value adjustments of investment properties	28	(1,821)	(1,644)	(1,821)	(1,644)
Net allowance for impairment on financing	29	75,778	68,165	80,711	68,165
Financing written off (Writeback)/Provision for commitments and contingencies	21(a)	(2,282)	2,870	(2,282)	2,870
Finance cost	36	25,578	20,623	25,578	20,623
Gross dividend income	28	(1,904)	(1,614)	(4,712)	(1,612)
Operating profit before working capital changes		311,495	279,544	304,834	278,285
(Increase)/decrease in operating assets:					
Investment accounts due from designated financial institution		(382)	-	(382)	-
Islamic derivative financial assets		(19,140)	(13,948)	(19,140)	(13,948)
Financial investments portfolio		(81,937)	(1,196)	(41,937)	(1,196)
Financing of customers		(468,545)	(1,183,385)	(503,746)	(1,176,586)
Statutory deposits with Bank Negara Malaysia		4,625	54,460	4,625	54,460
Other assets		(326)	22,187	6,020	16,108

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2016 (03 Rejab 1438H) (cont'd.)

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from operating activities (cont'd.)					
Increase/(decrease) in operating liabilities:					
Deposits from customers		274,054	98,879	265,539	97,611
Deposits and placements of banks and other financial institutions		119,402	33,416	119,402	33,416
Islamic derivative financial liabilities		19,142	13,973	19,142	13,973
Bills and acceptances payable		(20,154)	(38,373)	(20,154)	(38,373)
Other liabilities		(28,667)	(31,412)	(28,866)	(32,269)
Cash generated from/(used in) operations					
		109,567	(765,855)	105,337	(768,519)
Zakat paid		(4,430)	(3,347)	(4,237)	(3,121)
Tax paid		(22,178)	(32,387)	(21,187)	(30,101)
Net cash generated from/(used in) operating activities		82,959	(801,589)	79,913	(801,741)
Cash flows from investing activities					
Proceeds from disposal of investment in securities		8,523,225	7,273,089	8,523,225	7,273,089
Purchase of financial investment in securities		(8,931,888)	(6,561,266)	(8,931,680)	(6,561,112)
Proceeds from disposal of property, plant and equipment		558	242	558	242
Purchase of property, plant and equipment	14	(12,635)	(9,241)	(12,635)	(9,241)
Purchase of intangible assets	13	(15,232)	(17,254)	(15,202)	(17,254)
Purchase of investment properties	12	(4,428)	(22,838)	(4,428)	(22,838)
Dividend income	28	1,904	1,614	4,712	1,612
Net cash (used in)/generated from investing activities		(438,496)	664,346	(435,450)	664,498

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

Statements of cash flows

For the year ended 31 March 2017 (03 Rejab 1438H) (cont'd.)

	Note	Group		Bank	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash flows from financing activities					
Dividend paid on Islamic subordinated sukuk		(17,670)	(20,600)	(17,670)	(20,600)
Redemption of subordinated sukuk		(400,000)	-	(400,000)	-
Additional issuance of subordinated sukuk		754,031	-	754,031	-
Net cash generated from/(used in) financing activities		336,361	(20,600)	336,361	(20,600)
Net decrease in cash and cash equivalents		(19,176)	(157,843)	(19,176)	(157,843)
Cash and cash equivalents at beginning of year		1,069,101	1,226,944	1,069,101	1,226,944
Cash and cash equivalents at end of year		1,049,925	1,069,101	1,049,925	1,069,101
Cash and cash equivalents consist of:					
Cash and short term funds	4 (a)	1,027,742	1,008,391	1,027,742	1,008,391
Cash and placements with financial institutions	4 (b)	22,183	60,710	22,183	60,710
		1,049,925	1,069,101	1,049,925	1,069,101

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 2017 (03 Rejab 1438H)

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 8 June 2017.

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, 2016 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 26, 28 and 30 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 2017 (03 Rejab 1438H) (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 2017.

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 three (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 three (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 2017 (03 Rejab 1438H) (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
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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 the 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
(Incorporated in Malaysia)**

Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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 2017 (03 Rejab 1438H) (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 the Bank's right to receive payment is established.

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

Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.

(iii) Impairment of financial assets

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

**Bank Muamalat Malaysia Berhad
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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

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.

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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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

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 price indices, country risk and the performance of different individual groups) are taken into consideration.

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

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

Impairment Process – Written off accounts

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

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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

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.

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 (12) months.

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

Subsequent positive price movement in regards to Impairment losses on equity investments are not reversed through the income statement; instead, increases in the fair value after impairment are recognised in other comprehensive income.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

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.

(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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(b) Financial assets (cont'd.)

(iv) Determination of fair value

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.

(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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

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

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.

(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, and deposits and placements of banks and other financial institutions*

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

(b) *Islamic debt securities*

Issued 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 the 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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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 (cont'd.)

(b) *Islamic debt securities (cont'd.)*

Subsequent to initial recognition, all issued Islamic debt securities 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.

(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 2017 (03 Rejab 1438H) (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 re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

All derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any 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.

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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

(1) Fair value hedge (cont'd.)

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.

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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(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.

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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(g) Intangible assets (cont'd.)

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.

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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

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

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

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(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 (cont'd.):

- 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.

(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).

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

(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.

(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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(j) Foreign currencies (cont'd.)

(ii) Foreign currency transactions and balances (cont'd.)

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.

(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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(I) Impairment of non-financial assets

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

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

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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(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 (3) months that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

(n) Contingent liabilities and contingent assets

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group 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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

(o) Employee benefits (cont'd.)

(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”).

(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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

(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.

(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 two (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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

(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 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. Financing income is recognised on effective profit rate basis over the expected life of the contract based on the principal amount outstanding.

(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 from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

(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.

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 profit or loss as incurred. Profit distributed is based on the expected profit rate which is quoted to the customer on the placement date.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

(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.

(8) Qard

Qard is a contract of loan between two (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 asset.

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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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.)

(10) Rahnū

In Ar-Rahnū 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-Rahnū, whichever is applicable.

(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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (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 not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial position date. Deferred tax is recognised as income or expense and included in the statement of 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 the 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 initially calculated based on 2.5% of the growth model method. However, it will be compared against 2.5% of the Bank's audited profit before tax ("PBT") for the year, and the higher of the two will be the final zakat for the Bank.

(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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

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.

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 be willing to 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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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

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 45.

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 2016, 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 2016.

Description	Effective for annual periods beginning on or after
MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116 and MFRS 138)	1 January 2016
MFRS 11: Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)	1 January 2016
MFRS 127: Equity Method in Separate Financial Statements (Amendments to MFRS 127)	1 January 2016
MFRS 101: Disclosure Initiatives (Amendments to MFRS 101)	1 January 2016
MFRS 10, MFRS 12 and MFRS 128- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

2.5 Significant changes in regulatory requirements

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

On 5 February 2016, BNM amended the Policy Document on Financial Reporting for Islamic Banking Institutions ("Amended Policy Document") to include requirements on the presentation and disclosure of investment account other than those which are reported as Islamic deposits, with immediate effect.

As at 31 March 2017, the Group and the Bank has the presented required disclosures in Note 18.

Companies Act, 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as focussing on protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except for section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Among the key changes introduced in the New Act which will affect the financial statements of the Bank upon the commencement of the New Act on 31 January 2017 are:

- the removal of the authorised share capital; and
- the ordinary shares of the Bank will cease to have par or nominal value.

The adoption of the New Act is not expected to have any financial impact on the Bank for the current financial year ended 31 March 2017.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 7: Disclosure Initiative	1 January 2017
Amendments to MFRS 12: Disclosure of Interests in Other Entities Contained in the documents entitled "Annual Improvements to MFRS Standards 2014 -2016 Cycle"	1 January 2017
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15: Revenue from Contracts with Customers	1 January 2018
MFRS 9: Financial Instruments (2014)	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards contained in the documents entitled "Annual Improvements to MFRS Standards 2014 -2016 Cycle"	1 January 2018
Amendments to MFRS 128: Investment in Associates and Joint Ventures contained in the documents entitled "Annual Improvements to MFRS Standards 2014 -2016 Cycle"	1 January 2018
Amendments to MFRS 140: Transfers of Investment Property	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16: Leases	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by MASB

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

The directors expect that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 replaces MFRS 139. MFRS 9 requires financial assets to be classified on the basis of the business model within which they are held and their contractual cash flow characteristic. The requirements related to the fair value option for financial liabilities were also changed to address own credit risk. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group and the Bank's financial assets, but will not have an impact on the classification and measurement of the Group and the Bank's financial liabilities.

MFRS 9 also requires impairment assessments to be based on an expected credit loss model, replacing the MFRS 139's incurred loss model. Finally, MFRS 9 aligns hedge accounting more closely with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the previous model.

The Group and the Bank is currently assessing the effects of the adoption of this standard.

The new standard will come into effect on 1 January 2018 with early application permitted.

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 MFRS 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.

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

2. Significant accounting policies (cont'd.)

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

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 the 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 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. All leases will be brought onto the balance sheet as recording certain leases as off-balance sheet leases will no longer be allowed except for some limited practical exemptions. The lessee is required to recognise assets and liabilities for all leases with a term of more than twelve (12) months, unless the underlying assets are low-value assets. Upon adoption of MFRS 16, an entity is required to account for major part of operating leases in the balance sheet by recognizing the 'right-of-use' assets and lease liability. The financial effects arising from the adoption of this standard are still being assessed by the Group and the Bank.

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:

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Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)

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

Judgments (cont'd.)

3.1 Impairment of financial investments AFS and HTM (Notes 5(b), 5(c) and 30)

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 (Notes 8 and 29)

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.

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.

**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)****Notes to the financial statements - 31 March 2017 (03 Rejab 1438H) (cont'd.)****3. Significant accounting judgments, estimates and assumptions (cont'd.)****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 investments FVTPL and AFS (Notes 5(a) and (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.

3.5 Impairment losses on financing of customers (Notes 8 and 29)

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 is 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 38)

Significant Management judgment is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation 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	
	2017	2016
	RM'000	RM'000
Cash and balances with banks and other financial institutions	126,828	186,501
Money at call and interbank placements maturing within one month	900,914	821,890
	<u>1,027,742</u>	<u>1,008,391</u>

(b) Cash and placements with financial institutions

	Group and Bank	
	2017	2016
	RM'000	RM'000
Licensed Islamic banks	<u>22,183</u>	<u>60,710</u>

The weighted average effective profit rate and weighted average maturity of cash and placements with financial institutions as at 31 March 2017 for the Group and the Bank was 1.00% per annum and 62 days respectively (31 March 2016: 1.00% per annum and 62 days).

5. Financial investments

(a) Financial investments designated at FVTPL

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Private equity funds	197,207	186,355	197,207	177,322
Malaysian government investment certificates	1	-	1	-
	<u>197,208</u>	<u>186,355</u>	<u>197,208</u>	<u>177,322</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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>At fair value</u>				
Government securities and treasury bills:				
Malaysian government investment certificates	<u>3,531,945</u>	<u>2,871,545</u>	<u>3,531,945</u>	<u>2,871,545</u>
Quoted securities in Malaysia:				
Quoted shares	<u>159,860</u>	<u>90,353</u>	<u>109,977</u>	<u>90,200</u>
Quoted securities outside Malaysia:				
Quoted shares	<u>-</u>	<u>21,679</u>	<u>-</u>	<u>21,679</u>
Unquoted securities:				
Islamic corporate sukuk in Malaysia	<u>2,457,637</u>	<u>2,604,315</u>	<u>2,457,637</u>	<u>2,604,315</u>
Cagamas bonds	<u>25,385</u>	<u>61,222</u>	<u>25,385</u>	<u>61,222</u>
Foreign Islamic corporate sukuk	<u>37,786</u>	<u>33,345</u>	<u>37,786</u>	<u>33,345</u>
	<u>2,520,808</u>	<u>2,698,882</u>	<u>2,520,808</u>	<u>2,698,882</u>
Accumulated impairment loss	<u>(86,578)</u>	<u>(87,352)</u>	<u>(86,578)</u>	<u>(87,352)</u>
	<u>6,126,035</u>	<u>5,595,107</u>	<u>6,076,152</u>	<u>5,594,954</u>
<u>At cost</u>				
Money market instruments:				
Negotiable Islamic debt certificates	<u>-</u>	<u>99,677</u>	<u>-</u>	<u>99,677</u>
Unquoted securities:				
Shares in Malaysia	<u>5,381</u>	<u>5,381</u>	<u>5,381</u>	<u>5,381</u>
Total financial investments available-for-sale	<u>6,131,416</u>	<u>5,700,165</u>	<u>6,081,533</u>	<u>5,700,012</u>

(c) Held-to-maturity

	Group and Bank	
	2017 RM'000	2016 RM'000
At amortised cost		
Unquoted Islamic corporate sukuk in Malaysia	<u>142,168</u>	<u>140,608</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	2017			2016		
	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	862,936	51,435	(467)	680,222	21,123	(19,656)
- Currency swaps						
Less than one year	1,545,210	3,502	(54,090)	580,728	19,123	(15,238)
- Currency spot						
Less than one year	467,221	1,009	(39)	72,916	305	(512)
- Dual currency investment option	-	2	(2)	-	50	(50)
	2,875,367	55,948	(54,598)	1,333,866	40,601	(35,456)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	500,000	-	(2,251)	2,175,000	-	(3,359)
Hedged IPRS	1,500,000	-	(6,239)	1,500,000	-	(10,544)
Total	4,875,367	55,948	(63,088)	5,008,866	40,601	(49,359)

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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 2017			31 March 2016		
	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
IPRS	1,500,000	-	(6,239)	1,500,000	-	(10,544)

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 2017, the Group and the Bank:

- (i) recognised a net gain of RM4,304,713 (31 March 2016: RM3,465,996) on the hedging instrument. The total net loss on the hedged items attributable to the hedged risk amounted to RM7,454,067 (31 March 2016: RM4,469,645); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM1,771,572 (31 March 2016: RM7,052,482) due to the derecognition of the hedged items.

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7. Financing of customers

(i) By type and Shariah concepts

Group	Bai'		Ijarah			Bai'			Shirkah			Total financing
	Bithaman Ajil	Ijarah	Thumma	Inah	Tawarruq	Al-Dayn	Murabahah	Istisna'	Qard	Mutanaqisah	Rahnu	
31 March 2017	RM'000	RM'000	Al-Bai	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	-	-	-	12,175	658,087	-	-	-	-	-	-	670,262
Term financing:												
Home financing	6,403,749	-	-	-	8,548,547	-	-	33,613	-	-	-	14,985,909
Syndicated financing	-	-	-	-	1,669,415	-	-	-	-	-	-	1,669,415
Hire purchase receivables	42,782	-	844,566	-	-	-	-	-	-	-	-	887,348
Leasing receivables	-	4,997	-	-	-	-	-	-	-	-	-	4,997
Other term financing	954,691	-	-	575,749	8,997,866	-	-	159,714	-	74,387	-	10,762,407
Trust receipts	-	-	-	-	-	-	50,675	-	-	-	-	50,675
Claims on customers												
under acceptance credits	-	-	-	-	-	695,741	-	-	-	-	-	695,741
Staff financing	76,115	-	-	-	792	-	-	113,972	1,091	-	-	191,970
Revolving credit	-	-	-	-	1,276,553	-	-	-	-	-	-	1,276,553
Sukuk	-	-	-	-	-	-	110,349	-	-	-	-	110,349
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	103,328	103,328
	7,477,337	4,997	844,566	587,924	21,151,260	695,741	161,024	307,299	1,091	74,387	103,328	31,408,954
Less : Unearned income	(4,749,007)	-	(105,138)	(58,900)	(11,174,801)	(7,090)	(526)	(79,204)	(8)	-	-	(16,174,674)
Gross financing	2,728,330	4,997	739,428	529,024	9,976,459	688,651	160,498	228,095	1,083	74,387	103,328	15,234,280
Fair value changes arising from fair value hedge	-	-	-	(3,073)	89	-	-	-	-	-	-	(2,984)
	2,728,330	4,997	739,428	525,951	9,976,548	688,651	160,498	228,095	1,083	74,387	103,328	15,231,296
Less : Allowance for impaired financing												
Collective assessment	(40,319)	-	(19,645)	(990)	(171,756)	(1,564)	(451)	(159)	(53)	-	(1,222)	(236,159)
Individual assessment	(401)	-	(7,311)	(24)	(44,928)	(397)	(23,781)	(23)	-	-	-	(76,865)
Total net financing	2,687,610	4,997	712,472	524,937	9,759,864	686,690	136,266	227,913	1,030	74,387	102,106	14,918,272

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7. Financing of customers (cont'd.)

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

Group	Bai'		Ijarah		Tawarruq	Bai'		Istisna'	Qard	Shirkah	Rahnu	Total financing
	Bithaman Ajil	Ijarah	Thumma	Inah		Al-Dayn	Murabahah					
31 March 2016	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	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.)

Bank	Bai'		Ijarah Thumma		Tawarruq	Bai'		Istisna'	Qard	Rahnu	Total financing
	Bithaman Ajil	Ijarah	Al-Bai	Inah		Al-Dayn	Murabahah				
31 March 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	-	-	-	12,175	658,087	-	-	-	-	-	670,262
Term financing:											
Home financing	6,403,749	-	-	-	8,548,547	-	-	33,613	-	-	14,985,909
Syndicated financing	-	-	-	-	1,669,415	-	-	-	-	-	1,669,415
Hire purchase receivables	42,782	-	844,566	-	-	-	-	-	-	-	887,348
Leasing receivables	-	4,997	-	-	-	-	-	-	-	-	4,997
Other term financing	954,691	-	-	575,749	8,997,867	-	-	159,714	98,903	-	10,786,924
Trust receipts	-	-	-	-	-	-	50,675	-	-	-	50,675
Claims on customers under acceptance credits	-	-	-	-	-	695,741	-	-	-	-	695,741
Staff financing	76,115	-	-	-	792	-	-	113,972	1,091	-	191,970
Revolving credit	-	-	-	-	1,276,553	-	-	-	-	-	1,276,553
Sukuk	-	-	-	-	-	-	110,349	-	-	-	110,349
Ar-Rahnu	-	-	-	-	-	-	-	-	-	103,328	103,328
	7,477,337	4,997	844,566	587,924	21,151,261	695,741	161,024	307,299	99,994	103,328	31,433,471
Less : Unearned income	(4,749,007)	-	(105,138)	(58,900)	(11,174,801)	(7,090)	(526)	(79,204)	(8)	-	(16,174,674)
Gross financing	2,728,330	4,997	739,428	529,024	9,976,460	688,651	160,498	228,095	99,986	103,328	15,258,797
Fair value changes arising from fair value hedge	-	-	-	(3,073)	89	-	-	-	-	-	(2,984)
	2,728,330	4,997	739,428	525,951	9,976,549	688,651	160,498	228,095	99,986	103,328	15,255,813
Less : Allowance for impaired financing											
Collective assessment	(40,319)	-	(19,645)	(990)	(171,756)	(1,564)	(451)	(159)	(53)	(1,222)	(236,159)
Individual assessment	(401)	-	(7,311)	(24)	(44,928)	(397)	(23,781)	(23)	(4,933)	-	(81,798)
Total net financing	2,687,610	4,997	712,472	524,937	9,759,865	686,690	136,266	227,913	95,000	102,106	14,937,856

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7. Financing of customers (cont'd.)

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

Bank 31 March 2016	Bai'		Ijarah Thumma		Tawarruq RM'000	Bai'		Istisna' RM'000	Qard RM'000	Rahnu RM'000	Total financing RM'000
	Bithaman Ajil RM'000	Ijarah RM'000	Al-Bai RM'000	Inah RM'000		Al-Dayn RM'000	Murabahah 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.)

	Group	
	2017	2016
	RM'000	RM'000
Uses of Qard fund:		
Staff financing	436	443
Other term financing	647	400
	1,083	843
	Bank	
	2017	2016
	RM'000	RM'000
Staff financing	436	443
Musarakah financing	98,903	106,925
Other term financing	647	400
	99,986	107,768

(ii) By type of customer

	Group	
	2017	2016
	RM'000	RM'000
Domestic non-banking institutions	839,319	835,916
Domestic business enterprises		
- Small business enterprises	86,641	128,823
- Others	3,703,023	3,512,917
Government and statutory bodies	759,376	551,921
Individuals	9,818,840	9,691,913
Other domestic entities	6,297	6,316
Foreign entities	20,784	70,118
Gross financing	15,234,280	14,797,924

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7. Financing of customers (cont'd.)

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

	Bank	
	2017	2016
	RM'000	RM'000
Domestic non-banking institutions	839,319	835,916
Domestic business enterprises		
- Small business enterprises	86,641	128,823
- Others	3,727,540	3,522,233
Government and statutory bodies	759,376	551,921
Individuals	9,818,840	9,691,914
Other domestic entities	6,297	6,316
Foreign entities	20,784	70,118
Gross financing	15,258,797	14,807,241

(iii) By profit rate sensitivity

	Group	
	2017	2016
	RM'000	RM'000
Income tax (credit)/expense for		
Fixed rate:		
Home financing	382,310	760,563
Hire purchase receivables	773,545	900,396
Others	3,246,631	3,903,838
Variable rate:		
Home financing	4,332,628	3,785,493
Others	6,499,166	5,447,634
Gross financing	15,234,280	14,797,924

	Bank	
	2017	2016
	RM'000	RM'000
Fixed rate:		
Home financing	382,310	760,563
Hire purchase receivables	773,545	900,396
Others	3,271,148	3,913,155
Variable rate:		
Home financing	4,332,628	3,785,493
Others	6,499,166	5,447,634
Gross financing	15,258,797	14,807,241

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7. Financing of customers (cont'd.)

(iv) By sector

	Group	
	2017	2016
	RM'000	RM'000
Agriculture	122,174	79,148
Mining and quarrying	11,806	17,044
Manufacturing	540,794	611,107
Electricity, gas and water	187,531	212,463
Construction	315,219	386,410
Household	9,808,207	9,703,721
Real estate	1,119,086	1,032,415
Wholesale, retail and restaurant	549,420	503,722
Transport, storage and communication	360,093	298,803
Finance, takaful and business services	1,043,601	969,279
Purchase of transport vehicles	15,006	15,816
Consumption credit	436	410
Community, social and personal service	404,604	415,664
Government and statutory bodies	756,303	551,922
Gross financing	15,234,280	14,797,924

	Bank	
	2017	2016
	RM'000	RM'000
Agriculture	122,174	79,148
Mining and quarrying	16,739	21,977
Manufacturing	540,794	611,107
Electricity, gas and water	187,531	212,463
Construction	315,219	386,410
Household	9,808,207	9,703,721
Real estate	1,119,086	1,032,415
Wholesale, retail and restaurant	549,420	508,522
Transport, storage and communication	380,093	298,803
Finance, takaful and business services	1,043,601	969,280
Purchase of transport vehicles	15,006	15,816
Consumption credit	436	410
Community, social and personal service	404,188	415,247
Government and statutory bodies	756,303	551,922
Gross financing	15,258,797	14,807,241

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7. Financing of customers (cont'd.)

(v) By residual contractual maturity

	Group	
	2017	2016
	RM'000	RM'000
Maturity		
- within one year	4,090,338	3,952,948
- more than one to five years	5,216,993	4,865,274
- more than five years	5,926,949	5,979,702
Gross financing	15,234,280	14,797,924

	Bank	
	2017	2016
	RM'000	RM'000
Maturity		
- within one year	4,090,338	3,952,948
- more than one to five years	5,216,993	4,865,274
- more than five years	5,951,466	5,989,019
Gross financing	15,258,797	14,807,241

(vi) By geographical area

	Group	
	2017	2016
	RM'000	RM'000
Domestic	15,202,300	14,742,117
Labuan Offshore	31,980	55,807
Gross financing	15,234,280	14,797,924

	Bank	
	2017	2016
	RM'000	RM'000
Domestic	15,226,817	14,751,434
Labuan Offshore	31,980	55,807
Gross financing	15,258,797	14,807,241

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7. Financing of customers (cont'd.)

(vii) By economic purpose

	Group	
	2017	2016
	RM'000	RM'000
Purchase of securities	60,387	65,381
Purchase of transport vehicles	733,186	873,082
Purchase of landed properties of which:		
– residential	4,766,092	4,638,924
– non-residential	530,908	562,747
Purchase of fixed assets (excluding landed properties)	131,701	206,341
Personal use	3,946,722	3,858,761
Construction	645,733	590,289
Working capital	3,297,900	3,485,954
Other purposes	1,121,651	516,445
Gross financing	15,234,280	14,797,924

	Bank	
	2017	2016
	RM'000	RM'000
Purchase of securities	60,387	65,381
Purchase of transport vehicles	733,186	873,082
Purchase of landed properties of which:		
– residential	4,766,092	4,638,924
– non-residential	530,908	562,747
Purchase of fixed assets (excluding landed properties)	131,701	206,341
Personal use	3,946,722	3,858,761
Construction	645,733	590,289
Working capital	3,297,900	3,485,954
Other purposes	1,146,168	525,762
Gross financing	15,258,797	14,807,241

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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 amount to RM1.5 billion (2016: RM1.5 billion). The cumulative change in fair value of the financings attributable to changes in profit rate risks amount to a loss of RM2,984,423 (2016: gain of RM4,469,645) and the change for the current year is a loss of RM7,454,068 (2016: gain of RM4,469,645). 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 2017		
As at 1 April 2016	326,470	326,470
Classified as impaired during the year	410,050	414,983
Reclassified as performing during the year	(230,435)	(230,435)
Recovered during the year	(100,800)	(100,800)
Written-off during the year	(53,365)	(53,365)
As at 31 March 2017	<u>351,920</u>	<u>356,853</u>
Ratio of gross impaired financing to total financing	<u>2.31%</u>	<u>2.34%</u>
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	<u>326,470</u>	<u>326,470</u>
Ratio of gross impaired financing to total financing	<u>2.21%</u>	<u>2.20%</u>

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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 2017		
As at 1 April 2016	208,439	208,439
Allowance made during the year (Note 29(b))	351,926	351,926
Amount written-back (Note 29(b))	(292,349)	(292,349)
Amount written-off	(31,857)	(31,857)
As at 31 March 2017	<u>236,159</u>	<u>236,159</u>
As % of gross financing, less individual assessment allowance	<u>1.56%</u>	<u>1.56%</u>
As at 31 March 2016		
As at 1 April 2015	239,227	239,227
Allowance made during the year (Note 29(b))	419,481	419,481
Amount written-back (Note 29(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>

Individual assessment allowance

	Group RM'000	Bank RM'000
As at 31 March 2017		
As at 1 April 2016	81,078	81,078
Allowance made during the year (Note 29(a))	30,753	35,686
Amount written-back (Note 29(a))	(14,552)	(14,552)
Amount written-off	(20,414)	(20,414)
As at 31 March 2017	<u>76,865</u>	<u>81,798</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 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 29(a))	50,307	50,307
Amount written-back (Note 29(a))	(5,658)	(5,658)
Amount written-off	(6,202)	(12,202)
As at 31 March 2016	81,078	81,078

(iii) Impaired financing by geographical area

	Group	
	2017	2016
	RM'000	RM'000
Domestic	351,920	326,470

	Bank	
	2017	2016
	RM'000	RM'000
Domestic	356,853	326,470

(iv) Impaired financing by sector

	Group	
	2017	2016
	RM'000	RM'000
Agriculture	39	48
Manufacturing	45,565	77,453
Construction	9,852	17,370
Household	248,874	194,836
Wholesale and retail and restaurant	5,815	6,469
Transport, storage and communication	37,310	22,805
Finance, takaful and business services	2,004	3,049
Purchase of transport vehicles	409	978
Community, social and personal service	2,052	3,462
	351,920	326,470

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8. Impaired financing (cont'd.)

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

	Bank	
	2017	2016
	RM'000	RM'000
Agriculture	39	48
Manufacturing	45,565	77,453
Construction	9,852	17,370
Household	248,874	194,836
Wholesale and retail and restaurant	5,815	6,469
Mining and quarrying	4,933	-
Transport, storage and communication	37,310	22,805
Finance, takaful and business services	2,004	3,049
Purchase of transport vehicles	409	978
Community, social and personal service	2,052	3,462
	356,853	326,470

(v) Impaired financing by economic purpose

	Group	
	2017	2016
	RM'000	RM'000
Purchase of securities	63	64
Purchase of transport vehicles	21,687	26,876
Purchase of landed properties of which:		
- Residential	87,000	76,335
- Non-residential	7,706	8,333
Purchase of fixed assets (excluding landed properties)	5,326	9,038
Personal use	139,614	93,739
Construction	19,112	15
Working capital	65,596	104,795
Other purposes	5,816	7,275
	351,920	326,470

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8. Impaired financing (cont'd.)

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

	Bank	
	2017	2016
	RM'000	RM'000
Purchase of securities	63	64
Purchase of transport vehicles	21,687	26,876
Purchase of landed properties of which:		
- Residential	87,000	76,335
- Non-residential	7,706	8,333
Purchase of fixed assets (excluding landed properties)	5,326	9,038
Personal use	139,614	93,739
Construction	19,112	15
Working capital	70,529	104,795
Other purposes	5,816	7,275
	356,853	326,470

9. Other assets

	Group	
	2017	2016
	RM'000	RM'000
Deposits	7,304	7,345
Prepayments	6,629	3,945
Tax prepayment	52,814	6,226
Golf club membership	600	600
Other receivables	11,263	14,493
Other debtors	43,297	39,300
	121,907	71,909

	Bank	
	2017	2016
	RM'000	RM'000
Deposits	7,206	7,313
Prepayments	6,482	3,881
Tax prepayment	52,210	6,226
Amount due from subsidiaries	141	6,147
Golf club membership	600	600
Other receivables	11,263	14,493
Other debtors	42,383	38,576
	120,285	77,236

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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	
	2017	2016
	RM'000	RM'000
Unquoted shares at cost - in Malaysia	10,823	10,823
Less: Accumulated impairment losses	(2,768)	(2,768)
	8,055	8,055

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

Name	Principal activities	Percentage of equity held		Paid up capital	
		2017	2016	2017	2016
		%	%	RM	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

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12. Investment properties

Group and Bank

	Freehold land RM'000	Buildings on freehold land RM'000	Investment properties under construction RM'000	Total RM'000
As at 31 March 2017				
As at 1 April 2016	13,481	9,100	9,948	32,529
Additions	-	-	4,428	4,428
Change in fair value recognised in income statement (Note 28)	-	1,821	-	1,821
Reclassification	-	10,233	(10,233)	-
As at 31 March 2017	<u>13,481</u>	<u>21,154</u>	<u>4,143</u>	<u>38,778</u>

Included in the above are:

At fair value	<u>13,481</u>	<u>21,154</u>	-	<u>34,635</u>
At cost	-	-	<u>4,143</u>	<u>4,143</u>

As at 31 March 2016

As at 1 April 2015	-	7,456	591	8,047
Additions	13,481	-	9,357	22,838
Change in fair value recognised in income statement (Note 28)	-	1,644	-	1,644
As at 31 March 2016	<u>13,481</u>	<u>9,100</u>	<u>9,948</u>	<u>32,529</u>

Included in the above are:

At fair value	<u>13,481</u>	<u>9,100</u>	-	<u>22,581</u>
At cost	-	-	<u>9,948</u>	<u>9,948</u>

The Group's and the Bank's investment properties consist of a few units of commercial properties and a few pieces of undeveloped freehold commercial land.

As at 31 March 2017, the fair values of the properties are based on valuations performed by Proharta Consultancy Sdn Bhd, an accredited independent valuer on 29 March 2017. 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 45.

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12. Investment properties (cont'd.)

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 any other characteristics.

13. Intangible assets

Group	Computer software RM'000	Software under development RM'000	Total RM'000
As at 31 March 2017			
Cost			
As at 1 April 2016	197,281	1,299	198,580
Additions	7,699	7,533	15,232
Disposals	(93)	-	(93)
Reclassification	5,182	(5,426)	(244)
As at 31 March 2017	<u>210,069</u>	<u>3,406</u>	<u>213,475</u>
Accumulated amortisation			
As at 1 April 2016	77,459	-	77,459
Charge for the year (Note 35)	26,599	-	26,599
Disposals	(93)	-	(93)
As at 31 March 2017	<u>103,965</u>	<u>-</u>	<u>103,965</u>
Carrying amount as at 31 March 2017	<u>106,104</u>	<u>3,406</u>	<u>109,510</u>
As at 31 March 2016			
Cost			
As 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	<u>197,281</u>	<u>1,299</u>	<u>198,580</u>
Accumulated amortisation			
As at 1 April 2015	54,147	-	54,147
Charge for the year (Note 35)	23,312	-	23,312
As at 31 March 2016	<u>77,459</u>	<u>-</u>	<u>77,459</u>
Carrying amount as at 31 March 2016	<u>119,822</u>	<u>1,299</u>	<u>121,121</u>

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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 2017			
Cost			
As at 1 April 2016	196,306	1,299	197,605
Additions	7,669	7,533	15,202
Disposals	(93)	-	(93)
Reclassification	5,182	(5,426)	(244)
As at 31 March 2017	<u>209,064</u>	<u>3,406</u>	<u>212,470</u>
Accumulated amortisation			
As at 1 April 2016	77,042	-	77,042
Charge for the year (Note 35)	26,401	-	26,401
Disposals	(93)	-	(93)
As at 31 March 2017	<u>103,350</u>	<u>-</u>	<u>103,350</u>
Carrying amount as at 31 March 2017	<u>105,714</u>	<u>3,406</u>	<u>109,120</u>
As at 31 March 2016			
Cost			
As 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	<u>196,306</u>	<u>1,299</u>	<u>197,605</u>
Accumulated amortisation			
As at 1 April 2015	53,925	-	53,925
Charge for the year (Note 35)	23,117	-	23,117
As at 31 March 2016	<u>77,042</u>	<u>-</u>	<u>77,042</u>
Carrying amount as at 31 March 2016	<u>119,264</u>	<u>1,299</u>	<u>120,563</u>

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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 2017					
Cost					
As at 1 April 2016	2,853	17,189	235,117	929	256,088
Additions	56	-	8,414	4,165	12,635
Disposals	-	-	(3,665)	-	(3,665)
Write- off	-	-	(648)	-	(648)
Reclassification	-	-	1,933	(1,689)	244
As at 31 March 2017	2,909	17,189	241,151	3,405	264,654
Accumulated depreciation					
As at 1 April 2016	602	5,703	191,656	-	197,961
Charge for the year (Note 35)	72	429	18,185	-	18,686
Write- off	-	-	(3,660)	-	(3,660)
Disposals	-	-	(642)	-	(642)
As at 31 March 2017	674	6,132	205,539	-	212,345
Carrying amount as at 31 March 2017	2,235	11,057	35,612	3,405	52,309
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 35)	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

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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 2017					
Cost					
As at 1 April 2016	2,853	17,189	234,810	929	255,781
Additions	56	-	8,414	4,165	12,635
Disposals	-	-	(3,665)	-	(3,665)
Write- off	-	-	(648)	-	(648)
Reclassification	-	-	1,933	(1,689)	244
As at 31 March 2017	2,909	17,189	240,844	3,405	264,347
Accumulated depreciation					
As at 1 April 2016	602	5,703	191,426	-	197,731
Charge for the year (Note 35)	72	429	18,147	-	18,648
Disposals	-	-	(3,660)	-	(3,660)
Write- off	-	-	(642)	-	(642)
As at 31 March 2017	674	6,132	205,271	-	212,077
Carrying amount as at 31 March 2017	2,235	11,057	35,573	3,405	52,270
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 35)	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

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15. Prepaid land lease payments

	Group and Bank	
	2017	2016
	RM'000	RM'000
At beginning of the year	235	239
Amortisation (Note 35)	(4)	(4)
At end of the year	<u>231</u>	<u>235</u>
Analysed as:		
Long term leasehold land	<u>231</u>	<u>235</u>

16. Deferred tax assets/(liabilities)

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At beginning of the year	(568)	(18,947)	(568)	(18,947)
Recognised in the income statement (Note 38)	(533)	21,762	(533)	21,762
Recognised in other comprehensive income	3,667	(3,383)	10,753	(3,383)
At end of the year	<u>2,566</u>	<u>(568)</u>	<u>9,652</u>	<u>(568)</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		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	9,652	-	9,652	-
Deferred tax liabilities, net	(7,086)	(568)	-	(568)
	<u>2,566</u>	<u>(568)</u>	<u>9,652</u>	<u>(568)</u>

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

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	17,309	10,315	17,309	10,315
Deferred tax liabilities	(14,743)	(10,883)	(7,657)	(10,883)
	2,566	(568)	9,652	(568)

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:

	Available- for-sale reserve RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2016	-	10,008	307	10,315
Recognised in income statements	-	(3,717)	(42)	(3,759)
Recognised in other comprehensive income	10,753	-	-	10,753
As at 31 March 2017	10,753	6,291	265	17,309
As 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)
As at 31 March 2016	-	10,008	307	10,315

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

Deferred tax liabilities of the Group :

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
As at 1 April 2016	(95)	(10,788)	(10,883)
Recognised in income statement	-	3,226	3,226
Recognised in other comprehensive income	(7,086)	-	(7,086)
As at 31 March 2017	<u>(7,181)</u>	<u>(7,562)</u>	<u>(14,743)</u>
As at 1 April 2015	-	(33,286)	(33,286)
Recognised in income statement	-	22,498	22,498
Recognised in other comprehensive income	(95)	-	(95)
As at 31 March 2016	<u>(95)</u>	<u>(10,788)</u>	<u>(10,883)</u>

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 Bank:

	Available- for-sale reserve RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 1 April 2016	-	10,008	307	10,315
Recognised in income statements	-	(3,717)	(42)	(3,759)
Recognised in other comprehensive income	10,753	-	-	10,753
As at 31 March 2017	<u>10,753</u>	<u>6,291</u>	<u>265</u>	<u>17,309</u>
As 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)
As at 31 March 2016	<u>-</u>	<u>10,008</u>	<u>307</u>	<u>10,315</u>

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

Deferred tax liabilities of the Bank:

	Available- for-sale reserve RM'000	Property, plant and equipment and intangible asset RM'000	Total RM'000
As at 1 April 2016	(95)	(10,788)	(10,883)
Recognised in income statement	-	3,226	3,226
Recognised in other comprehensive income	-	-	-
As at 31 March 2017	<u>(95)</u>	<u>(7,562)</u>	<u>(7,657)</u>
As at 1 April 2015	-	(33,286)	(33,286)
Recognised in income statement	-	22,498	22,498
Recognised in other comprehensive income	(95)	-	(95)
As at 31 March 2016	<u>(95)</u>	<u>(10,788)</u>	<u>(10,883)</u>

17. Deposits from customers

(i) By types of deposits

	Group	
	2017 RM'000	2016 RM'000
Savings deposits		
Qard	1,052,795	1,096,785
Tawarruq	<u>107,869</u>	<u>-</u>
	<u>1,160,664</u>	1,096,785
Demand deposits		
Qard	2,994,706	3,679,040
Tawarruq	<u>70,481</u>	<u>-</u>
	<u>3,065,187</u>	3,679,040

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17. Deposits from customers (cont'd.)

(i) By types of deposits (cont'd.)

	Group	
	2017	2016
	RM'000	RM'000
Term deposits		
Negotiable Islamic debt certificate	1,550,790	1,703,656
General investment deposits	140,575	211,475
Short term accounts	2,958,160	1,798,148
Fixed term accounts tawarruq	11,003,797	11,114,518
	<u>15,653,322</u>	<u>14,827,797</u>
Other deposits	<u>38,309</u>	<u>39,806</u>
	<u>19,917,482</u>	<u>19,643,428</u>
	Bank	
	2017	2016
	RM'000	RM'000
Savings deposits		
Qard	1,052,795	1,096,785
Tawarruq	107,869	-
	<u>1,160,664</u>	<u>1,096,785</u>
Demand deposits		
Qard	2,996,183	3,686,532
Tawarruq	70,481	-
	<u>3,066,664</u>	<u>3,686,532</u>
Term deposits		
Negotiable Islamic debt certificate	1,550,790	1,703,656
General investment deposits	140,575	211,475
Short term accounts	2,958,160	1,798,148
Fixed term accounts tawarruq	11,014,597	11,127,818
	<u>15,664,122</u>	<u>14,841,097</u>
Other deposits	<u>38,309</u>	<u>39,806</u>
	<u>19,929,759</u>	<u>19,664,220</u>

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17. Deposits from customers (cont'd.)

(ii) By types of customer

	Group	
	2017	2016
	RM'000	RM'000
Government and statutory bodies	5,975,784	7,219,162
Business enterprises	7,058,767	6,493,365
Individuals	1,584,069	1,461,371
Others	5,298,862	4,469,530
	<u>19,917,482</u>	<u>19,643,428</u>

	Bank	
	2017	2016
	RM'000	RM'000
Government and statutory bodies	5,975,784	7,219,162
Business enterprises	7,071,044	6,514,157
Individuals	1,584,069	1,461,371
Others	5,298,862	4,469,530
	<u>19,929,759</u>	<u>19,664,220</u>

The maturity structure of term deposits are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Due within six months	13,899,694	12,441,730
More than six months to one year	1,374,178	2,358,927
More than one year to three years	303,428	1,477
More than three year to five years	76,022	25,663
	<u>15,653,322</u>	<u>14,827,797</u>

	Bank	
	2017	2016
	RM'000	RM'000
Due within six months	13,910,494	12,455,030
More than six months to one year	1,374,178	2,358,927
More than one year to three years	303,428	1,477
More than three year to five years	76,022	25,663
	<u>15,664,122</u>	<u>14,841,097</u>

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18. Investment accounts

(a) Investment accounts due from designated financial institution

	Group and Bank	
	2017	2016
	RM'000	RM'000
Licensed Islamic bank	382	-

The investment account as at 31 March 2017 is invested in a financing asset.

(b) Investment account of customers

Restricted investment account ("RIA") is an arrangement between the Bank and investment account holders ("IAH") where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA amounting to RM7,705,000 is accounted for as off balance sheet as the Bank has passed its rights and obligations in respect of the assets related to the RIA or to the residual cash flows from those assets to the IAH except for the Wakalah performance incentive fee income generated by the Bank for managing the RIA.

(i) Investment account analysed by maturity portfolio are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Restricted investment accounts				
With maturity more than one year to three years				
Wakalah	424	-	7,705	-

(ii) By types of customer are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Business enterprise	-	-	7,281	-
Individuals	347	-	347	-
Others	77	-	77	-
	424	-	7,705	-

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18. Investment accounts (cont'd.)

(b) Investment account of customers (cont'd)

(iii) The allocation of investment asset are as follows:

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Restricted investment accounts				
Non-retail financing	424	-	7,705	-
Total investment	424	-	7,705	-

(iv) Investment account holders ("IAH") profit sharing ratio and rate of return are as follows:

	Group and Bank 2017		Group and Bank 2016	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment account of customers	93.0%	6.5%	-	-

19. Deposits and placements of banks and other financial institutions

	Group and Bank	
	2017 RM'000	2016 RM'000
Non-Mudharabah		
Bank Negara Malaysia	9,770	10,132
Licensed banks	551,884	432,120
	561,654	442,252

20. 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.

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21. Other liabilities

	Group	
	2017	2016
	RM'000	RM'000
Sundry creditors	825	2,830
Provision for commitments and contingencies (Note 21 (a))	-	13,782
Accrual for bonus	11,197	15,629
Accrual for Voluntary Separation Scheme	-	300
Accrued expenses	36,010	10,736
Accrual for directors' fees	672	665
Accrual for audit fees	512	431
Other liabilities	7,160	20,608
	56,376	64,981

	Bank	
	31 March	31 March
	2017	2016
	RM'000	RM'000
Sundry creditors	206	2,373
Provision for commitments and contingencies (Note 21(a))	-	13,782
Accrual for bonus	11,197	15,629
Accrual for Voluntary Separation Scheme	-	300
Accrued expenses	36,214	10,915
Accrual for directors' fees	672	665
Accrual for audit fees	492	414
Other liabilities	7,073	20,579
	55,854	64,657

(a) Movement in provision for commitments and contingencies:

	Group and Bank	
	31 March	31 March
	2017	2016
	RM'000	RM'000
At beginning of the year	13,782	8,162
Charge during the year	-	10,282
Write-back during the year	(2,282)	(7,412)
Settlement made during the year	(11,500)	-
Reclassified from other liabilities during the year	-	2,750
At end of the year	-	13,782

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22. Provision for zakat and taxation

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Zakat	4,722	4,688	4,677	4,512
Taxation	84	247	-	-
	4,806	4,935	4,677	4,512

23. Sukuk

(a) Subordinated sukuk

Subordinated sukuk as at 31 March 2016 relates to the RM400.0 million Tier-2 Capital Islamic Subordinated Sukuk issued on 15 June 2011. The Bank has fully redeemed the sukuk on 15 June 2016. The redemption was funded through the setting up of a RM1.0 billion sukuk programme (RM250.0 million was subscribed up to the closing date with five (5) years maturity). The new sukuk programme has loss absorption features to meet Basel III criteria and qualifies as Tier 2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

The subordinated sukuk bears profit/dividend at 5.8% per annum, up to the date of early redemption in full of such sukuk or maturity date, whichever is earlier. The dividend is payable semi-annually on June and December.

(b) Senior sukuk

On 7 June 2016 and 25 November 2016, the Bank has issued RM5.0 million (1 year maturity) ("Senior Sukuk 1") and RM500.0 million (5 years maturity) ("Senior Sukuk 2") of senior sukuk respectively through a RM2.0 billion Senior Sukuk Programme.

The Senior Sukuk 1 bears profit/dividend at 4.8% per annum, up to the date of early redemption in full of such sukuk or maturity date, whichever is earlier. The dividend is payable semi-annually on June and December.

The Senior Sukuk 2 bears profit/dividend at 5.5% per annum, up to the date of early redemption in full of such sukuk or maturity date, whichever is earlier. The dividend is payable semi-annually on May and November each year.

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24. Share capital

	Number of shares		Amount	
	of RM1 each		2017	2016
	2017	2016	RM'000	RM'000
	'000	'000		
Issued and fully paid:				
Ordinary shares				
Aa at 1 April/31 March	1,195,000	1,195,000	1,195,000	1,195,000

25. Reserves

	Note	Group	
		2017	2016
		RM'000	RM'000
Statutory reserve	(a)	658,158	582,822
Retained profits	(b)	294,528	219,957
Exchange fluctuation reserve	(c)	2,183	(2,054)
Available-for-sale reserve	(d)	(11,298)	212
		943,571	800,937
		Bank	
		2017	2016
		RM'000	RM'000
Statutory reserve	(a)	656,561	581,225
Retained profits	(b)	289,726	214,387
Exchange fluctuation reserve	(c)	2,183	(2,054)
Available-for-sale reserve	(d)	(33,734)	212
		914,736	793,770

(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 2017 under the single tier system.

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25. Reserves (cont'd.)

(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) Available-for-sale reserve

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

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) General investment deposits	8,297	11,951	8,297	11,951
(ii) Other deposits	1,164,398	1,098,431	1,164,398	1,098,431
	<u>1,172,695</u>	<u>1,110,382</u>	<u>1,172,695</u>	<u>1,110,382</u>

(i) Income derived from investment of general investment deposits

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah:				
Income from financing	6,394	9,074	6,394	9,074
Financial investments held-for-maturity	9	9	9	9
Financial investments available-for-sale	1,377	2,261	1,377	2,261
Money at call and deposit with financial institutions	166	170	166	170
	<u>7,946</u>	<u>11,514</u>	<u>7,946</u>	<u>11,514</u>
Amortisation of premium, net	(10)	(39)	(10)	(39)
Total finance income and hibah	<u>7,936</u>	<u>11,475</u>	<u>7,936</u>	<u>11,475</u>

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

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other operating income:				
Net gain from sale of:				
- financial investments designated at FVTPL	6	7	6	7
- financial investments available-for-sale	76	71	76	71
	<u>82</u>	<u>78</u>	<u>82</u>	<u>78</u>
Fees and commission				
Guarantee fees	20	38	20	38
Safekeeping fees	75	72	75	72
Processing fees	8	25	8	25
Service charges and fees	68	120	68	120
Commission	108	143	108	143
	<u>279</u>	<u>398</u>	<u>279</u>	<u>398</u>
Total	<u>8,297</u>	<u>11,951</u>	<u>8,297</u>	<u>11,951</u>

(ii) Income derived from investment of other deposits

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income and hibah				
Income from financing	897,304	834,031	897,304	834,031
Financial investments designated at FVTPL	-	16	-	16
Financial investments held-for-maturity	1,298	860	1,298	860
Financial investments available-for-sale	193,319	207,815	193,319	207,815
Money at call and deposit with financial institutions	23,248	15,620	23,248	15,620
	<u>1,115,169</u>	<u>1,058,342</u>	<u>1,115,169</u>	<u>1,058,342</u>
Amortisation of premium, net	(1,361)	(3,609)	(1,361)	(3,609)
Total finance income and hibah	<u>1,113,808</u>	<u>1,054,733</u>	<u>1,113,808</u>	<u>1,054,733</u>

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

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	888	610	888	610
- financial investments available-for-sale	10,692	6,541	10,692	6,541
Unrealised gain on revaluation from financial investments designated at FVTPL	1	-	1	-
	<u>11,581</u>	<u>7,151</u>	<u>11,581</u>	<u>7,151</u>
Fees and commission				
Guarantee fees	2,743	3,449	2,743	3,449
Safekeeping fees	10,487	6,591	10,487	6,591
Processing fees	1,120	2,303	1,120	2,303
Service charges and fees	9,556	11,017	9,556	11,017
Commission	15,103	13,187	15,103	13,187
	<u>39,009</u>	<u>36,547</u>	<u>39,009</u>	<u>36,547</u>
Total	<u>1,164,398</u>	<u>1,098,431</u>	<u>1,164,398</u>	<u>1,098,431</u>

27. Income derived from investment of account funds

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Investment of account funds	3	-	3	-
Fees and commission				
Service charges and fees	33	-	33	-
Total	<u>36</u>	<u>-</u>	<u>36</u>	<u>-</u>

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28. Income derived from investment of shareholders' funds

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income and hibah				
Financial investments				
Available-for-sale	17,443	21,102	17,443	21,102
Money at call and deposit with financial institutions	2,243	1,819	2,243	1,819
Accretion of discounts, net	3,183	2,800	3,183	2,800
Total finance income and hibah	<u>22,869</u>	<u>25,721</u>	<u>22,869</u>	<u>25,721</u>
Other operating income				
Net gain on revaluation of foreign exchange transaction	16,708	9,653	16,708	9,653
Net loss from foreign exchange derivatives	(3,793)	(3,822)	(3,793)	(3,822)
Net gain from sale of financial investment available-for-sale	7,214	3,638	7,214	3,638
Unrealised (loss)/gain on revaluation from financial investments designated at FVTPL	(15,548)	36,331	(6,515)	36,331
Gain from disposal of associate		-		-
Gross dividend income				
- unquoted shares in Malaysia	1,612	1,614	1,612	1,612
- subsidiary	292	-	3,100	-
Net dividend paid for Islamic profit rate swap	(8,224)	(1,004)	(8,224)	(1,004)
Unrealised gain/(loss) on revaluation of Islamic profit rate swap	5,413	(3,097)	5,413	(3,097)
Unrealised (loss)/gain on revaluation of hedged items	(7,454)	4,470	(7,454)	4,470
Gain from derecognition of fair value of hedged items	1,772	7,052	1,772	7,052
	<u>(2,008)</u>	<u>54,835</u>	<u>9,833</u>	<u>54,833</u>

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fees and commission				
Corporate advisory fees	9,019	5,277	7,639	3,313
Service charges and fees	7,809	7,374	316	303
Commission	2,175	4,001	2,175	4,001
	<u>19,003</u>	<u>16,652</u>	<u>10,130</u>	<u>7,617</u>
Other income				
Rental income	649	562	769	562
Gain from sale of property, plant and equipment	553	232	553	232
Fair value adjustments of investment properties (Note 12)	1,821	1,644	1,821	1,644
Others	141	-	-	-
	<u>3,164</u>	<u>2,438</u>	<u>3,143</u>	<u>2,438</u>
Total	<u>43,028</u>	<u>99,646</u>	<u>45,975</u>	<u>90,609</u>

29. Allowance for impairment on financing

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment on financing				
(a) Individual assessment allowance (Note 8(ii)):				
Made during the year	30,753	50,307	35,686	50,307
Written back during the year	(14,552)	(5,658)	(14,552)	(5,658)
	<u>16,201</u>	<u>44,649</u>	<u>21,134</u>	<u>44,649</u>

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29. Allowance for impairment on financing (cont'd.)

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Allowance for impairment on financing (cont'd.)				
(b) Collective assessment allowance (Note 8(ii)):				
Made during the year	351,926	419,481	351,926	419,481
Written back during the year	(292,349)	(395,965)	(292,349)	(395,965)
	59,577	23,516	59,577	23,516
Bad debts on financing:				
Written off	1,689	18,321	1,689	18,321
Recovered	(12,852)	(27,164)	(12,852)	(33,164)
	(11,163)	(8,843)	(11,163)	(14,843)
Total	64,615	59,322	69,548	53,322

30. Impairment loss on investments

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Impairment loss on financial investments available-for-sale	(16,899)	(22,790)	(16,899)	(22,790)
Impairment write- back on investment in a subsidiary	-	-	-	1,671
	(16,899)	(22,790)	(16,899)	(21,119)

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31. Income attributable to depositors

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deposits from customers				
- Mudharabah funds	4,170	15,648	4,170	15,821
- Non-Mudharabah funds	538,570	535,509	538,907	535,803
Deposits and placements of banks and other financial institutions				
- Mudharabah funds	-	4,617	-	4,617
- Non-Mudharabah funds	39,053	30,726	39,053	30,726
	581,793	586,500	582,130	586,967

32. Personnel expenses

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Salary and wages	125,041	125,854	123,546	123,753
Contribution to defined contribution plan	23,299	25,010	23,094	24,685
Social security contributions	1,288	1,081	1,275	1,081
Allowances and bonuses	15,340	18,292	15,063	18,103
Voluntary Separation Scheme	388	-	388	-
Others	12,925	13,263	12,822	13,131
	178,281	183,500	176,188	180,753

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33. Directors and Shariah Committee members' remuneration

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) Executive Director/ Chief Executive Officer				
Salaries and wages	1,954	1,916	1,486	1,363
Other emoluments	1,059	401	946	252
Bonus	526	-	526	-
Benefits-in-kind	83	85	81	85
	3,622	2,402	3,039	1,700
(b) Non-Executive Directors				
Fees	868	927	817	887
Other emoluments	448	466	436	460
	1,316	1,393	1,253	1,347
(c) Shariah Committee members				
Allowance	318	330	318	330
Total	5,256	4,125	4,610	3,377
Total (excluding benefits-in-kind)	5,173	4,040	4,529	3,292

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33. 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 2017	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,486	-	526	946	81	3,039
Executive Director of the subsidiaries:						
Sharifatul Hanizah Said Ali	189	-	-	51	2	242
Norahmadi Sulong	279	-	-	62	-	341
	1,954	-	526	1,059	83	3,622
Note 33(b) :						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	26	-	248
Tuan Haji Abdul Jabbar Abdul Majid	-	42	-	46	-	88
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	77	-	161
Dato' Haji Mohd Izani Ghani *	-	84	-	39	-	123
Dato' Azmi Abdullah	-	84	-	86	-	170
Dato' Haji Kamil Khalid Ariff	-	84	-	61	-	145
Dato' Sri Che Khalib Mohamad Noh	-	84	-	35	-	119
Dr Azura Othman	-	84	-	52	-	136
Ghazali Hj Darman	-	21	-	9	-	30
Dato' Ahmad Fuaad Mohd Kenali	-	28	-	5	-	33

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33. 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 2017	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Director - subsidiaries:						
Fakihah Azahari		20		5	-	25
Dato' Adnan Alias		20		5	-	25
Mashitah Hj Osman		11		2	-	13
	-	868	-	448	-	1,316
Total Directors' remuneration	1,954	868	526	1,507	83	4,938

* Director's fees payable to Khazanah Nasional Berhad

Group 2017	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(c) :						
Shariah Committee:						
En Azizi Che Seman	-	48	-	16	-	64
Dr Mohamad Sabri Haron	-	42	-	18	-	60
Engku Ahmad Fadzil Engku Ali	-	42	-	12	-	54
Dr Ab Halim Muhammad	-	42	-	12	-	54
Dr Zulkifli Mohamad	-	25	-	3	-	28
Dr Wan Marhaini Wan Ahmad	-	42	-	16	-	58
	-	241	-	77	-	318

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33. 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 33(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,363	-	-	252	85	1,700
Executive Director of the subsidiaries:						
Sharifatul Hanizah Said Ali	553	-	-	149	-	702
	<u>1,916</u>	<u>-</u>	<u>-</u>	<u>401</u>	<u>85</u>	<u>2,402</u>

Note 33(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
Dato' 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

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33. 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
Director - subsidiaries:						
Fakihah Azahari	-	20	-	3	-	23
Dato' Adnan Alias	-	20	-	3	-	23
	-	927	-	466	-	1,393
Total Directors' remuneration	1,916	927	-	867	85	3,795

* Director's fees payable to Khazanah Nasional Berhad

Group 2016	Salary RM'000	Allowance RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(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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33. 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 2017	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,486	-	526	946	81	3,039
	1,486	-	526	946	81	3,039
Note 33(b):						
Non-Executive Directors:						
Tan Sri Dato' Dr Mohd Munir Abdul Majid	-	222	-	26	-	248
Tuan Haji Abdul Jabbar Abdul Majid	-	42	-	46	-	88
Tengku Dato' Seri Hasmuddin Tengku Othman	-	84	-	77	-	161
Dato' Haji Mohd Izani Ghani *	-	84	-	39	-	123
Dato' Azmi Abdullah	-	84	-	86	-	170
Dato' Hj Kamil Khalid Ariff	-	84	-	61	-	145
Dato' Sri Che Khalib Mohamad Noh	-	84	-	35	-	119
Dr Azura Othman	-	84	-	52	-	136
Ghazali Hj Darman	-	21	-	9	-	30
Dato' Ahmad Fuaad Mohd Kenali	-	28	-	5	-	33
	-	817	-	436	-	1,253
Income tax (credit)/ expense for remuneration	1,486	817	526	1,382	81	4,292

* Director's fees payable to Khazanah Nasional Berhad

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33. 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 2017	Salary RM'000	Fees RM'000	Bonus RM'000	Other emoluments RM'000	Benefits- in-kind RM'000	Total RM'000
Note 33(c):						
Shariah Committee:						
En Azizi Che Seman	-	48	-	16	-	64
Dr Mohamad Sabri Haron	-	42	-	18	-	60
Engku Ahmad Fadzil Engku Ali	-	42	-	12	-	54
Dr Ab Halim Muhammad	-	42	-	12	-	54
Dr Zulkifli Mohamad	-	25	-	3	-	28
Dr Wan Marhaini Wan Ahmad	-	42	-	16	-	58
	-	241	-	77	-	318

<===== 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 33(a):						
Executive Director:						
Dato' Haji Mohd Redza Shah Abdul Wahid	1,363	-	-	252	85	1,700
	1,363	-	-	252	85	1,700

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33. 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.)

<===== 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 33(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
Dato' Haji Mohd Izani Ghani *	-	84	-	45	-	129
Dato' Azmi Abdullah	-	84	-	85	-	169
Dato' Haji 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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33. 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 33(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

34. Key management personnel remuneration

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

	Group	
	2017 RM'000	2016 RM'000
Short-term employees benefits	9,558	7,115
Included in the total key management personnel are:		
Executive Director's remuneration (Note 33(a))	3,622	2,402

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34. Key management personnel remuneration

The remuneration of directors and other key members of management during the financial year was as follows (cont'd.):

	Bank	
	2017	2016
	RM'000	RM'000
Short-term employees benefits (salary, bonus, allowances)	8,974	6,413
Included in the total key management personnel are:		
Executive Director's remuneration (Note 33(a))	3,039	1,700

35. Other overheads and expenditures

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Marketing				
Advertisement and publicity	7,059	6,357	7,059	6,357
Donation and sponsorship	7,132	10,831	7,132	10,831
Others	3,033	1,893	3,010	1,878
	17,224	19,081	17,201	19,066
Establishment				
Rental	12,590	11,867	11,917	11,433
Depreciation of property, plant and equipment (Note 14)	18,686	20,302	18,648	20,264
Amortisation of intangible assets (Note 13)	26,599	23,312	26,401	23,117
Amortisation of prepaid land lease payments (Note 15)	4	4	4	4
Information technology expenses	32,347	29,408	32,347	29,408
Repair and maintenance	1,917	1,974	1,576	1,937
Hire of equipment	4,892	5,244	4,437	4,709
Takaful	10,762	6,563	10,762	6,563
Utilities expenses	5,349	5,241	5,322	5,210
Security expenses	8,653	9,276	8,653	9,276
Others	3,621	3,566	3,621	3,566
	125,420	116,757	123,688	115,487

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
General expenses				
Auditors' fees				
- statutory audit	526	419	503	402
- regulatory related services	278	278	260	260
- others	49	101	49	101
Professional fees	1,949	1,249	1,783	1,128
Legal expenses	2,219	1,365	2,219	1,365
Telephone	1,805	2,120	1,798	2,113
Stationery and printing	1,908	2,250	1,883	2,226
Postage and courier	1,560	1,442	1,560	1,442
Travelling	1,769	2,165	1,754	2,141
Directors remuneration and Shariah Committee allowance (Note 33)	5,173	4,040	4,529	3,292
Property, plant and equipment written- off (Note 14)	6	20	6	20
Others	12,627	10,339	14,567	12,854
	29,869	25,788	30,911	27,344
	172,513	161,626	171,800	161,897

36. Finance cost

	Group and Bank	
	2017 RM'000	2016 RM'000
Dividend paid on subordinated sukuk	15,734	20,623
Dividend paid on senior sukuk	9,844	-
	25,578	20,623

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37. Zakat

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Provision of zakat for the year	4,447	4,375	4,402	4,197
Under provision in prior year	16	-	-	-
	4,463	4,375	4,402	4,197

38. Taxation

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax (Over)/under provision in prior years	34,111	36,685	32,520	34,995
	(18,478)	16,026	(17,111)	16,026
	15,633	52,711	15,409	51,021
Deferred tax: (Note 16) Relating to origination and reversal of temporary differences	533	3,135	533	3,135
Over provision in prior years	-	(24,897)	-	(24,897)
	533	(21,762)	533	(21,762)
	16,166	30,949	15,942	29,259

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

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38. Taxation (cont'd.)

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

	Group		Bank	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	170,536	167,233	171,019	167,876
Taxation at Malaysian statutory tax rate 24% (2016: 24%)	40,929	40,136	41,045	40,290
Income not subject to tax	(10,644)	(10,427)	(12,034)	(10,960)
Expenses not deductible for tax purposes	4,359	10,111	4,042	8,800
(Over)/under provision of income tax in prior years	(18,478)	16,026	(17,111)	16,026
Over provision of deferred tax in prior years	-	(24,897)	-	(24,897)
Income tax expense for the year	16,166	30,949	15,942	29,259

The Group has not recognised the following unused tax losses of a subsidiary for the Group:

	Group	
	2017 RM'000	2016 RM'000
Unutilised tax losses	2,153	2,153

The unutilised tax losses of the Group amounting to RM2,153,095 (2016: 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.

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39. Earnings per share

Basic and diluted	Group	
	2017	2016
	RM'000	RM'000
Profit attributable to ordinary equity holders of the Bank (RM'000)	149,907	131,909
Weighted average number of ordinary shares in issue ('000)	1,195,000	1,195,000
Basic and diluted earnings per share (sen)	12.54	11.04

40. Dividends

The directors did not declare any final dividend for the financial year ended 31 March 2017.

41. 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's and the Bank's significant transactions and balances with related parties are as follows:

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Holding company				
Expenditure				
- hibah on deposit	2,007	1,141	2,007	1,141
- sponsorship	5,000	108	5,000	108
Amounts due to				
- deposits	209,460	141,856	209,460	141,856
- accrued expenses	22,344	-	22,344	-

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

	Group		Bank	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Subsidiaries				
Income				
- management income	-	-	2,200	2,106
- profit sharing incentive	-	-	76	107
Expenditure				
- hibah on deposit	-	-	337	466
Amounts due from				
- financing	-	-	98,903	106,925
Amounts due to				
- deposits	-	-	12,277	20,792
Key management personnel				
Amounts due from				
- financing	445	116	325	116
Other related companies				
Income				
- profit on financing	14,276	10,651	14,276	10,651
Expenditure				
- hibah on deposit	9,224	18,886	9,224	18,886
- seconded staff salary and related expenses	227	254	227	254
- mailing and courier service	352	404	352	404
- rental (offsite ATM machine and branch)	230	234	230	234
- sponsorship	602	216	602	216
- others	146	461	146	461
Amounts due to				
- deposits	790,655	308,191	790,655	308,191
Amounts due from				
- financing	300,181	240,554	300,181	240,554

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42. Credit exposures arising from credit transactions with connected parties

	Group	
	2017	2016
	RM'000	RM'000
Outstanding credit exposures with connected parties	1,505,626	1,439,211
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.1%	6.0%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-
	Bank	
	2017	2016
	RM'000	RM'000
Outstanding credit exposures with connected parties	1,604,529	1,552,136
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.5%	6.5%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	-	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which are effective on 16 July 2014.

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 corporate sukuk issued by the connected parties.

The above-mentioned credit transactions with connected parties 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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43. 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					
		2017	Total risk		2016	Total risk
The commitments and contingencies constitute the following:	Principal amount	Credit equivalent amount	weighted amount	Principal amount	Credit equivalent amount	weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Contingent liabilities						
Direct credit substitutes	213,136	213,136	181,099	61,401	61,401	60,691
Trade-related contingencies	22,970	4,594	4,581	9,778	1,956	1,444
Transaction related contingencies	425,973	212,986	208,304	247,807	123,904	123,775
Commitments						
Credit extension commitment:						
- Maturity within one year	798,577	159,715	146,883	808,248	161,650	155,099
- Maturity exceeding one year	1,019,465	509,732	452,990	1,878,796	939,398	185,501
Islamic derivative financial instruments						
Foreign exchange related contracts	2,875,367	88,561	69,605	1,333,866	61,167	37,838
Profit rate related contract	2,000,000	104,111	20,822	3,675,000	48,901	9,780
	7,355,488	1,292,835	1,084,284	8,014,896	1,398,377	574,128

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

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

Risk governance (cont'd.)

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

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

There are other risk committees set up at the management level to oversee specific risk areas and control function of which the following are the details:

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, exists to support the above committees.

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

(a) Credit risk

Credit risk is defined as the potential loss to the Group and the Bank as a result of defaults in payment by counter parties via financing and investment activities. The Group and the 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 corporate sukuk issuance).

The Group and the 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 the Bank's risk appetite parameters and the Group and the 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.

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 the 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's and the Bank's 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 the 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 the 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.

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

(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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44. 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 2017	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	-	1,027,742	-	-	-	-	1,027,742
Cash and placements with financial institutions	-	22,183	-	-	-	-	22,183
Investment accounts due from designated financial institution	-	382	-	-	-	-	382
Financial investments designated at fair value through profit and loss	-	197,208	-	-	-	-	197,208
Financial investments available-for-sale	3,869,209	424,018	535,371	116,498	-	1,186,320	6,131,416
Financial investments held-to-maturity	142,168	-	-	-	-	-	142,168
Islamic derivative financial assets	-	55,948	-	-	-	-	55,948
Financing of customers	752,618	1,038,203	1,177,571	1,426,835	14,757	10,508,288	14,918,272
Statutory deposits with Bank Negara Malaysia	698,636	-	-	-	-	-	698,636
Other financial assets	-	-	-	-	-	113,891	113,891
	5,462,631	2,765,684	1,712,942	1,543,333	14,757	11,808,499	23,307,846
Commitments and contingencies							
Contingent liabilities	-	65,049	118,254	401,321	9,957	67,498	662,079
Commitments	-	127,162	696,737	671,528	11,021	311,594	1,818,042
Islamic derivative financial instruments	-	4,875,367	-	-	-	-	4,875,367
	-	5,067,578	814,991	1,072,849	20,978	379,092	7,355,488
Total credit exposures	5,462,631	7,833,262	2,527,933	2,616,182	35,735	12,187,591	30,663,334

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44. 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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44. 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 2017	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	-	1,027,742	-	-	-	-	1,027,742
Cash and placements with financial institutions	-	22,183	-	-	-	-	22,183
Investment accounts due from designated financial institution	-	382	-	-	-	-	382
Financial investments designated at fair value through profit and loss	-	197,208	-	-	-	-	197,208
Financial investments available-for-sale	3,869,209	424,018	535,371	116,498	-	1,136,437	6,081,533
Financial investments held-to-maturity	142,168	-	-	-	-	-	142,168
Islamic derivative financial assets	-	55,948	-	-	-	-	55,948
Financing of customers	752,618	1,038,203	1,184,917	1,426,836	14,757	10,520,525	14,937,856
Statutory deposits with Bank Negara Malaysia	698,636	-	-	-	-	-	698,636
Other financial assets	-	-	-	-	-	113,183	113,183
	5,462,631	2,765,684	1,720,288	1,543,334	14,757	11,770,145	23,276,839
Commitments and contingencies							
Contingent liabilities	-	65,049	118,254	401,321	9,957	67,498	662,079
Commitments	-	127,162	696,737	671,528	11,021	311,594	1,818,042
Derivative financial instruments	-	4,875,367	-	-	-	-	4,875,367
	-	5,067,578	814,991	1,072,849	20,978	379,092	7,355,488
Total credit exposures	5,462,631	7,833,262	2,535,279	2,616,183	35,735	12,149,237	30,632,327

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44. 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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44. 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 RM'000	Labuan RM'000	Domestic RM'000	Labuan RM'000
2017				
On Balance Sheet				
Exposures				
Cash and short-term funds	901,303	126,439	901,303	126,439
Cash and placements with financial institutions	22,183	-	22,183	-
Investment accounts due from designated financial institution	382	-	382	-
Financial investments designated at fair value through profit and loss	-	197,208	-	197,208
Financial investments available-for-sale	6,109,192	22,224	6,059,309	22,224
Financial investments held-to-maturity	142,168	-	142,168	-
Islamic derivative financial assets	55,948	-	55,948	-
Financing of customers	14,908,544	9,728	14,928,128	9,728
Statutory deposits with Bank Negara Malaysia	698,636	-	698,636	-
Other financial assets	113,888	3	113,180	3
	22,952,244	355,602	22,921,237	355,602
Commitments and contingencies				
Contingent liabilities	662,079	-	662,079	-
Commitments	1,818,023	19	1,818,023	19
Derivative financial instruments	4,875,367	-	4,875,367	-
	7,355,469	19	7,355,469	19
Total credit exposures	30,307,713	355,621	30,276,706	355,621

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44. 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
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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44. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(ii) Credit quality of 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 2017	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	4,208,374	243,960	176,074	86,530	4,714,938
- Syndicated financing	620,274	-	-	-	620,274
- Hire purchase receivables	705,538	24,275	20,905	22,826	773,544
- Leasing receivables	-	-	-	4,997	4,997
- Other term financing	6,158,024	58,114	79,843	178,049	6,474,030
Other financing	2,561,234	10,235	12,526	59,518	2,643,513
	14,253,444	336,584	289,348	351,920	15,231,296
Less:					
- Collective assesment allowance	-	-	-	-	(236,159)
- Individual assesment allowance	-	-	-	(76,865)	(76,865)
Total net financing	14,253,444	336,584	289,348	275,055	14,918,272

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**Bank Muamalat Malaysia Berhad
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44. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

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

Group 2016	Neither past due nor impaired Good RM'000	Satisfactory RM'000	Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
Term financing					
- Home financing	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
	<u>13,775,182</u>	<u>402,996</u>	<u>297,746</u>	<u>326,470</u>	<u>14,802,394</u>
Less:					
- Collective assesment allowance	-	-	-	-	(208,439)
- Individual assesment allowance	-	-	-	(81,078)	(81,078)
Total net financing	<u>13,775,182</u>	<u>402,996</u>	<u>297,746</u>	<u>245,392</u>	<u>14,512,877</u>

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**Bank Muamalat Malaysia Berhad
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44. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

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

Bank 2017	Neither past due nor impaired		Past due but not impaired	Impaired financing	Total RM'000
	Good RM'000	Satisfactory RM'000	RM'000	RM'000	
Term financing					
- Home financing	4,208,374	243,960	176,074	86,530	4,714,938
- Syndicated financing	620,274	-	-	-	620,274
- Hire purchase receivables	705,538	24,275	20,905	22,826	773,544
- Leasing receivables	-	-	-	4,997	4,997
- Other term financing	6,177,608	58,114	79,843	182,982	6,498,547
Other financing	2,561,234	10,235	12,526	59,518	2,643,513
	14,273,028	336,584	289,348	356,853	15,255,813
Less:					
- Collective assesment allowance	-	-	-	-	(236,159)
- Individual assesment allowance	-	-	-	(81,798)	(81,798)
Total net financing	14,273,028	336,584	289,348	275,055	14,937,856

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**Bank Muamalat Malaysia Berhad
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44. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

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

Bank 2016	Neither past due nor impaired		Past due but not impaired RM'000	Impaired financing RM'000	Total RM'000
	Good RM'000	Satisfactory 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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44. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

Neither past due nor impaired

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

- "Good grade" refers to financing of customers which are neither past due nor impaired in the last six (6) 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 (6) months or have undergone a rescheduling or restructuring exercise previously.

Past due but not impaired

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

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

Group and Bank 2017	Less than 1 month RM'000	1 - 2 months RM'000	>2 - 3 months RM'000	Total RM'000
Term financing				
- Home financing	-	131,838	44,236	176,074
- Hire purchase receivables	-	16,217	4,688	20,905
- Other term financing	-	44,160	35,683	79,843
Other financing	-	8,684	3,842	12,526
Total	-	200,899	88,449	289,348
2016				
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

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

(a) Credit risk (cont'd.)

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

Past due but not impaired (cont'd.)

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

Group and Bank

	2017	2016
	RM'000	RM'000
Purchase of transport vehicles	20,586	28,207
Purchase of landed properties of which:		
– residential	180,127	195,728
– non-residential	23,272	13,253
Purchase of fixed assets (excluding landed properties)	-	879
Personal use	60,824	56,837
Working capital	1,651	933
Other purpose	2,888	1,909
	289,348	297,746

Impaired financing

Classification of impaired financing and provisioning is made on the Group's and the Bank's financing assets upon determination of the existence of "objective evidence of impairment" and categorisation into individual assessment 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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44. 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 whether 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. Ninety (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.

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.

**Bank Muamalat Malaysia Berhad
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44. 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 (cont'd.)

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; and
- For other financing - charges over business assets such as premises, inventories, trade receivables or deposits.

The financial effect of collateral (i.e 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 are at 84.7% and 84.6% respectively as at 31 March 2017 (Group and the Bank at 100.6% as at 31 March 2016). The financial effect of collateral held for other financial assets is not significant.

As at 31 March 2017, the fair value of collateral that the Group and the Bank hold relating to financing of customers individually determined to be impaired amounts to RM56,077,135 as compared against 31 March 2016 total amount of RM84,028,221. The collateral consists of cash, securities, letters of guarantee, and properties.

Repossessed collateral

It is the Group's and the Bank's policy that distates disposal of repossessed collateral to be carried out in an orderly manner. The proceeds are used to reduce or repay the outstanding balance of financing and securities. Collateral repossessed are subject to disposal as soon as it is practical to do so. Foreclosed properties are recognised in other assets on the statement of financial position. The Group and the Bank does not occupy repossessed properties for its own business use.

**Bank Muamalat Malaysia Berhad
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44. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

(iii) Reconciliation of allowance for impaired financial assets:

Group 2017	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
<u>Individual assessment allowance</u>			
At 1 April 2016	81,078	87,352	168,430
Allowance made during the year	30,753	16,899	47,652
Amount written back	(14,552)	(17,790)	(32,342)
Amount written off	(20,414)	-	(20,414)
Foreign exchange differences	-	117	117
As at 31 March 2017	<u>76,865</u>	<u>86,578</u>	<u>163,443</u>
Group 2016	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
<u>Individual assessment allowance</u>			
At 1 April 2015	42,631	64,358	106,989
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)
Reclassification			
Foreign exchange differences	-	204	204
As at 31 March 2016	<u>81,078</u>	<u>87,352</u>	<u>168,430</u>

Bank Muamalat Malaysia Berhad
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44. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

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

Bank 2017	Financing of customers RM'000	Financial investments available -for-sale RM'000	Total RM'000
<u>Individual assessment allowance</u>			
As at 1 April 2016	81,078	87,352	168,430
Allowance made during the year	35,686	16,899	52,585
Amount written- back	(14,552)	(17,790)	(32,342)
Amount written- off	(20,414)	-	(20,414)
Foreign exchange differences	-	117	117
As at 31 March 2017	81,798	86,578	168,376
<u>Individual assessment allowance</u>			
As 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

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44. 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 Non-Money Market Instruments - Debt			Financial investments available-for-sale Non-Money Market Instruments - Debt			Other financial assets RM'000
	International	Domestic	Total	International	Domestic	Total	
	Ratings RM'000	Ratings RM'000	RM'000	Ratings RM'000	Ratings RM'000	RM'000	
2017							
AAA+ to AA-	-	-	-	-	1,448,464	1,448,464	-
A+ to A-	-	-	-	22,224	24,572	46,796	-
BBB+ to BB-	-	142,168	142,168	-	-	-	-
Unrated	-	-	-	-	129,653	129,653	113,891
Defaulted	-	-	-	-	-	-	-
Sovereign	-	-	-	-	4,372,773	4,372,773	-
Total	-	142,168	142,168	22,224	5,975,462	5,997,686	113,891
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

Bank Muamalat Malaysia Berhad
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44. 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			Other financial assets RM'000
	Non-Money Market Instruments - Debt Securities			Non-Money Market Instruments - Debt Securities			
	International Ratings	Domestic Ratings	Total	International Ratings	Domestic Ratings	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2017							
AAA+ to AA-	-	-	-	-	1,448,464	1,448,464	-
A+ to A-	-	-	-	22,224	24,572	46,796	-
BBB+ to BB-	-	142,168	142,168	-	-	-	-
Unrated	-	-	-	-	129,653	129,653	113,183
Defaulted	-	-	-	-	-	-	-
Sovereign	-	-	-	-	4,372,773	4,372,773	-
Total	-	142,168	142,168	22,224	5,975,462	5,997,686	113,183
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

**Bank Muamalat Malaysia Berhad
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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 mentioned above are past due, except for defaulted corporate sukuk of the Group and the Bank held under financial investments available-for-sale with "nil" carrying value (31 March 2016: RM13,830,785), which has been classified as impaired

At 31 March 2017, the fair value of collateral that the Group and the Bank holds relating to defaulted corporate sukuk held under financial investments available-for-sale amounts to RM38,858,520 (31 March 2016: RM36,768,150). The collateral consists of cash, securities, letters of guarantee, and properties.

(b) Market risk

Market risk refer to 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 the 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 the 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 the 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 the 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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44. 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 the Bank's core non-traded market risk refers to 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 refer to the potential loss of income arising from changes in market rates in regards to return on assets and on the returns payable on funding. The risk arises from option portfolios embedded in the Group's and the Bank's assets and liabilities.

Rate of return risk emanates from the repricing mismatches of the Group's and the Bank's banking assets and liabilities and also from the Group's and the 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 shall be 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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44. Financial risk management objectives and policies (cont'd.)
(b) Market risk (cont'd.)
Types of market risk (cont'd.)
(ii) Non-traded market risk (cont'd.)
Rate of return risk (cont'd.)

Group	Up to	>1-3	>3-12					Over	Non-profit	Trading		Effective
2017	1 month	months	months	>1-2 years	>2-3 years	>3-4 years	>4-5 years	5 years	sensitive	books	Total	profit
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	rate %
ASSETS												
Cash and short-term funds	892,541	30,270	-	-	-	-	-	-	104,931	-	1,027,742	2.5%
Cash and placements with financial institutions	-	22,115	-	-	-	-	-	-	68	-	22,183	1.0%
Investment accounts due from designated financial institution	-	-	382	-	-	-	-	-	-	-	382	-
Financial investment designated at fair value through profit and loss	-	-	-	-	-	-	-	-	197,207	1	197,208	-
Financial investments available-for-sale	15,262	273,509	641,857	980,604	459,258	676,341	332,300	2,729,612	22,673	-	6,131,416	3.8%
Financial investments held-to-maturity	-	-	-	-	-	-	-	(232)	142,400	-	142,168	3.8%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	55,948	55,948	-
Financing of customers:												
- non-impaired	10,119,095	401,629	426,539	791,075	258,432	125,694	186,430	2,509,189	61,292	-	14,879,375	6.0%
- impaired*	-	-	-	-	-	-	-	-	275,056	-	275,056	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(236,159)	-	(236,159)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,031,023	-	1,031,023	-
TOTAL ASSETS	11,026,898	727,523	1,068,778	1,771,679	717,690	802,035	518,730	5,238,569	1,598,491	55,949	23,526,342	
LIABILITIES AND EQUITY												
Deposits from customers	8,692,385	4,752,883	3,134,457	2,833,014	300,639	25,332	300,168	-	(121,396)	-	19,917,482	3.0%
Deposits and placements of banks and other financial institutions	550,000	200	1,584	2,535	1,744	2,191	1,319	-	2,081	-	561,654	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,196	-	9,196	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	63,088	63,088	-
Subordinated sukuk	-	-	-	-	-	-	250,000	-	3,964	-	253,964	5.6%
Senior Sukuk	-	5,000	-	-	-	-	500,000	-	9,119	-	514,119	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	68,268	-	68,268	-
Total Liabilities	9,242,385	4,758,083	3,136,041	2,835,549	302,383	27,523	1,051,487	-	(28,768)	63,088	21,387,771	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,138,571	-	2,138,571	-
TOTAL LIABILITIES AND EQUITY	9,242,385	4,758,083	3,136,041	2,835,549	302,383	27,523	1,051,487	-	2,109,803	63,088	23,526,342	

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44. 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 2017	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	1,784,513	(4,030,560)	(2,067,263)	(1,063,870)	415,307	774,512	(532,757)	5,238,569	(511,312)	(7,139)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	800,000	1,200,000	-	-	-	-	-	-	2,000,000	-
TOTAL PROFIT SENSITIVITY GAP	1,784,513	(4,030,560)	(1,267,263)	136,130	415,307	774,512	(532,757)	5,238,569	(511,312)	(7,139)	2,000,000	

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

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44. 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	5,054	-	-	-	-	-	-	186,817	-	1,008,391	2.4%
Cash and placements with financial institutions	-	60,710	-	-	-	-	-	-	-	-	60,710	1.0%
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	4.0%
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	488,340	915,234	1,328,229	1,856,323	842,283	1,001,122	4,587,722	1,709,850	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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44. 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	(3,910,954)	(2,313,728)	(1,879,785)	1,853,737	840,379	973,228	4,587,722	(519,570)	(8,758)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	1,675,000	2,000,000	-	-	-	-	-	-	3,675,000	-
TOTAL PROFIT SENSITIVITY GAP	377,729	(3,910,954)	(638,728)	120,215	1,853,737	840,379	973,228	4,587,722	(519,570)	(8,758)	3,675,000	

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

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44. 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 2017	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	892,541	8,156	-	-	-	-	-	-	127,045	-	1,027,742	2.5%
Cash and placements with financial institutions	-	22,115	-	-	-	-	-	-	68	-	22,183	1.0%
Investment accounts due from designated financial institution	-	-	382	-	-	-	-	-	-	-	382	-
Financial investments designated at fair value through profit and loss	-	-	-	-	-	-	-	-	197,207	1	197,208	-
Financial investments available-for-sale	15,262	273,509	641,857	980,604	459,258	676,341	332,300	2,587,211	115,191	-	6,081,533	3.8%
Financial investments held-to-maturity	-	-	-	-	-	-	-	(232)	142,400	-	142,168	3.8%
Islamic derivative financial assets	-	-	-	-	-	-	-	-	-	55,948	55,948	-
Financing of customers:												
- non-impaired	10,119,095	401,629	426,539	791,075	258,432	125,694	186,430	2,509,189	80,877	-	14,898,960	6.0%
- impaired*	-	-	-	-	-	-	-	-	275,055	-	275,055	-
- collective assessment allowance	-	-	-	-	-	-	-	-	(236,159)	-	(236,159)	-
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	1,037,027	-	1,037,027	-
TOTAL ASSETS	11,026,898	705,409	1,068,778	1,771,679	717,690	802,035	518,730	5,096,168	1,738,711	55,949	23,502,047	
LIABILITIES AND EQUITY												
Deposits from customers	8,125,193	4,571,467	3,134,457	2,803,356	300,639	25,332	50,168	-	919,147	-	19,929,759	3.0%
Deposits and placements of banks and other financial institutions	550,000	200	1,584	2,535	1,744	2,191	1,319	-	2,081	-	561,654	3.3%
Bills and acceptances payable	-	-	-	-	-	-	-	-	9,196	-	9,196	-
Islamic derivative financial liabilities	-	-	-	-	-	-	-	-	-	63,088	63,088	-
Subordinated sukuk	-	-	-	-	-	-	250,000	-	3,964	-	253,964	5.6%
Senior Sukuk	-	5,000	-	-	-	-	500,000	-	9,119	-	514,119	5.5%
Other non-profit sensitive balances	-	-	-	-	-	-	-	-	60,531	-	60,531	-
Total Liabilities	8,675,193	4,576,667	3,136,041	2,805,891	302,383	27,523	801,487	-	1,004,038	63,088	21,392,311	
Equity attributable to shareholders of the Bank	-	-	-	-	-	-	-	-	2,109,736	-	2,109,736	-
TOTAL LIABILITIES AND EQUITY	8,675,193	4,576,667	3,136,041	2,805,891	302,383	27,523	801,487	-	3,113,774	63,088	23,502,047	

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44. 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 2017	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	2,351,705	(3,871,258)	(2,067,263)	(1,034,212)	415,307	774,512	(282,757)	5,096,168	(1,375,063)	(7,139)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	800,000	1,200,000	-	-	-	-	-	-	2,000,000	-
TOTAL PROFIT SENSITIVITY GAP	2,351,705	(3,871,258)	(1,267,263)	165,788	415,307	774,512	(282,757)	5,096,168	(1,375,063)	(7,139)	2,000,000	

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

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44. 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	5,054	-	-	-	-	-	-	186,817	-	1,008,391	2.4%
Cash and placements with financial institutions	-	60,710	-	-	-	-	-	-	-	-	60,710	1.0%
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	4.0%
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	488,340	915,234	1,328,229	1,856,323	836,534	989,896	4,547,065	1,780,360	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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44. 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	(3,910,954)	(2,313,728)	(1,879,785)	1,853,737	834,630	962,002	4,547,065	(461,938)	(8,758)	-	-
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	1,675,000	2,000,000	-	-	-	-	-	-	3,675,000	-
TOTAL PROFIT SENSITIVITY GAP	377,729	(3,910,954)	(638,728)	120,215	1,853,737	834,630	962,002	4,547,065	(461,938)	(8,758)	3,675,000	

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

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44. 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 the 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 the Bank's expected net cash flows, which can be defined as the expected cash flows on assets minus the expected cash flows on liabilities plus the expected net cash flows on off-balance sheet position. The sensitivity of the Group's and the Bank's economic value to fluctuation in rate of return is particularly an important consideration of shareholders and management.

- Value at Risk ("VaR")

VaR approach is used to estimate the maximum potential loss of the investment portfolio over a specified time.

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.

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44. 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 greater than one(1) implies that the rate of return in sensitive assets is greater than the rate of return in sensitive liabilities. As rate of return rises, the income on assets will increase faster than the funding costs, resulting in higher spread income.

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 the Bank's earnings are 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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44. 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 analysis measures 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	+50 Basis Points	-50 Basis Points	+50 Basis Points
	%	RM'000	RM'000	RM'000	RM'000
2017					
Effect on profit after tax	24%	4,305	(4,305)	4,514	(4,514)
Effect on other comprehensive income, net of tax	24%	96,974	(96,974)	95,362	(95,362)
Effect on equity		122,630	(122,630)	120,573	(120,573)
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)

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44. 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, namely, 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	Malaysian	United	Australian	Swiss	Euro	Great	Japan	Others	Total
2017	Ringgit	States	Dollar	Franc	RM'000	Britain	Yen	RM'000	RM'000
	RM'000	Dollar	RM'000	RM'000	RM'000	Pound	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	559,386	433,349	268	375	4,637	3,116	20,602	6,009	1,027,742
Cash and placements with financial institutions	-	22,183	-	-	-	-	-	-	22,183
Investment accounts due from designated financial institution	382	-	-	-	-	-	-	-	382
Financial investments designated at fair value through profit and loss	1	197,207	-	-	-	-	-	-	197,208
Financial investments available-for-sale	6,107,024	24,392	-	-	-	-	-	-	6,131,416
Financial investments held-to-maturity	142,168	-	-	-	-	-	-	-	142,168
Islamic derivative financial assets	55,948	-	-	-	-	-	-	-	55,948
Financing of customers	14,908,544	9,728	-	-	-	-	-	-	14,918,272
Other assets	121,907	-	-	-	-	-	-	-	121,907
Statutory deposits with Bank Negara Malaysia	698,636	-	-	-	-	-	-	-	698,636
Investment in subsidiaries	-	-	-	-	-	-	-	-	-
Investment properties	38,778	-	-	-	-	-	-	-	38,778
Intangible assets	109,510	-	-	-	-	-	-	-	109,510
Property, plant and equipment	52,309	-	-	-	-	-	-	-	52,309
Prepaid land lease payments	231	-	-	-	-	-	-	-	231
Deferred tax assets	9,652	-	-	-	-	-	-	-	9,652
Total assets	22,804,476	686,859	268	375	4,637	3,116	20,602	6,009	23,526,342

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44. 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 2017 (cont'd.)	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	19,143,864	769,765	10	-	2,579	848	-	416	19,917,482
Deposits and placements of banks and other financial institutions	561,654	-	-	-	-	-	-	-	561,654
Bills and acceptances payable	9,184	1	8	-	-	-	-	3	9,196
Islamic derivative financial liabilities	63,088	-	-	-	-	-	-	-	63,088
Other liabilities	22,344	-	250	375	2,058	2,268	20,602	8,479	56,376
Provision for taxation and zakat	4,786	20	-	-	-	-	-	-	4,806
Deferred tax liabilities	7,086	-	-	-	-	-	-	-	7,086
Subordinated sukuk	253,964	-	-	-	-	-	-	-	253,964
Senior sukuk	514,119	-	-	-	-	-	-	-	514,119
Total liabilities	20,580,089	769,786	268	375	4,637	3,116	20,602	8,898	21,387,771
On-balance sheet open position	2,224,387	(82,927)	-	-	-	-	-	(2,889)	2,138,571
Less: Islamic derivative financial assets	(55,948)	-	-	-	-	-	-	-	(55,948)
Add: Islamic derivative financial liabilities	63,088	-	-	-	-	-	-	-	63,088
Net open position	2,231,527	(82,927)	-	-	-	-	-	(2,889)	2,145,711

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

44. 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	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	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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**Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)**

44. 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	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	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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**Bank Muamalat Malaysia Berhad
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44. 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 2017	Malaysian Ringgit RM'000	United States Dollar RM'000	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	559,386	433,349	268	375	4,637	3,116	20,602	6,009	1,027,742
Cash and placements with financial institutions	-	22,183	-	-	-	-	-	-	22,183
Investment accounts due from designated financial institution	382	-	-	-	-	-	-	-	382
Financial investments designated at fair value through profit and loss	1	197,207	-	-	-	-	-	-	197,208
Financial investments available-for-sale	6,057,141	24,392	-	-	-	-	-	-	6,081,533
Financial investments held-to-maturity	142,168	-	-	-	-	-	-	-	142,168
Islamic derivative financial assets	55,948	-	-	-	-	-	-	-	55,948
Financing of customers	14,928,128	9,728	-	-	-	-	-	-	14,937,856
Other assets	120,285	-	-	-	-	-	-	-	120,285
Statutory deposits with Bank Negara Malaysia	698,636	-	-	-	-	-	-	-	698,636
Investment in subsidiaries	8,055	-	-	-	-	-	-	-	8,055
Investment properties	38,778	-	-	-	-	-	-	-	38,778
Intangible assets	109,120	-	-	-	-	-	-	-	109,120
Property, plant and equipment	52,270	-	-	-	-	-	-	-	52,270
Prepaid land lease payments	231	-	-	-	-	-	-	-	231
Deferred tax assets	9,652	-	-	-	-	-	-	-	9,652
Total assets	22,780,181	686,859	268	375	4,637	3,116	20,602	6,009	23,502,047

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Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

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

(b) Market risk (cont'd.)

Types of market risk (cont'd.)

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

Foreign exchange risk (cont'd.)

Bank	Malaysian	United	Australian	Swiss	Euro	Great	Japan	Others	Total
2017 (cont'd.)	Ringgit	States	Dollar	Franc	RM'000	Britain	Yen	RM'000	RM'000
	RM'000	Dollar	Dollar	RM'000	RM'000	Pound	RM'000	RM'000	RM'000
Liabilities									
Deposits from customers	19,156,141	769,765	10	-	2,579	848	-	416	19,929,759
Deposits and placements of banks and other financial institutions	561,654	-	-	-	-	-	-	-	561,654
Bills and acceptances payable	9,184	1	8	-	-	-	-	3	9,196
Islamic derivative financial liabilities	63,088	-	-	-	-	-	-	-	63,088
Other liabilities	22,344	-	250	375	2,058	2,268	20,602	7,957	55,854
Provision for taxation and zakat	4,657	20	-	-	-	-	-	-	4,677
Subordinated sukuk	253,964	-	-	-	-	-	-	-	253,964
Senior sukuk	514,119	-	-	-	-	-	-	-	514,119
Total liabilities	20,585,151	769,786	268	375	4,637	3,116	20,602	8,376	21,392,311
On-balance sheet open position	2,195,030	(82,927)	-	-	-	-	-	(2,367)	2,109,736
Less: Islamic derivative financial assets	(55,948)	-	-	-	-	-	-	-	(55,948)
Add: Islamic derivative financial liabilities	63,088	-	-	-	-	-	-	-	63,088
Net open position	2,202,170	(82,927)	-	-	-	-	-	(2,367)	2,116,876

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

44. 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	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	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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**Bank Muamalat Malaysia Berhad
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44. 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	Australian Dollar RM'000	Swiss Franc RM'000	Euro RM'000	Great Britain Pound RM'000	Japan Yen RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	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

Sensitivity analysis for foreign exchange risk

Foreign currency risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Bank and the foreign currency positions.

	Group and Bank			
	2017		2016	
	RM'000	RM'000	RM'000	RM'000
	1%	1%	1%	1%
appreciation		depreciation	appreciation	depreciation
Impact to profit after tax and reserves	(19)	19	(119)	119

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

44. 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.)

Sensitivity analysis for foreign exchange risk (cont'd.)

Foreign currency risk (cont'd.)

Interpretation of impact

The Group and Bank measures the foreign exchange sensitivity based on the foreign exchange net open positions (including of foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency (MYR). The result implies that the Group and Bank may subject to additional translation (loss)/ gain if MYR appreciated/ depreciated against other currencies and vice versa.

(c) Liquidity and funding risk

Liquidity and funding risk is the potential inability of the Group and the 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 with 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 the Bank has ensured a balanced mix of deposits. Stability of the deposits base thus minimises the Group's and the Bank's dependency 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 necessary.

The Asset & Liability Working Committee ("ALCO") chaired by the Chief Executive Officer, is being conducted on monthly basis, which purpose is to review the Liquidity Gap Profile of the Group and the Bank. In addition, the Group and the 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 the Bank as at 31 March 2017 based on remaining contractual maturities.

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

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

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

Group	Up to	>7 Days -	>1-3	>3-6	>6-12	>1 Year	Total
2017	7 Days	1 Month	Months	Months	Months	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	908,976	110,610	8,156	-	-	-	1,027,742
Cash and placements with financial institution	-	-	22,183	-	-	-	22,183
Investment accounts due from designated financial institution	-	-	-	-	382	-	382
Financial investments designated at fair value through profit and loss	1	-	-	-	-	197,207	197,208
Financial investments available-for-sale	5,087	120,511	273,509	422,654	268,726	5,040,929	6,131,416
Financial investments held-to-maturity	-	-	-	-	-	142,168	142,168
Islamic derivative financial assets	1,021	22,626	17,560	10,509	4,232	-	55,948
Financing of customers	26,679	1,149,119	1,080,069	807,871	1,004,063	10,850,471	14,918,272
Other assets	-	43,546	-	-	77,761	909,716	1,031,023
Total assets	941,764	1,446,412	1,401,477	1,241,034	1,355,164	17,140,491	23,526,342
Liabilities							
Deposits from customers	6,395,675	5,158,588	4,784,519	1,784,192	1,375,893	418,615	19,917,482
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	7,958	561,654
Bills and acceptances payable	-	9,196	-	-	-	-	9,196
Islamic derivative financial liabilities	285	22,512	16,974	10,688	3,777	8,852	63,088
Other liabilities	-	24,004	-	-	37,178	7,086	68,268
Subordinated sukuk	-	-	4,262	-	-	249,702	253,964
Senior sukuk	-	-	14,724	-	-	499,395	514,119
Total liabilities	6,646,483	5,515,661	4,820,679	1,794,880	1,418,460	1,191,608	21,387,771
Net maturity mismatch	(5,704,719)	(4,069,249)	(3,419,202)	(553,846)	(63,296)	15,948,883	2,138,571
Commitments and contingencies							
Contingent liabilities	218	19,939	41,334	14,607	142,904	443,077	662,079
Commitments	27,903	53,724	195,406	44,210	134,986	1,361,813	1,818,042
Islamic derivative financial instruments	670,675	952,817	752,581	322,378	976,916	1,200,000	4,875,367
Total commitments and contingencies	698,796	1,026,480	989,321	381,195	1,254,806	3,004,890	7,355,488

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

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

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

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
Bills and acceptances payable	-	29,350	-	-	-	-	29,350
Islamic derivative financial liabilities	569	35	13,846	13,189	7,817	13,903	49,359
Other liabilities	-	9,566	-	-	60,350	568	70,484
Subordinated sukuk	-	-	6,079	-	-	400,000	406,079
Total liabilities	7,258,409	5,520,113	3,911,456	985,568	2,475,316	490,090	20,640,952
Net maturity mismatch	(6,435,131)	(3,749,669)	(2,972,014)	(152,893)	(1,106,019)	16,411,663	1,995,937
Commitments and contingencies							
Contingent liabilities	2,820	14,383	13,367	47,475	78,637	162,304	318,986
Commitments	42,002	55,221	178,989	1,579,777	166,038	665,017	2,687,044
Islamic derivative financial instruments	77,131	51,520	683,922	352,608	1,843,685	2,000,000	5,008,866
Total commitments and contingencies	121,953	121,124	876,278	1,979,860	2,088,360	2,827,321	8,014,896

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

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

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

Bank 2017	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	908,976	110,610	8,156	-	-	-	1,027,742
Cash and placements with financial institution	-	-	22,183	-	-	-	22,183
Investment accounts due from designated financial institution	-	-	-	-	382	-	382
Financial investments designated at fair value through profit and loss	1	-	-	-	-	197,207	197,208
Financial investments available-for-sale	5,087	120,152	273,509	422,654	219,202	5,040,929	6,081,533
Financial investments held-to-maturity	-	-	-	-	-	142,168	142,168
Islamic derivative financial assets	1,021	22,626	17,560	10,509	4,232	-	55,948
Financing of customers	26,679	1,149,088	1,080,040	807,849	1,004,035	10,870,165	14,937,856
Other assets	141	43,546	-	-	75,998	917,342	1,037,027
Total assets	941,905	1,446,022	1,401,448	1,241,012	1,303,849	17,167,811	23,502,047
Liabilities							
Deposits from customers	6,397,152	5,168,881	4,785,026	1,784,192	1,375,893	418,615	19,929,759
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	7,958	561,654
Bills and acceptances payable	-	9,196	-	-	-	-	9,196
Islamic derivative financial liabilities	285	22,512	16,974	10,688	3,777	8,852	63,088
Other liabilities	-	23,590	-	-	36,941	-	60,531
Subordinated sukuk	-	-	4,262	-	-	249,702	253,964
Senior sukuk	-	-	14,724	-	-	499,395	514,119
Total liabilities	6,647,960	5,525,540	4,821,186	1,794,880	1,418,223	1,184,522	21,392,311
Net maturity mismatch	(5,706,055)	(4,079,518)	(3,419,738)	(553,868)	(114,374)	15,983,289	2,109,736
Commitments and contingencies							
Contingent liabilities	218	19,939	41,334	14,607	142,904	443,077	662,079
Commitments	27,903	53,724	195,406	44,210	134,986	1,361,813	1,818,042
Islamic derivative financial instruments	670,675	952,817	752,581	322,378	976,916	1,200,000	4,875,367
Total commitments and contingencies	698,796	1,026,480	989,321	381,195	1,254,806	3,004,890	7,355,488

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

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

(i) Maturity analysis of assets, liabilities, commitments and contingencies 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
Bills and acceptances payable	-	29,350	-	-	-	-	29,350
Islamic derivative financial liabilities	569	35	13,846	13,189	8,013	13,707	49,359
Other liabilities	-	8,310	-	-	60,859	568	69,737
Subordinated sukuk	-	-	-	-	-	406,079	406,079
Total liabilities	7,271,701	5,526,357	3,905,377	985,568	2,476,021	495,973	20,660,997
Net maturity mismatch	(6,448,423)	(3,755,913)	(2,965,935)	(152,893)	(1,100,795)	16,412,729	1,988,770
Commitments and contingencies							
Contingent liabilities	2,820	14,383	13,367	47,475	78,637	162,304	318,986
Commitments	42,002	55,221	178,989	1,579,777	166,038	665,017	2,687,044
Islamic derivative financial instruments	77,131	51,520	683,922	352,608	1,843,685	2,000,000	5,008,866
Total commitments and contingencies	121,953	121,124	876,278	1,979,860	2,088,360	2,827,321	8,014,896

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

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

(ii) Behavioural maturity of deposits from customers

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

Group	Deposits from customers						Total 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	
2017							
By contractual maturity	6,395,675	5,158,588	4,784,519	1,784,192	1,375,893	418,615	19,917,482
By behavioural maturity	2,827,501	1,818,034	1,585,575	1,373,237	1,118,052	11,195,083	19,917,482
Difference	3,568,174	3,340,554	3,198,944	410,955	257,841	(10,776,468)	-
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)	-
Bank							
2017							
By contractual maturity	6,397,152	5,168,881	4,785,026	1,784,192	1,375,893	418,615	19,929,759
By behavioural maturity	2,828,336	1,818,815	1,586,486	1,374,234	1,118,794	11,203,094	19,929,759
Difference	3,568,816	3,350,066	3,198,540	409,958	257,099	(10,784,479)	-
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)	-

(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.

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44. 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
2017							
Non-derivative liabilities							
Deposits from customers	6,395,675	5,158,588	4,784,519	1,784,192	1,375,893	458,439	19,957,306
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	8,348	562,044
Bills and acceptances payable	-	9,196	-	-	-	-	9,196
Other liabilities	-	24,004	-	-	37,178	7,086	68,268
Subordinated sukuk	-	-	4,262	-	-	251,174	255,436
Senior sukuk	-	-	14,724	-	-	516,975	531,699
Derivative liabilities	285	22,512	16,974	10,688	3,777	8,852	63,088
Total financial liabilities	6,646,483	5,515,661	4,820,679	1,794,880	1,418,460	1,250,874	21,447,037
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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44. 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
2017							
Non-derivative liabilities							
Deposits from customers	6,397,152	5,168,881	4,785,026	1,784,192	1,375,893	458,439	19,969,583
Deposits and placements of banks and other financial institutions	250,523	301,361	200	-	1,612	8,348	562,044
Bills and acceptances payable	-	9,196	-	-	-	-	9,196
Other liabilities	-	23,590	-	-	36,941	-	60,531
Subordinated sukuk	-	-	4,262	-	-	251,174	255,436
Senior sukuk	-	-	14,724	-	-	516,975	531,699
Derivative liabilities	285	22,512	16,974	10,688	3,777	8,852	63,088
Total financial liabilities	6,647,960	5,525,540	4,821,186	1,794,880	1,418,223	1,243,788	21,451,577
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

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

(d) Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and systems, human factors, and/or from various external events. The objective of operational risk management ("ORM") is to effectively manage these risks to minimize possible financial losses arising from operational lapses. In relation to ORM, the key risk organs which play a critical role in the overall integrated risk management framework are the ORM unit, Operational Risk Management Committee ("ORMC"), Internal Audit, Compliance, and the business lines.

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.

45. 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 either 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.

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.

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45. 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.)

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	<u>Valuation technique using</u>			Total RM'000
	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Non-financial assets				
Investment properties	-	-	38,778	38,778
Financial assets				
Financial investments designated at fair value through profit or loss	-	1	197,207	197,208
Financial investments available-for-sale	159,860	5,966,240	5,316	6,131,416
Derivative financial assets	-	55,948	-	55,948
Total financial assets measured at fair value	159,860	6,022,189	202,523	6,384,572
Financial liabilities				
Derivative financial liabilities	-	63,088	-	63,088
Total financial liabilities measured at fair value	-	63,088	-	63,088

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45. 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	
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
2017				
Non-financial assets				
Investment properties	-	-	38,778	38,778
Financial assets				
Financial investments designated at fair value through profit or loss	-	1	197,207	197,208
Financial investments available-for-sale	109,977	5,966,240	5,316	6,081,533
Derivative financial assets	-	55,948	-	55,948
Total financial assets measured at fair value	109,977	6,022,189	202,523	6,334,689

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45. 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	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Financial liabilities				
Derivative financial liabilities	-	63,088	-	63,088
Total financial liabilities measured at fair value	-	63,088	-	63,088

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	
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

Financial liabilities

Derivative financial liabilities	-	49,359	-	49,359
Total financial liabilities measured at fair value	-	49,359	-	49,359

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45. 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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 April 2016	205,619	140,656	196,586	136,556
(Loss)/gains recognised in income statement	(33,526)	30,448	(24,493)	30,448
Purchases	4,929	27,011	4,929	27,011
Sales	-	(474)	-	(474)
Reclassification	-	4,933	-	-
Foreign exchange translation difference	25,501	6,526	25,501	6,526
Coupon received	-	(3,481)	-	(3,481)
At 31 March 2017	202,523	205,619	202,523	196,586

	Group	
	2017 RM'000	2016 RM'000
Total (loss)/gains recognised in income statement for financial instruments measured at fair value at the end of the financial year	(33,526)	30,448

	Bank	
	2017 RM'000	2016 RM'000
Total (loss)/gains recognised in income statement for financial instruments measured at fair value at the end of the financial year	(24,493)	30,448

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45. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value

Group	Level 1	Level 2	Level 3	Total	Carrying
2017	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	150,663	-	150,663	142,168
Financing of customers	-	8,715,506	5,142,939	13,858,445	14,918,272
Financial liabilities					
Deposits from customers	-	3,078,736	16,838,626	19,917,362	19,917,482
Deposits and placements of banks and other financial institutions	-	551,884	9,420	561,304	561,654
Bills and acceptances payable	-	-	9,196	9,196	9,196
Subordinated sukuk	-	253,585	-	253,585	253,964
Senior sukuk	-	517,675	-	517,675	514,119
Group					
2016	Level 1	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	fair value	Amount
				RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	143,374	-	143,374	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

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45. Fair value measurements (cont'd.)

(b) Financial instruments not carried at fair value (cont'd.)

Bank				Total	Carrying
2017	Level 1	Level 2	Level 3	fair value	Amount
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	150,663	-	150,663	142,168
Financing of customers	-	8,715,506	5,162,522	13,878,028	14,937,856
Financial liabilities					
Deposits from customers	-	3,080,212	16,849,426	19,929,638	19,929,759
Deposits and placements of banks and other financial institutions	-	551,884	9,420	561,304	561,654
Bills and acceptances payable	-	-	9,196	9,196	9,196
Subordinated sukuk	-	253,585	-	253,585	253,964
Senior sukuk	-	517,675	-	517,675	514,119
Bank					
2016	Level 1	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	fair value	Amount
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	143,374	-	143,374	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

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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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46. 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	
2017						
Derivative assets	56,309	361	55,948	-	-	55,948
Derivative liabilities	63,449	361	63,088	-	-	63,088
2016						
Derivative assets	41,752	1,151	40,601	-	-	40,601
Derivative liabilities	50,510	1,151	49,359	-	-	49,359

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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47. Capital and other commitments

Capital expenditure approved by directors but not provided for in the financial statements amounted to:

	Group	
	2017	2016
	RM'000	RM'000
Approved and contracted for	11,941	8,382
Approved but not contracted for	<u>59,979</u>	<u>63,750</u>
	<u>71,920</u>	<u>72,132</u>
	Bank	
	2017	2016
	RM'000	RM'000
Approved and contracted for	11,941	8,382
Approved but not contracted for	<u>59,979</u>	<u>63,750</u>
	<u>71,920</u>	<u>72,132</u>

48. Capital adequacy

(a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:

	Group	
	2017	2016
	RM'000	RM'000
		Restated
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	12,913,767	13,127,931
Total market RWA	26,483	80,829
Total operational RWA	<u>1,131,625</u>	<u>1,078,204</u>
Total RWA	<u>14,071,875</u>	<u>14,286,964</u>

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48. Capital adequacy (cont'd.)

- (a) The core capital ratios and risk-weighted capital ratios of the Group are as follows:
(cont'd.)

	Group	
	2017	2016
	RM'000	RM'000
		Restated
Computation of capital ratios		
<u>Tier-I capital</u>		
Paid-up ordinary share capital	1,195,000	1,195,000
Retained profits	294,528	219,957
Other Reserves		
Statutory reserve	658,158	582,822
Unrealised (losses)/gains on available for-sale financial instruments	(11,298)	95
Foreign exchange translation reserve	2,183	(2,054)
Less: Regulatory Adjustment		
Deferred tax assets	(19,589)	(10,624)
Intangible asset (net of deferred tax liabilities)	(99,573)	(109,930)
Total Common Equity Tier-I Capital	2,019,409	1,875,266
Total Tier-I Capital	2,019,409	1,875,266
<u>Tier-II capital</u>		
Subordinated sukuk	253,964	243,647
Collective assessment allowance for non-impaired financing	75,211	77,134
Total Tier-II Capital	329,175	320,781
Total Capital Base	2,348,584	2,196,047
<u>Ratio (%)</u>		
CET 1 Capital	14.35%	13.13%
Tier 1 Capital	14.35%	13.13%
Total Capital	16.69%	15.37%

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48. Capital adequacy (cont'd.)

(a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows:

	Bank	
	2017	2016
	RM'000	RM'000
		Restated
Computation of total risk-weighted assets ("RWA")		
Total credit RWA	12,870,829	13,133,315
Total market RWA	26,483	80,829
Total operational RWA	1,115,342	1,062,151
Total RWA	<u>14,012,654</u>	<u>14,276,295</u>
Computation of capital ratios		
<u>Tier-I capital</u>		
Paid-up ordinary share capital	1,195,000	1,195,000
Retained profits	289,726	214,387
Other Reserves		
Statutory reserve	656,561	581,225
Unrealised (losses)/gains on available for-sale financial instruments	(33,734)	95
Foreign exchange translation reserve	2,183	(2,054)
Regulatory Adjustment		
Deferred tax assets	(19,589)	(10,624)
Investment in subsidiaries	(8,055)	(8,055)
Intangible asset (net of deferred tax liabilities)	(99,183)	(109,372)
Total Common Equity Tier- I Capital	<u>1,982,909</u>	<u>1,860,602</u>
Total Tier-I Capital	<u>1,982,909</u>	<u>1,860,602</u>
<u>Tier-II capital</u>		
Subordinated sukuk	253,964	243,647
Collective assessment allowance for non-impaired financing	75,211	77,134
Total Tier-II Capital	<u>329,175</u>	<u>320,781</u>
Total Capital Base	<u>2,312,084</u>	<u>2,181,383</u>

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48. Capital adequacy (cont'd.)

- (a) The core capital ratios and risk-weighted capital ratios of the Bank are as follows (cont'd.):

	Bank	
	2017	2016
	RM'000	RM'000
		Restated
Computation of capital ratios (cont'd.)		
<u>Ratio (%)</u>		
CET 1 Capital	14.15%	13.03%
Tier 1 Capital	14.15%	13.03%
Total Capital	16.50%	15.28%

The capital adequacy ratio of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets) issued on 13 October 2015 and 22 August 2016 respectively. The Group and Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk. The minimum regulatory capital adequacy requirement for Islamic Bank Common Equity Tier I capital, Tier I capital, and Total Capital are 4.5%, 6.0% and 8.0% of total RWA respectively for the current period (2016: 4.5%, 6.0% and 8.0% of total RWA).

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48. Capital adequacy (cont'd.)

(b) Credit risk disclosure by risk weights of the Group as at 31 March, are as follows:

	Group			
	2017			2016
	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%	5,888,524	-	6,045,417	-
20%	3,294,361	658,872	2,655,462	531,092
35%	2,778,346	972,421	2,219,360	776,776
50%	1,770,574	885,287	1,234,416	617,208
75%	2,328,702	1,746,527	2,315,148	1,736,361
100%	8,560,093	8,560,093	9,405,539	9,405,539
150%	60,378	90,567	40,636	60,955
Risk weighted assets for credit risk	24,680,978	12,913,767	23,915,978	13,127,931
Risk weighted assets for market risk		26,483		80,829
Risk weighted assets for operational risk		1,131,625		1,078,204
Total risk weighted assets		<u>14,071,875</u>		<u>14,286,964</u>

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48. Capital adequacy (cont'd.)

(b) Credit risk disclosure by risk weights of the Group as at 31 March, are as follows:
(cont'd.)

	Bank			
	2017			2016
	Total exposures after netting and credit risk mitigation	Total risk weighted assets	Total exposures after netting and credit risk mitigation	Total risk weighted assets
	RM'000	RM'000	RM'000	RM'000
0%	5,888,524	-	6,045,417	-
20%	3,294,361	658,872	2,655,462	531,092
35%	2,778,346	972,421	2,219,360	776,776
50%	1,770,574	885,287	1,234,416	617,208
75%	2,328,702	1,746,527	2,315,148	1,736,361
100%	8,573,082	8,573,082	9,410,923	9,410,923
150%	23,093	34,640	40,636	60,955
Risk weighted assets for credit risk	24,656,682	12,870,829	23,921,362	13,133,315
Risk weighted assets for market risk		26,483		80,829
Risk weighted assets for operational risk		1,115,342		1,062,151
Total risk weighted assets		14,012,654		14,276,295

49. Capital management

The issuance of subordinated sukuk which qualifies for Tier 2 capital amounting to RM250 million which was issued in June 2016, 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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49. 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.

50. 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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50. 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 2017	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	288,953	655,368	244,042	27,396	1,215,759
Total income	136,188	396,740	5,119	95,919	633,966
Allowance/(write back) for impairment on financing	(14,397)	(50,653)	435	-	(64,615)
Reversal for commitments and contingencies	-	-	-	2,282	2,282
Impairment loss on investments	-	-	(16,899)	-	(16,899)
Other expenses	-	-	-	(7,826)	(7,826)
Total net income	121,791	346,087	(11,345)	90,375	546,908
Total overhead expenses					(376,372)
Profit before zakat and taxation					170,536
Zakat					(4,463)
Taxation					(16,166)
Profit for the year					149,907

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48. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group 2016	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	267,512	611,644	311,033	19,839	1,210,028
Total income	114,658	292,081	48,945	167,843	623,528
Allowance for impairment on financing	(25,780)	(20,618)	(153)	(12,771)	(59,322)
Reversal/(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	88,878	278,875	27,673	137,555	532,982
Total overhead expenses					(365,749)
Profit before zakat and taxation					167,233
Zakat					(4,375)
Taxation					(30,949)
Profit for the year					131,909

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50. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 2017	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	288,953	655,368	246,989	27,396	1,218,706
Total Income	136,188	396,740	7,729	95,919	636,576
Allowance for impairment on financing	(14,397)	(50,653)	(4,498)	-	(69,548)
Reversal for commitments and contingencies	-	-	-	2,282	2,282
Impairment loss on investments	-	-	(16,899)	-	(16,899)
Other expenses	-	-	-	(7,826)	(7,826)
Total net income	121,791	346,087	(13,668)	90,375	544,585
Total Overhead expenses					(373,566)
Profit before zakat and taxation					171,019
Zakat					(4,402)
Taxation					(15,942)
Profit for the year					150,675

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50. 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	267,512	611,644	301,995	19,840	1,200,991
Total Income	114,658	292,081	39,442	167,843	614,024
Allowance/(write back) for impairment on financing	(25,780)	(20,618)	5,847	(12,771)	(53,322)
Reversal/(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	88,878	278,875	24,170	139,226	531,149
Total Overhead expenses					(363,273)
Profit before zakat and taxation					167,876
Zakat					(4,197)
Taxation					(29,259)
Profit for the year					134,420