



BANK MUAMALAT MALAYSIA BERHAD

Company No. 6175-W
(Incorporated in Malaysia)

**UNAUDITED CONDENSED
FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED
30 JUNE 2017 (06 SYAWAL 1438H)**

Company No. 6175-W

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

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BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (06 Syawal 1438H)

	Note	Group		Bank	
		As at 30 June 2017 RM'000	As at 31 March 2017 RM'000	As at 30 June 2017 RM'000	As at 31 March 2017 RM'000
ASSETS					
Cash and short-term funds		256,267	1,027,742	256,267	1,027,742
Cash and placements with financial institutions		21,542	22,183	21,542	22,183
Investment accounts due from designated financial institution	15 (a)	325	382	325	382
Financial investments designated at fair value through profit or loss	9(a)	197,348	197,208	197,348	197,208
Financial investments available-for-sale	9(b)	5,933,576	6,131,416	5,902,972	6,081,533
Financial investments held-to-maturity	9(c)	142,327	142,168	142,327	142,168
Islamic derivative financial assets	10	16,642	55,948	16,642	55,948
Financing of customers	11	14,544,728	14,918,272	14,560,062	14,937,856
Other assets	12	117,723	121,907	111,566	120,285
Statutory deposit with Bank Negara Malaysia		714,279	698,636	714,279	698,636
Investment in subsidiaries		-	-	8,055	8,055
Investment properties		38,778	38,778	38,778	38,778
Intangible assets		104,062	109,510	103,737	109,120
Property, plant and equipment		51,653	52,309	51,620	52,270
Prepaid land lease payments		229	231	229	231
Deferred tax assets (net)	13	5,885	9,652	5,885	9,652
TOTAL ASSETS		22,145,364	23,526,342	22,131,634	23,502,047
LIABILITIES					
Deposits from customers	14	18,069,810	19,917,482	18,088,075	19,929,759
Deposits and placements of banks and other financial institutions	16	545,988	561,654	545,988	561,654
Bills and acceptances payable		13,568	9,196	13,568	9,196
Islamic derivative financial liabilities	10	27,084	63,088	27,084	63,088
Other liabilities	17	64,349	56,376	62,173	55,854
Provision for zakat and taxation	18	3,317	4,806	1,348	4,677
Deferred tax liabilities (net)	13	4,272	7,086	-	-
Recourse obligation on financing sold to Cagamas		497,780	-	497,780	-
Subordinated sukuk	19	250,354	253,964	250,354	253,964
Senior sukuk		502,163	514,119	502,163	514,119
Total liabilities		19,978,685	21,387,771	19,988,533	21,392,311
SHAREHOLDERS' EQUITY					
Share capital		1,195,000	1,195,000	1,195,000	1,195,000
Reserves		971,679	943,571	948,101	914,736
Total shareholders' equity		2,166,679	2,138,571	2,143,101	2,109,736
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY					
		22,145,364	23,526,342	22,131,634	23,502,047
Restricted investment accounts	15 (b)	380	424	6,976	7,705
Total Islamic banking asset and asset under management		22,145,744	23,526,766	22,138,610	23,509,752
COMMITMENTS AND CONTINGENCIES					
	32	7,129,557	7,355,488	7,129,557	7,355,488
CAPITAL ADEQUACY *					
CET 1 Capital Ratio	33	14.82%	14.35%	14.63%	14.15%
Total capital ratio	33	17.18%	16.69%	17.00%	16.50%

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

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2017.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
STATEMENTS OF PROFIT OR LOSS
FOR THE FIRST QUARTER ENDED 30 JUNE 2017 (06 Syawal 1438H)

	Note	Group		Bank	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of depositors' funds and others	20	306,419	295,357	306,419	295,357
Income derived from investment of investment account funds	22	14	-	14	-
Income derived from investment of shareholders' funds	21	25,266	13,644	18,758	11,045
Allowance for impairment on financing	23	(31,537)	(13,013)	(31,537)	(13,713)
Impairment loss on investments	24	-	(1,443)	-	(1,443)
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(6,169)	(2,729)	(6,169)	(2,729)
Total distributable income		293,993	291,816	287,485	288,517
Income attributable to depositors	25	(146,412)	(151,052)	(146,531)	(151,161)
Total net income		147,581	140,764	140,954	137,356
Personnel expenses	26	(49,203)	(49,186)	(48,589)	(48,471)
Other overheads and expenditures	27	(44,054)	(43,588)	(44,022)	(43,569)
Finance costs	28	(10,504)	(4,871)	(10,504)	(4,871)
Profit before zakat and taxation		43,820	43,119	37,839	40,445
Zakat	29	(1,163)	(1,078)	(946)	(1,011)
Taxation	30	(12,587)	(14,933)	(10,474)	(14,449)
Profit for the period		30,070	27,108	26,419	24,985
Earnings per share (sen):					
Basic		2.5	2.3		

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2017.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 JUNE 2017 (06 Syawal 1438H)

	Note	Group		Bank	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Profit for the period		30,070	27,108	26,419	24,985
Other comprehensive (loss)/income:					
Items that may be reclassified					
subsequently to profit or loss					
Net unrealised (loss)/gain on revaluation of financial investments available-for-sale		5,703	15,124	10,957	15,124
Gain transferred to statement of profit or loss upon disposal	21	(6,740)	(382)	(272)	(382)
Income tax relating to net loss/ (gain) on financial investments available-for-sale	13	263	(3,506)	(2,551)	(3,506)
Exchange fluctuation reserve		(1,188)	1,351	(1,188)	1,351
Other comprehensive (loss)/income for the period, net of tax		(1,962)	12,587	6,946	12,587
Total comprehensive income for the period		28,108	39,695	33,365	37,572

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2017.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2017 (06 Syawal 1438H)

<u>Group</u>	<u>Share Capital</u>	<u>Non-distributable</u>			<u>Distributable</u>	<u>Total Equity</u> 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 2017	1,195,000	658,158	2,183	(11,298)	294,528	2,138,571
Profit for the period	-	-	-	-	30,070	30,070
Other comprehensive loss for the period	-	-	(1,188)	(774)	-	(1,962)
Total comprehensive income for the period	-	-	(1,188)	(774)	30,070	28,108
Transfer to statutory reserve	-	13,210	-	-	(13,210)	-
At 30 June 2017	1,195,000	671,368	995	(12,072)	311,388	2,166,679
At 1 April 2016	1,195,000	582,822	(2,054)	212	219,957	1,995,937
Profit for the period	-	-	-	-	27,108	27,108
Other comprehensive income for the period	-	-	1,351	11,236	-	12,587
Total comprehensive income for the period	-	-	1,351	11,236	27,108	39,695
Transfer to statutory reserve	-	12,493	-	-	(12,493)	-
At 30 June 2016	1,195,000	595,315	(703)	11,448	234,572	2,035,632

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2017.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST QUARTER ENDED 30 JUNE 2017 (06 Syawal 1438H)

	<u>Share Capital</u>	<u>Non-distributable</u>			<u>Distributable</u>	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 2017	1,195,000	656,561	2,183	(33,734)	289,726	2,109,736
Profit for the period	-	-	-	-	26,419	26,419
Other comprehensive income for the period	-	-	(1,188)	8,134	-	6,946
Total comprehensive income for the period	-	-	(1,188)	8,134	26,419	33,365
Transfer to statutory reserve	-	13,210	-	-	(13,210)	-
At 30 June 2017	1,195,000	669,771	995	(25,600)	302,935	2,143,101
At 1 April 2016	1,195,000	581,225	(2,054)	212	214,387	1,988,770
Profit for the period	-	-	-	-	24,985	24,985
Other comprehensive income for the period	-	-	1,351	11,236	-	12,587
Total comprehensive income for the period	-	-	1,351	11,236	24,985	37,572
Transfer to statutory reserve	-	12,493	-	-	(12,493)	-
At 30 June 2016	1,195,000	593,718	(703)	11,448	226,879	2,026,342

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2017.

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2017 (06 Syawal 1438H)

	Note	Group		Bank	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Cash flows from operating activities					
Profit before zakat and taxation		43,820	43,119	37,839	40,445
Adjustment for :					
Amortisation of prepaid land and lease payment	27	1	1	1	1
Amortisation of intangible asset	27	6,836	6,344	6,772	6,295
Depreciation of property, plant and equipment	27	4,640	4,709	4,631	4,700
Profit on disposal of property, plant and equipment	21	(51)	(1)	(51)	(1)
Property, plant and equipment written off	27	-	2	-	2
(Accretion of discount)/amortisation of premium, net	20 & 21	(546)	(433)	(546)	(433)
Amortisation of cost on subordinated sukuk and senior sukuk issued		50	-	50	-
Net gain from sale of financial investment available-for-sale	20 & 21	(15,526)	(4,135)	(9,058)	(4,135)
Net gain from sale of financial investment designated at FVTPL	20 & 21	(209)	(234)	(209)	(234)
Unrealised gain on revaluation of financial investment designated at FVTPL	20 & 21	(6,489)	(34)	(6,489)	(34)
Net loss/(gain) on revaluation of foreign exchange transaction	21	753	(20,570)	753	(20,570)
Unrealised loss from foreign exchange derivatives	21	671	16,494	671	16,494
Unrealised loss on revaluation of islamic profit rate swap	21	2,631	2,655	2,631	2,655
Unrealised gain on revaluation of hedged items	21	(724)	(1,722)	(724)	(1,722)
Gain from derecognition fair value of hedged items	21	(443)	(443)	(443)	(443)
Impairment loss on investment securities	24	-	1,443	-	1,443
Allowance for impairment on financing	23	32,242	16,550	32,242	17,250
Financing written off	23	2,968	181	2,968	181
Finance cost	28	10,504	4,871	10,504	4,871
Gross dividend income	21	(302)	(1,613)	(2,815)	(1,612)
Operating profit before working capital changes		80,826	67,184	78,727	65,153

Bank Muamalat Malaysia Berhad
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2017 (06 Syawal 1438H)

	Note	Group		Bank	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
(Increase)/decrease in operating assets:					
Investment accounts due from designated financial institution		57	-	57	-
Financial investment portfolio		(19,256)	(6,037)	(19,257)	(6,038)
Islamic derivative financial assets		38,635	(7,428)	38,635	(7,428)
Financing of customers		339,501	(86,722)	343,751	(86,721)
Statutory deposits with Bank Negara Malaysia		(15,643)	18,370	(15,643)	18,370
Other assets		(361)	21,347	(2,478)	29,734
Increase/(decrease) in operating liabilities:					
Deposits from customers		(1,847,672)	(2,025,062)	(1,841,684)	(2,031,991)
Deposits and placements of banks and other financial institutions		(15,666)	1,856,518	(15,666)	1,856,518
Islamic derivative financial liabilities		(38,635)	7,428	(38,635)	7,428
Bills and acceptances payable		4,372	(3,966)	4,372	(3,966)
Other liabilities		887	(22,154)	6,319	(22,114)
Cash used in operations		(1,472,955)	(180,522)	(1,461,502)	(181,055)
Zakat paid		(4,320)	(4,370)	(4,275)	(4,197)
Tax paid		(10)	(3,862)	-	(3,504)
Net cash used in operating activities		(1,477,285)	(188,754)	(1,465,777)	(188,756)
Cash flows from investing activities					
Proceeds from disposal of financial investment securities		2,701,304	2,777,412	2,687,436	2,777,412
Purchase of financial investment securities		(2,462,775)	(2,314,568)	(2,462,931)	(2,314,565)
Proceeds from disposal of property, plant and equipment		59	1	59	1
Purchase of property, plant and equipment		(3,956)	(2,662)	(3,953)	(2,662)
Purchase of intangible asset		(1,425)	(6,619)	(1,425)	(6,619)
Purchase of investment properties		-	(2,610)	-	(2,610)
Dividend income	21	302	1,613	2,815	1,612
Net cash generated from investing activities		233,509	452,567	222,001	452,569

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

**STATEMENTS OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 30 JUNE 2017 (06 Syawal 1438H)**

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Cash flows from financing activities				
Dividend paid on subordinated sukuk and senior sukuk issued	(21,120)	(10,300)	(21,120)	(10,300)
Redemption of subordinated sukuk	(5,000)	(400,000)	(5,000)	(400,000)
Additional issuance of subordinated sukuks	-	255,000	-	255,000
Proceed from recourse obligation on financing sold to Cagamas	497,780	-	497,780	-
Net cash generated from/(used in) financing activities	471,660	(155,300)	471,660	(155,300)
Net (decrease)/increase in cash and cash equivalents	(772,116)	108,513	(772,116)	108,513
Cash and cash equivalents at beginning of the period	1,049,925	1,069,101	1,049,925	1,069,101
Cash and cash equivalents at end of the period	277,809	1,177,614	277,809	1,177,614
Cash and cash equivalents consist of:				
Cash and short term funds	256,267	1,135,138	256,267	1,135,138
Cash and placements with financial institutions	21,542	42,476	21,542	42,476
	277,809	1,177,614	277,809	1,177,614

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 March 2017.

BANK MUAMALAT MALAYSIA BERHAD
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NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 30 JUNE 2017
(06 SYAWAL 1438H)

1. Basis of preparation

The unaudited condensed financial statements for the first financial quarter ended 30 June 2017 of Bank Muamalat Malaysia Berhad ("BMMB" or "the Bank") and its subsidiaries (the "Group") have been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting.

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 except for the following assets and liabilities that are stated at fair values: financial investment available-for-sale, financial assets at fair value through profit or loss and islamic derivative financial instruments.

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

These condensed consolidated interim financial statements, for the period ended 30 June 2017 have been prepared in accordance with MFRS 134 Interim Financial Reporting. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board, Bank Negara Malaysia Guidelines (BNM/GP8-i) and the principles of Shariah.

The unaudited condensed financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 March 2017. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and the Bank since the year ended 31 March 2017.

The significant accounting policies and methods of computation applied by the Bank are consistent with those adopted in the most recent audited financial statements for the year ended 31 March 2017 except for adoption of the following MFRSs and Interpretations of the Issues Committee ("IC Interpretations") with effective dates as follows:

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 107: 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

BANK MUAMALAT MALAYSIA BERHAD
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1. Basis of preparation (cont'd.)

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
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

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 15 Revenue from Contracts with Customers

MFRS 15 establishes a new 5-step model 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.

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.

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1. Basis of preparation (cont'd.)

MFRS 9 Financial Instruments

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

The Group and the Bank are currently assessing the impact of MFRS 9 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.

Guidance issued by Bank Negara Malaysia ("BNM")

On 3 May 2017, BNM issued a Revised Policy Document on Capital Funds for Islamic Banks ("Revised Policy Document"). This Revised Policy Document applies to banking institutions in Malaysia that cover licensed Islamic bank. The issuance of this Revised Policy Document has superseded guidelines issued by BNM previously, namely Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document are:

- (a) the removal of the requirement on maintenance of a reserve fund; and
- (b) the revised component of capital funds shall exclude share premium and reserve fund.

The adoption of the Revised Policy Document will not have any financial effects on the Bank's financial results for the current financial year ending 31 March 2018.

2. Auditors' report on preceding annual financial statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2017 was not qualified.

3. Significant events

There was no significant event during the first quarter ended 30 June 2017.

4. Seasonal or cyclical factors

The operations of the Group and the Bank were not materially affected by any seasonal or cyclical factors during the first quarter ended 30 June 2017.

BANK MUAMALAT MALAYSIA BERHAD
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5. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cashflows of the Bank during the first quarter ended 30 June 2017.

6. Changes in accounting estimates

There were no material changes in estimates during the first quarter ended 30 June 2017.

7. Dividends

There was no dividend payment during the first quarter ended 30 June 2017.

8. Performance review and outlook

PERFORMANCE REVIEW

The Group posted an unaudited profit before zakat and taxation of RM43.8 million for the three (3) months period ended 30 June 2017, a slight increase of 1.6% from the previous corresponding period in 2016. This is largely attributed to higher total income from investment of depositors' and shareholders' funds by RM22.7 million or 7.3%, coupled with lower income attributable to depositors by RM4.6 million (3.1%). However, it is partially offset by the higher allowance for impairment loss on financing and investments of RM17.1 million (>100%) and marginally higher overheads by RM6.1 million (6.3%), as compared to the same period last year.

Total assets of the Group stood at RM22.1 billion, slightly lower from RM23.5 billion registered in March 2017. This is mainly contributed by the lower total cash and short-term fund & financing asset in tandem with the decrease in deposit of customers.

OUTLOOK

The first half of 2017 saw global economy on recovering path supported mainly by better-than-expected performance in developing and emerging markets. Growth in major advanced economies strengthened further with US monetary policy expected to experience at least three (3) times hikes in 2017. As external economic environment strengthened, recent economic indicator also suggested that Malaysia is expected to grow on stronger recovery than previously expected. Moving forward, global growth is anticipated to expand at a faster pace in 2017 with Malaysia's gross domestic product (GDP) is 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 in 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, measures are being put in place by banks to comply with regulatory requirements especially on liquidity and FRS 9, effective this January 2018.

In view of the increasingly challenging environment, the Bank has developed a new business plan that will ensure it remains competitive in the current banking landscape. In adapting to the current technological driven environment, initiatives are being pursued as measures to suit customers' preferences for better experience, convenience and value-added services. Expanding its wealth management, Bancatakaful services, trade finance as well as continuous sustained efforts on Ar-Rahnu business will be among the top priorities in the Bank's agenda. Moving forward, the Bank also strives towards managing efficiencies particularly in cost supervision as part of the ways to drive financial performance.

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9. Financial investments

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
(a) Financial investments designated at fair value through profit or loss				
Private equity funds	197,348	197,207	197,348	197,207
Malaysian government investment certificates	-	1	-	1
	197,348	197,208	197,348	197,208

(b) Available-for-sale

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

	Group		Bank	
	30 June 2016 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
<u>At fair value</u>				
Government securities and treasury bills:				
Malaysian government investment certificates	3,296,511	3,531,945	3,296,511	3,531,945
Quoted securities in Malaysia:				
Quoted shares	149,515	159,860	118,911	109,977
Unquoted securities:				
Islamic corporate sukuk in Malaysia	2,506,111	2,457,637	2,506,111	2,457,637
Cagamas bonds	25,370	25,385	25,370	25,385
Foreign Islamic corporate sukuk	36,874	37,786	36,874	37,786
	2,568,355	2,520,808	2,568,355	2,520,808
Accumulated impairment loss	(86,186)	(86,578)	(86,186)	(86,578)
	5,928,195	6,126,035	5,897,591	6,076,152
<u>At cost</u>				
Unquoted securities:				
Shares in Malaysia	5,381	5,381	5,381	5,381
Total available-for-sale securities	5,933,576	6,131,416	5,902,972	6,081,533

(c) Held-to-maturity

	Group and Bank	
	30 June 2017 RM'000	31 March 2017 RM'000
<u>At amortised cost</u>		
Unquoted Islamic corporate sukuk in Malaysia	142,327	142,168

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10. Islamic derivative financial instruments

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

Group and Bank	30 June 2017			31 March 2017		
	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	869,000	8,432	(6,568)	862,936	51,435	(467)
- Currency swaps						
Less than one year	1,437,614	7,803	(9,380)	1,545,210	3,502	(54,090)
- Currency spot						
Less than one year	171,691	407	(15)	467,221	1,009	(39)
- Dual currency investment option	-	-	-	-	2	(2)
	2,478,305	16,642	(15,963)	2,875,367	55,948	(54,598)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	500,000	-	(2,956)	500,000	-	(2,251)
Hedged IPRS	1,500,000	-	(8,165)	1,500,000	-	(6,239)
Total	4,478,305	16,642	(27,084)	4,875,367	55,948	(63,088)

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

	30 June 2017			31 March 2017		
	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	-	(8,165)	1,500,000	-	(6,239)

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 period ended 30 June 2017, the Group and the Bank:-

- (i) recognised a net loss of RM1,925,719 (31 March 2017: gain of RM4,304,713) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM724,100 (31 March 2017: loss of RM7,454,067); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM442,893 (31 March 2017: RM1,771,572) due to the derecognition of the hedged items.

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11. Financing of customers

(i) By type and Shariah concepts

Group	Bai'		Ijarah			Bai'		Istisna'	Qard	Shirkah		Total financing
	Bithaman Ajil	Ijarah	Thumma	Inah	Tawarruq	Al-Dayn	Murabahah			Mutanaqisah	Rahnu	
30 June 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	-	-	-	12,273	618,280	-	-	-	-	-	-	630,553
Term financing:												
Home financing	6,263,881	-	-	-	8,595,291	-	-	35,385	-	-	-	14,894,557
Syndicated financing	-	-	-	-	1,647,508	-	-	-	-	-	-	1,647,508
Hire purchase receivables	42,139	-	787,043	-	-	-	-	-	-	-	-	829,182
Leasing receivables	-	4,163	-	-	-	-	-	-	-	-	-	4,163
Other term financing	919,295	-	-	559,336	8,976,900	-	-	150,842	601	74,387	-	10,681,361
Trust receipts	-	-	-	-	-	-	50,816	-	-	-	-	50,816
Claims on customers under acceptance credits	-	-	-	-	-	671,330	-	-	-	-	-	671,330
Staff financing	73,073	-	-	-	121,545	-	-	788	1,264	-	-	196,670
Revolving credit	-	-	-	-	1,125,989	-	-	-	-	-	-	1,125,989
Sukuk	-	-	-	-	-	-	111,761	-	-	-	-	111,761
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	103,932	103,932
	7,298,388	4,163	787,043	571,609	21,085,513	671,330	162,577	187,015	1,865	74,387	103,932	30,947,822
Less : Unearned income	(4,647,343)	-	(95,854)	(47,928)	(11,185,569)	(7,108)	(446)	(79,132)	(8)	-	-	(16,063,388)
Gross financing	2,651,045	4,163	691,189	523,681	9,899,944	664,222	162,131	107,883	1,857	74,387	103,932	14,884,434
Fair value changes arising from fair value hedge	-	-	-	(3,450)	1,190	-	-	-	-	-	-	(2,260)
	2,651,045	4,163	691,189	520,231	9,901,134	664,222	162,131	107,883	1,857	74,387	103,932	14,882,174
Less : Allowance for impaired financing												
Collective assessment	(41,250)	-	(18,633)	(497)	(188,586)	(978)	(448)	(121)	(20)	-	(1,543)	(252,076)
Individual assessment	(391)	-	(7,124)	(16)	(52,040)	(1,684)	(24,092)	(23)	-	-	-	(85,370)
Total net financing	2,609,404	4,163	665,432	519,718	9,660,508	661,560	137,591	107,739	1,837	74,387	102,389	14,544,728

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11. Financing of customers (cont'd.)

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

Group 31 March 2017	Bai'		Ijarah Thumma		Tawarruq RM'000	Bai'		Istisna' RM'000	Qard RM'000	Shirkah		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			Mutanaqisah RM'000	Rahnu 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

11. Financing of customers (cont'd.)

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

Bank	Bai'		Ijarah		Tawarruq	Bai'		Istisna'	Qard	Rahnu	Total financing
	Bithaman Ajil	Ijarah	Thumma	Inah		Al-Dayn	Murabahah				
30 June 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	-	-	-	12,273	618,280	-	-	-	-	-	630,553
Term financing:											
Home financing	6,263,881	-	-	-	8,595,291	-	-	35,385	-	-	14,894,557
Syndicated financing	-	-	-	-	1,647,508	-	-	-	-	-	1,647,508
Hire purchase receivables	42,139	-	787,043	-	-	-	-	-	-	-	829,182
Leasing receivables	-	4,163	-	-	-	-	-	-	-	-	4,163
Other term financing	919,295	-	-	559,336	8,976,900	-	-	150,842	95,255	-	10,701,628
Trust receipts	-	-	-	-	-	-	50,816	-	-	-	50,816
Claims on customers											-
under acceptance credits	-	-	-	-	-	671,330	-	-	-	-	671,330
Staff financing	73,073	-	-	-	121,545	-	-	788	1,264	-	196,670
Revolving credit	-	-	-	-	1,125,989	-	-	-	-	-	1,125,989
Sukuk	-	-	-	-	-	-	111,761	-	-	-	111,761
Ar-Rahnu	-	-	-	-	-	-	-	-	-	103,932	103,932
	7,298,388	4,163	787,043	571,609	21,085,513	671,330	162,577	187,015	96,519	103,932	30,968,089
Less : Unearned income	(4,647,343)	-	(95,854)	(47,928)	(11,185,569)	(7,108)	(446)	(79,132)	(8)	-	(16,063,388)
Gross financing	2,651,045	4,163	691,189	523,681	9,899,944	664,222	162,131	107,883	96,511	103,932	14,904,701
Fair value changes arising from fair value hedge	-	-	-	(3,450)	1,190	-	-	-	-	-	(2,260)
	2,651,045	4,163	691,189	520,231	9,901,134	664,222	162,131	107,883	96,511	103,932	14,902,441
Less : Allowance for impaired financing											
Collective assessment	(41,250)	-	(18,633)	(497)	(188,586)	(978)	(448)	(121)	(20)	(1,543)	(252,076)
Individual assessment	(391)	-	(7,124)	(16)	(52,040)	(1,684)	(24,092)	(23)	(4,933)	-	(90,303)
Total net financing	2,609,404	4,163	665,432	519,718	9,660,508	661,560	137,591	107,739	91,558	102,389	14,560,062

11. Financing of customers (cont'd.)

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

Bank	Bai'		Ijarah		Tawarruq	Bai'		Istisna'	Qard	Rahnu	Total financing
	Bithaman Ajil	Ijarah	Thumma	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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11. Financing of customers (cont'd.)

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

	Group		Bank	
	30 June 2017	31 March 2017	30 June 2017	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Uses of Qard fund:				
Staff financing	1,256	436	1,256	436
Musyarakah Financing	-	-	94,654	98,903
Other term financing	601	647	601	647
	1,857	1,083	96,511	99,986

(ii) By type of customer

	Group		Bank	
	30 June 2017	31 March 2017	30 June 2017	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Domestic non-banking institutions	748,803	839,319	748,803	839,319
Domestic business enterprises:				
-Small business enterprises	76,914	86,641	76,914	86,641
-Others	3,567,680	3,703,023	3,587,947	3,727,540
Government and statutory bodies	753,386	759,376	753,386	759,376
Individuals	9,706,660	9,818,840	9,706,660	9,818,840
Other domestic entities	6,632	6,297	6,632	6,297
Foreign entities	24,359	20,784	24,359	20,784
Gross financing	14,884,434	15,234,280	14,904,701	15,258,797

(iii) By profit rate sensitivity

	Group		Bank	
	30 June 2017	31 March 2017	30 June 2017	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
Home financing	369,846	382,310	369,846	382,310
Hire purchase receivables	724,975	773,545	724,975	773,545
Others	3,142,716	3,246,631	3,162,983	3,271,148
Variable rate:				
Home financing	4,320,573	4,332,628	4,320,573	4,332,628
Others	6,326,324	6,499,166	6,326,324	6,499,166
Gross financing	14,884,434	15,234,280	14,904,701	15,258,797

(iv) By residual contractual maturity

	Group		Bank	
	30 June 2017	31 March 2017	30 June 2017	31 March 2017
	RM'000	RM'000	RM'000	RM'000
Maturity				
- within one year	4,011,411	4,090,338	4,016,874	4,090,338
- more than one to five years	5,064,775	5,216,993	5,071,671	5,216,993
- more than five years	5,808,248	5,926,949	5,816,156	5,951,466
Gross financing	14,884,434	15,234,280	14,904,701	15,258,797

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11. Financing of customers (cont'd.)

(v) By sector

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Agriculture	121,752	122,174	121,752	122,174
Mining and quarrying	7,467	11,806	12,400	16,739
Manufacturing	548,251	540,794	548,251	540,794
Electricity, gas and water	155,942	187,531	155,942	187,531
Construction	328,837	315,219	328,837	315,219
Household	9,696,156	9,808,207	9,696,156	9,808,207
Real estate	1,298,401	1,119,086	1,298,402	1,119,086
Wholesale, retail and restaurant	594,404	549,420	594,404	549,420
Transport, storage and communication	206,938	360,093	222,688	380,093
Finance, takaful and business services	754,442	1,043,601	754,442	1,043,601
Purchase of transport vehicles	16,972	15,006	16,972	15,006
Consumption credit	1,234	436	1,234	436
Community, social and personal services	403,701	404,604	403,284	404,188
Government and statutory bodies	749,937	756,303	749,937	756,303
Gross financing	14,884,434	15,234,280	14,904,701	15,258,797

(vi) By geographical area

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Domestic	14,871,008	15,202,300	14,891,275	15,226,817
Labuan Offshore	13,426	31,980	13,426	31,980
Gross financing	14,884,434	15,234,280	14,904,701	15,258,797

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 hedging achieved the criteria for hedge accounting and the financing are carried at fair value.

The maximum credit exposure of the financing of customers amounts to RM1.5 billion (31 March 2017: RM1.5 billion). The cumulative change in fair value of the financings attributable to changes in profit rate risks amounts to a loss of RM2,260,322 (31 March 2017: loss of RM2,984,423) and the change for the current year is a gain of RM724,100 (31 March 2017: loss of RM7,454,068). 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.

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11. Financing of customers (cont'd.)

Impaired Financing

(i) Movements in the impaired financing

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
At beginning of the period	351,920	326,470	356,853	326,470
Classified as impaired during the period	119,202	410,050	119,202	414,983
Reclassified as performing during the period	(49,413)	(230,435)	(49,413)	(230,435)
Recovered during the period	(17,178)	(100,800)	(17,178)	(100,800)
Written-off during the period	(10,378)	(53,365)	(10,378)	(53,365)
At the end of the period	394,153	351,920	399,086	356,853
Ratio of gross impaired financing to total financing	2.65%	2.31%	2.68%	2.34%

(ii) Movements in the allowance for impaired financing

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
<u>Collective assessment allowance</u>				
At beginning of the period	236,159	208,439	236,159	208,439
Allowance made during the period	85,386	351,926	85,386	351,926
Amount written-back	(61,649)	(292,349)	(61,649)	(292,349)
Amount written-off	(7,820)	(31,857)	(7,820)	(31,857)
At the end of the period	252,076	236,159	252,076	236,159
As % of gross financing, less individual assessment allowance	1.69%	1.56%	1.69%	1.56%

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11. Financing of customers (cont'd.)

Impaired Financing (cont'd.)

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

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
<u>Individual assessment allowance</u>				
At beginning of the period	76,865	81,078	81,798	81,078
Allowance made during the period	9,472	30,753	9,472	35,686
Amount written-back	(967)	(14,552)	(967)	(14,552)
Amount written-off	-	(20,414)	-	(20,414)
At the end of the period	85,370	76,865	90,303	81,798

(iii) Impaired financing by sector

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Agriculture	37	39	37	39
Manufacturing	45,620	45,565	45,620	45,565
Construction	9,670	9,852	9,670	9,852
Household	281,186	248,874	281,186	248,874
Real estate	362	-	362	-
Wholesale and retail and restaurant	8,443	5,815	8,443	5,815
Mining and quarrying	-	-	4,933	4,933
Transport, storage and communication	43,503	37,310	43,503	37,310
Finance, takaful and business services	4,361	2,004	4,361	2,004
Purchase of transport vehicles	166	409	166	409
Community, social and personal service	805	2,052	805	2,052
	394,153	351,920	399,086	356,853

(iv) Impaired financing by geographical area

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Domestic	394,153	351,920	399,086	356,853
	394,153	351,920	399,086	356,853

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12. Other assets

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Deposits	7,311	7,304	7,213	7,206
Prepayments	3,188	6,629	3,043	6,482
Tax prepayment	43,123	52,814	42,953	52,210
Amount due from subsidiaries	-	-	2,923	141
Golf club membership	600	600	600	600
GST input tax	11,369	11,263	11,369	11,263
Other debtors	52,132	43,297	43,465	42,383
	117,723	121,907	111,566	120,285

13. Deferred tax assets/(liabilities)

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
At beginning of the period	2,566	(568)	9,652	(568)
Recognised in the income statement	(1,216)	(533)	(1,216)	(533)
Recognised in other comprehensive income	263	3,667	(2,551)	10,753
At the end of the period	1,613	2,566	5,885	9,652

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:

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Deferred tax assets, net	5,885	9,652	5,885	9,652
Deferred tax liabilities, net	(4,272)	(7,086)	-	-
	1,613	2,566	5,885	9,652

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

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Deferred tax assets	17,840	17,309	17,840	17,309
Deferred tax liabilities	(16,227)	(14,743)	(11,955)	(7,657)
	1,613	2,566	5,885	9,652

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

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

Deferred tax assets of the Group:

	Available- for-sale reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2017	10,753	-	6,291	265	17,309
Recognised in income statement	-	1,799	1,450	(72)	3,177
Recognised in other comprehensive income	(2,646)	-	-	-	(2,646)
At 30 June 2017	8,107	1,799	7,741	193	17,840
At 1 April 2016	-	-	10,008	307	10,315
Recognised in income statement	-	-	(3,717)	(42)	(3,759)
Recognised in other comprehensive income	10,753	-	-	-	10,753
At 31 March 2017	10,753	-	6,291	265	17,309

Deferred tax liabilities of the Group :

	Available- for-sale reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 April 2017	(7,181)	(7,562)	(14,743)
Recognised in income statement	-	(4,393)	(4,393)
Recognised in other comprehensive income	2,909	-	2,909
At 30 June 2017	(4,272)	(11,955)	(16,227)
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)
At 31 March 2017	(7,181)	(7,562)	(14,743)

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

Deferred tax assets of the Bank:

	Available- for-sale reserve RM'000	Property, plant and equipment & intangible asset RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2017	10,753		6,291	265	17,309
Recognised in income statement	-	1,799	1,450	(72)	3,177
Recognised in other comprehensive income	(2,646)	-	-	-	(2,646)
At 30 June 2017	8,107	1,799	7,741	193	17,840
At 1 April 2016	-	-	10,008	307	10,315
Recognised in income statement	-	-	(3,717)	(42)	(3,759)
Recognised in other comprehensive income	10,753	-	-	-	10,753
At 31 March 2017	10,753	-	6,291	265	17,309

Deferred tax liabilities of the Bank:

	Available- for-sale reserve RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 April 2017	(95)	(7,562)	(7,657)
Recognised in income statement	-	(4,393)	(4,393)
Recognised in other comprehensive income	95	-	95
At 30 June 2017	-	(11,955)	(11,955)
At 1 April 2016	(95)	(10,788)	(10,883)
Recognised in income statement	-	3,226	3,226
Recognised in other comprehensive income	-	-	-
At 31 March 2017	(95)	(7,562)	(7,657)

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14. Deposits from customers

(a) By type of deposits

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Saving deposits				
Qard	1,053,397	1,052,795	1,053,397	1,052,795
Tawarruq	129,629	107,869	129,629	107,869
Demand deposits				
Qard	2,665,367	2,994,706	2,667,832	2,996,183
Tawarruq	104,649	70,481	104,649	70,481
Term deposits				
Negotiable Islamic debt certificate	1,345,379	1,550,790	1,345,379	1,550,790
General investment deposits	133,169	140,575	133,169	140,575
Short term accounts	1,243,621	2,958,160	1,243,621	2,958,160
Fixed term accounts tawarruq	11,352,795	11,003,797	11,368,595	11,014,597
Others deposits	41,804	38,309	41,804	38,309
	18,069,810	19,917,482	18,088,075	19,929,759

(b) By type of customer

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Government and statutory bodies	5,365,376	5,975,784	5,365,376	5,975,784
Business enterprises	6,818,834	7,058,767	6,837,099	7,071,044
Individuals	2,070,750	1,584,069	2,070,750	1,584,069
Others	3,814,850	5,298,862	3,814,850	5,298,862
	18,069,810	19,917,482	18,088,075	19,929,759

The maturity structure of term deposits are as follows:

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Due within six months	10,188,714	13,899,694	10,204,514	13,910,494
More than six months to one year	3,507,018	1,374,178	3,507,018	1,374,178
More than one year to three years	303,190	303,428	303,190	303,428
More than three year to five years	76,042	76,022	76,042	76,022
	14,074,964	15,653,322	14,090,764	15,664,122

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15. Investment accounts of customers

(a) Investment accounts due from designated financial institution

	Group and Bank	
	30 June	31 March
	2017	2017
	RM'000	RM'000
Licensed Islamic bank	325	382

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

(b) Investment account of customers

Restricted investment accounts ("RIA") is an arrangement between the Bank and investment account holders where the Bank acts as the investment agent to manage and administer the RIA and its underlying assets. RIA amounting to RM6,976,000 (31 March 2017: RM7,705,000) is accounted for as off balance sheet as the Bank has no right and obligation in respect of the assets related to the RIA or to the residual cash flows from those assets 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	
	30 June	31 March	30 June	31 March
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
Restricted investment accounts				
With maturity more than one year to three years				
Wakalah	380	424	6,976	7,705

(ii) By types of customer are as follows:

	Group		Bank	
	30 June	31 March	30 June	31 March
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
Business enterprise	-	-	6,596	7,281
Individuals	311	347	311	347
Others	69	77	69	77
	380	424	6,976	7,705

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

	Group		Bank	
	30 June	31 March	30 June	31 March
	2017	2017	2017	2017
	RM'000	RM'000	RM'000	RM'000
Restricted investment accounts				
Non-retail financing	380	424	6,976	7,705
Total investment	380	424	6,976	7,705

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15. Investment accounts of customers (cont'd.)

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

	Group and Bank 30 June 2017		Group and Bank 31 March 2017	
	Average profit sharing ratio (%)	Average rate of return (%)	Average profit sharing ratio (%)	Average rate of return (%)
Investment account of customers	93.0%	6.5%	93.0%	6.5%

16. Deposit and placements of banks and other financial institutions

	Group and Bank	
	30 June 2017 RM'000	31 March 2017 RM'000
Non-Mudharabah		
Bank Negara Malaysia	10,377	9,770
Licensed Islamic banks	535,611	551,884
	545,988	561,654

17. Other liabilities

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Sundry creditors	982	825	223	206
Accrual for bonus	26	11,197	-	11,197
Accrued expenses	31,862	36,010	31,862	36,214
Accrual for directors' fees	114	672	114	672
Accrual for audit fees	320	512	289	492
GST output tax	169	119	150	91
Others	30,876	7,041	29,535	6,982
	64,349	56,376	62,173	55,854

18. Provision for zakat and taxation

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Zakat	1,565	4,722	1,348	4,677
Taxation	1,752	84	-	-
	3,317	4,806	1,348	4,677

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19. Sukuk

(a) Subordinated sukuk

On 15 June 2016, the Bank set up a RM1.0 billion Sukuk programme of which RM250.0 million was subscribed up to the closing date. The 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 in 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 in 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 in May and November each year.

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

	Group		Bank	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(a) General investment deposits	2,262	3,062	2,262	3,062
(b) Other deposits	304,157	292,295	304,157	292,295
	306,419	295,357	306,419	295,357

(a) Income derived from investment of general investment deposits

	Group		Bank	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Income from financing	1,653	2,358	1,653	2,358
Financial investments available-for-sale	418	494	418	494
Financial investments held-for-maturity	2	3	2	3
Money at call and deposit with financial institutions	47	85	47	85
	2,120	2,940	2,120	2,940
Amortisation of premium	(3)	(4)	(3)	(4)
Total finance income and hibah	2,117	2,936	2,117	2,936
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	2	2	2	2
- financial investments available-for-sale	65	39	65	39
	67	41	67	41
Fees and commission				
Guarantee fees	3	9	3	9
Safekeeping fees	24	22	24	22
Processing fees	-	2	-	2
Service charges and fees	19	27	19	27
Commission	32	25	32	25
	78	85	78	85
Total	2,262	3,062	2,262	3,062
Of which :				
Financing loss earned on impaired financing	-	-	-	-

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

(b) Income derived from investment of other deposits

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Income from financing	222,338	225,084	222,338	225,084
Financial investments available-for-sale	56,235	47,141	56,235	47,141
Financial investments held-for-maturity	228	293	228	293
Money at call and deposit with financial institutions	6,295	8,088	6,295	8,088
	285,096	280,606	285,096	280,606
Amortisation of premium	(391)	(383)	(391)	(383)
Total finance income and hibah	284,705	280,223	284,705	280,223
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	207	231	207	231
- financial investments available-for-sale	8,721	3,714	8,721	3,714
Unrealised (loss)/gain on revaluation from financial investments designated at FVTPL	(1)	34	(1)	34
	8,927	3,979	8,927	3,979
Fees and commission				
Guarantee fees	413	818	413	818
Safekeeping fees	3,256	2,057	3,256	2,057
Processing fees	23	237	23	237
Service charges and fees	2,501	2,557	2,501	2,557
Commission	4,332	2,424	4,332	2,424
	10,525	8,093	10,525	8,093
Total	304,157	292,295	304,157	292,295
Of which :				
Financing loss earned on impaired financing	-	-	-	-

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21. Income derived from investment of shareholders' funds

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Financial investments available-for-sale	3,764	4,122	3,764	4,122
Money at call and deposit with financial institutions	353	655	353	655
	4,117	4,777	4,117	4,777
Accretion of discounts	940	786	940	786
Total finance income and hibah	5,057	5,563	5,057	5,563
Other operating income				
Net (loss)/gain from foreign exchange transaction	(753)	20,570	(753)	20,570
Unrealised loss on revaluation from foreign exchange derivatives	(671)	(16,494)	(671)	(16,494)
Net gain from sale of available -for-sale securities	6,740	382	272	382
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	6,490	(358)	6,490	(358)
Gross dividend income from investment:				
-unquoted in Malaysia	-	1,612	-	1,612
-subsidiary	302	2	2,815	-
Net dividend paid for Islamic profit rate swap	(1,892)	(490)	(1,892)	(490)
Unrealised loss on revaluation of Islamic profit rate swap	(2,631)	(2,655)	(2,631)	(2,655)
Unrealised gain on revaluation from hedged assets	724	1,722	724	1,722
Gain from derecognition fair value of hedged items	443	443	443	443
	8,752	4,734	4,797	4,732
Fees and commission				
Corporate advisory fees	1,547	750	1,139	313
Service charges and fees	2,332	2,243	157	83
Commission	7,254	158	7,254	158
	11,133	3,151	8,550	554
Other income				
Rental income	273	195	303	195
Profit on sale of fixed assets	51	1	51	1
	324	196	354	196
Total	25,266	13,644	18,758	11,045

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22. Income derived from investment of investment account funds

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Investment of account funds	5	-	5	-
Fees and commission				
Service charges and fees	9	-	9	-
Total	14	-	14	-

23. Allowance for impairment on financing

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Allowance for impairment on financing				
(a) Individual assessment allowance				
Made during the period	9,472	1,809	9,472	2,509
Written-back during the period	(967)	(1,841)	(967)	(1,841)
	8,505	(32)	8,505	668
(b) Collective assessment allowance				
Made during the period	85,386	88,857	85,386	88,857
Written-back during the period	(61,649)	(72,274)	(61,649)	(72,274)
	23,737	16,583	23,737	16,583
Bad debts on financing:				
Written-off	2,968	181	2,968	181
Recovered	(3,673)	(3,719)	(3,673)	(3,719)
	31,537	13,013	31,537	13,713

24. Impairment loss on investments

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Impairment loss on financial investments available-for-sale	-	1,443	-	1,443

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25. Income attributable to depositors

	Group		Bank	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
Mudharabah funds	507	1,529	507	1,529
Non-Mudharabah funds	143,857	139,848	143,976	139,957
Deposits and placements of banks and other financial institutions:				
Non-Mudharabah funds	2,048	9,675	2,048	9,675
	146,412	151,052	146,531	151,161

26. Personnel expenses

Group	Group		Bank	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Salary and wages	31,929	30,216	31,460	29,661
Contribution to defined contribution plan	6,202	6,095	6,133	6,005
Social security contributions	335	281	335	281
Allowances and bonuses	4,322	9,037	4,261	8,987
MSS cost	2,451	-	2,451	-
Others	3,964	3,557	3,949	3,537
	49,203	49,186	48,589	48,471

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27. Other overheads and expenditures

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Promotion				
Advertisement and publicity	3,284	2,801	3,284	2,801
Others	1,663	1,220	1,654	1,208
Establishment				
Rental	3,161	3,232	3,022	3,033
Depreciation	4,640	4,710	4,631	4,700
Amortisation of intangible assets	6,836	6,344	6,772	6,295
Amortisation of prepaid land lease payment	1	1	1	1
Information technology expenses	11,049	7,759	11,049	7,759
Repair and maintenance	751	402	638	326
Hire of equipment	1,118	1,180	1,023	1,038
Takaful	1,929	4,739	1,929	4,739
Utilities expenses	1,234	1,358	1,228	1,351
Security expenses	1,985	1,653	1,985	1,653
Others	889	807	889	807
General expenses				
Auditors' fees	106	105	106	105
Professional fees	211	713	164	672
Legal expenses	227	837	227	837
Telephone	454	357	454	357
Stationery and printing	381	507	377	502
Postage and courier	186	475	186	475
Travelling	342	430	341	427
Directors remuneration and Shariah Committee allowance	877	886	865	873
Others	2,730	3,072	3,197	3,610
	44,054	43,588	44,022	43,569

28. Finance cost

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Dividend paid- subordinated sukuk	3,622	4,855	3,622	4,855
Dividend paid- senior sukuk	6,882	16	6,882	16
	10,504	4,871	10,504	4,871

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29. Zakat

	Group		Bank	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Provision for zakat for the year	1,163	1,062	946	1,011
Over provision in prior year	-	16	-	-
	1,163	1,078	946	1,011

30. Taxation

	Group		Bank	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Current income tax	11,371	7,991	9,258	7,507
Deferred tax:				
Relating to origination and reversal of temporary differences	1,216	6,942	1,216	6,942
	12,587	14,933	10,474	14,449

Income tax expense is recognised in each interim period based on the best estimate of the annual income tax rate expected for the full financial year. The effective tax rate for the current interim period was higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

Domestic current income tax is calculated at the statutory tax rate of 24% (31 March 2017: 24%) of the estimated assessable profit for the period.

31. Credit exposures arising from credit transactions with connected parties

	Group	
	30 June 2017	31 March 2017
	RM'000	RM'000
Outstanding credit exposures with connected parties (RM'000)	1,387,443	1,505,626
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.0%	6.1%
	Bank	
	Bank 30 June	31 March 2017
	RM'000	RM'000
Outstanding credit exposures with connected parties (RM'000)	1,482,096	1,505,626
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	6.4%	6.1%

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

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

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

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

32. Commitments and contingencies

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

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

	Group and Bank		
	30 June 2017		
	Principal	Credit	Risk
	Amount	Equivalent	Weighted
	RM'000	Amount	Assets
	RM'000	RM'000	RM'000
The commitments and contingencies constitute the following:			
Contingent liabilities			
Direct credit substitutes	223,062	223,062	194,336
Trade-related contingencies	56,640	11,328	9,999
Transaction-related contingencies	433,574	216,787	212,088
Commitments			
Credit extension commitment:			
Maturity within one year	980,191	196,038	176,896
Maturity exceeding one year	957,785	478,892	423,738
Islamic derivative financial instruments			
Foreign exchange related contracts	2,478,305	60,778	33,775
Profit rate-related contracts	2,000,000	24,474	4,895
	7,129,557	1,211,359	1,055,727

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32. Commitments and contingencies (cont'd.)

Group and Bank
31 March 2017

	Principal Amount RM'000	Credit Equivalent Amount RM'000	Total Risk Weighted Amount RM'000
The commitments and contingencies constitute the following:			
Contingent liabilities			
Direct credit substitutes	213,136	213,136	181,099
Trade-related contingencies	22,970	4,594	4,581
Transaction-related contingencies	425,973	212,986	208,304
Commitments			
Credit extension commitment:			
Maturity within one year	798,577	159,715	146,883
Maturity exceeding one year	1,019,465	509,732	452,990
Islamic derivative financial instruments			
Foreign exchange related contracts	2,875,367	88,561	69,605
Profit rate related contracts	2,000,000	104,111	20,822
	7,355,488	1,292,835	1,084,284

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33. Capital adequacy

(a) The capital adequacy ratio of the Group/Bank is as follows:

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
Computation of Total Risk Weighted Assets ("RWA")				
Total credit RWA	12,491,285	12,913,767	12,470,021	12,870,829
Total market RWA	67,327	26,483	67,327	26,483
Total operational RWA	1,149,738	1,131,625	1,130,415	1,115,342
Total RWA	13,708,350	14,071,875	13,667,763	14,012,654
Computation of Capital Ratio				
<u>Tier-I capital</u>				
Paid-up ordinary share capital	1,195,000	1,195,000	1,195,000	1,195,000
Retained profits	294,528	294,528	289,726	289,726
<u>Other Reserves</u>				
Statutory reserve	658,158	658,158	656,561	656,561
Unrealised losses on available for-sale financial instruments	(12,072)	(11,298)	(25,600)	(33,734)
Foreign exchange translation reserve	995	2,183	995	2,183
Regulatory Adjustment				
Less: Deferred tax assets	(17,841)	(19,589)	(17,841)	(19,589)
Investment in subsidiaries	-	-	(8,055)	(8,055)
Intangible asset (net of deferred tax liabilities)	(87,835)	(99,573)	(91,782)	(99,183)
Total Common Equity Tier-I Capital	2,030,933	2,019,409	1,999,004	1,982,909
Total Tier-I Capital	2,030,933	2,019,409	1,999,004	1,982,909
<u>Tier-II capital</u>				
Subordinated sukuk	250,354	253,964	250,354	253,964
Collective assessment allowance for non-impaired financing	73,861	75,211	73,861	75,211
Total Tier-II Capital	324,215	329,175	324,215	329,175
Total Capital Base	2,355,148	2,348,584	2,323,219	2,312,084
Ratio (%)				
CET 1 Capital	14.82%	14.35%	14.63%	14.15%
Tier 1 Capital	14.82%	14.35%	14.63%	14.15%
Total Capital	17.18%	16.69%	17.00%	16.50%

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33. Capital adequacy (cont'd.)

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I capital ratio and Tier I capital ratio are 4.5% and 6.0% respectively for the current period. The minimum regulatory capital adequacy requirement remains at 8.0% (31 March 2016: 8.0%) for total capital ratio.

The current year's core capital ratios and risk-weighted capital ratios were computed using reported amounts which form part of the current year financial statements which have been prepared in accordance with MFRS.

(b) Credit risk disclosure by risk weights of the Group are as follows :

	Group			
	30 June 2017 RM'000			31 March 2017 RM'000
	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%	5,053,545	-	5,888,524	-
20%	3,046,911	609,382	3,294,361	658,872
35%	2,804,067	981,423	2,778,346	972,421
50%	1,745,203	872,602	1,770,574	885,287
75%	2,245,122	1,683,842	2,328,702	1,746,527
100%	8,287,877	8,287,877	8,560,093	8,560,093
150%	37,439	56,159	60,378	90,567
Risk weighted assets for credit risk	23,220,164	12,491,285	24,680,978	12,913,767
Risk weighted assets for market risk		67,327		26,483
Risk weighted assets for operational risk		1,149,738		1,131,625
Total risk weighted assets		13,708,350		14,071,875

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33. Capital adequacy (cont'd.)

(b) Credit risk disclosure by risk weights of the Group are as follows :

	Bank			
	30 June 2017 RM'000		31 March 2017 RM'000	
	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%	5,053,545	-	5,888,524	-
20%	3,046,911	609,382	3,294,361	658,872
35%	2,804,067	981,423	2,778,346	972,421
50%	1,745,203	872,602	1,770,574	885,287
75%	2,245,122	1,683,842	2,328,702	1,746,527
100%	8,289,212	8,289,212	8,573,082	8,573,082
150%	22,373	33,560	23,093	34,640
Risk weighted assets for credit risk	23,206,433	12,470,021	24,656,682	12,870,829
Risk weighted assets for market risk		67,327		26,483
Risk weighted assets for operational risk		1,130,415		1,115,342
Total risk weighted assets	13,667,763		14,012,654	

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34. Fair values of financial instruments

(a) Financial instruments measured at fair value

Determination of fair value and the fair value hierarchy

MFRS 7 Financial Instruments: Disclosures requires the classification of financial instruments held at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of financial instruments:

Level 1 - quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the instrument's valuation.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length. Valuation techniques used incorporate assumptions regarding discount rates, profit rate yield curves, estimates of future cash flows and other factors. Changes in these assumptions could materially affect the fair values derived. The Bank generally uses widely recognised valuation techniques with market observable inputs for the determination of fair value, which require minimal management judgement and estimation, due to the low complexity of the financial instruments held.

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34. Fair values of financial instruments (cont'd.)

(a) Financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

The following table shows the financial instruments which are measured at fair value at the reporting date analysed by the various level within the fair value hierarchy:

Group	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	
30 June 2017				
Non-financial assets				
Investment properties	-	-	38,778	38,778
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	197,348	197,348
Financial investments available-for-sale	149,514	5,778,807	5,255	5,933,576
Derivative financial assets	-	16,642	-	16,642
Total financial assets measured at fair value	149,514	5,795,449	202,603	6,147,566
Financial liabilities				
Derivative financial liabilities	-	27,084	-	27,084
Total financial liabilities measured at fair value	-	27,084	-	27,084

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34. Fair values of financial instruments (cont'd.)

(a) Financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Group (cont'd.)	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	
31 March 2017				
Non-financial assets				
Investment properties	-	-	38,778	38,778
Financial assets				
Financial investments designated at fair value through profit and 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
30 June 2017				
Non-financial assets				
Investment properties	-	-	38,778	38,778
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	197,348	197,348
Financial investments available-for-sale	118,911	5,778,806	5,255	5,902,972
Derivative financial assets	-	16,642	-	16,642
Total financial assets measured at fair value	118,911	5,795,448	202,603	6,116,962

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34. Fair values of financial instruments (cont'd.)

(a) Financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Financial liabilities

Derivative financial liabilities	-	27,084	-	27,084
Total financial liabilities measured at fair value	-	27,084	-	27,084

Bank (cont'd.)	<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	
31 March 2017				
Non-financial assets				
Investment properties	-	-	38,778	38,778

Financial assets

Financial investments designated at fair value through profit and 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

Financial liabilities

Derivative financial liabilities	-	63,088	-	63,088
Total financial liabilities measured at fair value	-	63,088	-	63,088

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34. Fair values of financial instruments (cont'd.)

(a) Financial instruments measured at fair value (cont'd.)

Determination of fair value and the fair value hierarchy (cont'd.)

Reconciliation of financing assets at fair value measurements in Level 3 of the fair value hierarchy:

	Group		Bank	
	30 June 2017 RM'000	31 March 2017 RM'000	30 June 2017 RM'000	31 March 2017 RM'000
At beginning of the period	202,523	205,619	202,523	196,586
Gain/(loss) recognised in income statement	6,363	(33,526)	6,363	(24,493)
Purchases	-	4,929	-	4,929
Foreign exchange translation difference	(6,283)	25,501	(6,283)	25,501
At the end of the period	202,603	202,523	202,603	202,523

The reason for the transfer was due to impairment of the securities which resulted in the inability to obtain market prices for the securities as at reporting date.

	Group	
	30 June 2017 RM'000	31 March 2017 RM'000
Total gain/(loss) recognised in income statement for financial instruments measured at fair value at the end of the financial period	6,363	(33,526)

	Bank	
	30 June 2017 RM'000	31 March 2017 RM'000
Total gain/(loss) recognised in income statement for financial instruments measured at fair value at the end of the financial period	6,363	(24,493)

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35. Segment information

(a) Business segments

The Bank is organised into three (3) 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 ("IPO") and debt restructuring advisory services. It also explores investment opportunities via private equity investments for the Bank.

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35. 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	Business	Consumer	Treasury and	Others	Total
30 June 2017	banking	banking	investment	banking	Others
	RM'000	RM'000	banking	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	73,864	168,484	82,794	6,557	331,699
Total income	37,460	100,847	26,057	20,923	185,287
Allowance for impairment on financing	(4,222)	(27,349)	34	-	(31,537)
Impairment loss on investments	-	-	-	-	-
Other expenses	-	-	-	(6,169)	(6,169)
Total net income	33,238	73,498	26,091	14,754	147,581
Total overhead expenses					(103,761)
Profit before zakat and taxation					43,820
Zakat					(1,163)
Taxation					(12,587)
Profit for the period					30,070

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35. Segment information (cont'd.)

(a) Business segments (cont'd.)

Group	Business	Consumer	Treasury and	Others	Total
30 June 2016	banking	banking	investment	banking	Others
	RM'000	RM'000	banking	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	69,379	165,002	64,639	9,981	309,001
Total Income	32,536	96,748	467	28,198	157,949
Allowance for impairment on financing	208	(13,620)	399	-	(13,013)
Impairment loss on investments	-	-	(1,443)	-	(1,443)
Other expenses	-	-	-	(2,729)	(2,729)
Total net income	32,744	83,128	(577)	25,469	140,764
Total Overhead expenses					(97,645)
Profit before zakat and taxation					43,119
Zakat					(1,078)
Taxation					(14,933)
Profit for the period					27,108

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35. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank	Business	Consumer	Treasury and	Others	Total
30 June 2017	banking	banking	investment	banking	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	73,864	168,484	76,286	6,557	325,191
Total Income	37,460	100,847	19,430	20,923	178,660
Allowance for impairment on financing	(4,222)	(27,349)	34	-	(31,537)
Impairment loss on investments	-	-	-	-	-
Other expenses	-	-	-	(6,169)	(6,169)
Total net income	33,238	73,498	19,464	14,754	140,954
Total Overhead expenses					(103,115)
Profit before zakat and taxation					37,839
Zakat					(946)
Taxation					(10,474)
Profit for the period					26,419

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35. Segment information (cont'd.)

(a) Business segments (cont'd.)

Bank 30 June 2016	Business banking RM'000	Consumer banking RM'000	Treasury and investment banking RM'000	Others RM'000	Total RM'000
Revenue	69,379	165,002	62,041	9,980	306,402
Total Income	32,536	96,748	(2,597)	28,554	155,241
Allowance for impairment on financing	208	(13,620)	(301)	-	(13,713)
Impairment loss on investments	-	-	(1,443)	-	(1,443)
Other expenses	-	-	-	(2,729)	(2,729)
Total net income	32,744	83,128	(4,341)	25,825	137,356
Total Overhead expenses					(96,911)
Profit before zakat and taxation					40,445
Zakat					(1,011)
Taxation					(14,449)
Profit for the period					24,985