



BANK MUAMALAT MALAYSIA BERHAD

Company No. 6175-W
(Incorporated in Malaysia)

**UNAUDITED CONDENSED
FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
30 SEPTEMBER 2016 (28 ZULHIJJAH 1437H)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

	Note	Group		Bank	
		As at 30.09.2016 RM'000	As at 31.03.2016 RM'000	As at 30.09.2016 RM'000	As at 31.03.2016 RM'000
ASSETS					
Cash and short-term funds		795,752	1,008,391	795,752	1,008,391
Cash and placements with financial institutions		52,528	60,710	52,528	60,710
Financial investments designated at fair value through profit or loss (FVTPL)	9(a)	199,859	186,355	190,827	177,322
Financial investments available-for-sale	9(b)	5,221,700	5,700,165	5,201,543	5,700,012
Financial investments held-to-maturity	9(c)	141,393	140,608	141,393	140,608
Islamic derivative financial assets	10	33,258	40,601	33,258	40,601
Financing of customers	11	14,745,684	14,512,877	14,774,300	14,522,194
Other assets	12	77,168	71,909	72,699	77,236
Statutory deposits with Bank Negara Malaysia		709,805	703,261	709,805	703,261
Investment in subsidiaries		-	-	8,055	8,055
Investment properties		36,218	32,529	36,218	32,529
Intangible assets		116,270	121,121	115,809	120,563
Property, plant and equipment		54,437	58,127	54,378	58,050
Prepaid land lease payment		231	235	231	235
Total assets		22,184,303	22,636,889	22,186,796	22,649,767
LIABILITIES					
Deposits from customers	14	18,728,413	19,643,428	18,741,754	19,664,220
Investment account of customer	15	8,741	-	8,741	-
Deposits and placements of banks and other financial institutions	16	965,275	442,252	965,275	442,252
Bills and acceptances payable		13,465	29,350	13,465	29,350
Islamic derivative financial liabilities	10	50,861	49,359	50,861	49,359
Other liabilities	17	50,881	64,981	50,687	64,657
Provision for zakat and taxation	18	6,460	4,935	5,990	4,512
Deferred tax liabilities (net)	13	17,112	568	17,112	568
Subordinated sukuk	19	259,355	406,079	259,355	406,079
Total liabilities		20,100,563	20,640,952	20,113,240	20,660,997
SHAREHOLDERS' EQUITY					
Share capital		1,195,000	1,195,000	1,195,000	1,195,000
Reserves		888,740	800,937	878,556	793,770
Total shareholders' equity		2,083,740	1,995,937	2,073,556	1,988,770
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		22,184,303	22,636,889	22,186,796	22,649,767
Restricted investment accounts	15	514	-	514	-
Total Islamic banking asset		22,184,817	22,636,889	22,187,310	22,649,767
COMMITMENTS AND CONTINGENCIES					
	30	10,426,996	8,014,896	10,426,996	8,014,896
CAPITAL ADEQUACY *					
CET 1 capital ratio	31	13.34%	13.85%	13.30%	13.76%
Total capital ratio	31	15.57%	16.08%	15.55%	15.99%

* 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 Bank for the financial year ended 31 March 2016.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

<u>Group</u>	Note	3 months ended		6 months ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of depositors' funds and others	20	291,488	265,646	586,846	532,806
Income derived from investment of shareholders' funds	21	15,527	21,353	29,201	50,615
Allowance for impairment on financing	22	(24,745)	(7,074)	(37,757)	(25,217)
Writeback of provision for commitments and contingencies		2,282	-	2,282	-
Impairment loss on investments	23	(9,077)	-	(10,520)	-
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(1,732)	(2,179)	(4,461)	(5,959)
Total distributable income		273,743	277,746	565,591	552,245
Income attributable to depositors	24	(146,212)	(136,259)	(297,264)	(277,929)
Total net income		127,531	141,487	268,327	274,316
Personnel expenses	25	(46,500)	(47,492)	(95,686)	(97,395)
Other overheads and expenditures	26	(39,930)	(34,462)	(83,547)	(74,235)
Finance cost		(3,705)	(5,178)	(8,576)	(10,323)
Profit before zakat and taxation		37,396	54,355	80,518	92,363
Zakat	27	(937)	(1,364)	(2,015)	(2,313)
Taxation	28	(10,630)	(13,181)	(25,563)	(25,627)
Profit for the period		25,829	39,810	52,940	64,423
Earnings per share (sen):					
Basic				4.43	5.39

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 2016.

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

<u>Bank</u>	Note	3 months ended		6 months ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of depositors' funds and others	20	291,488	265,646	586,846	532,806
Income derived from investment of shareholders' funds	21	13,587	19,476	24,631	46,144
Allowance for impairment on financing	22	(24,745)	(7,074)	(38,457)	(25,217)
Writeback of provision for commitments and contingencies		2,282	-	2,282	-
Impairment loss on investments	23	(9,077)	-	(10,520)	-
Other expenses directly attributable to the investment of the depositors and shareholders' funds		(1,732)	(2,179)	(4,461)	(5,959)
Total distributable income		271,803	275,869	560,321	547,774
Income attributable to depositors	24	(146,306)	(136,409)	(297,467)	(278,131)
Total net income		125,497	139,460	262,854	269,643
Personnel expenses	25	(45,699)	(46,787)	(94,170)	(96,080)
Other overheads and expenditures	26	(39,970)	(34,376)	(83,540)	(74,116)
Finance cost		(3,705)	(5,178)	(8,576)	(10,323)
Profit before zakat and taxation		36,123	53,119	76,568	89,124
Zakat	27	(903)	(1,328)	(1,914)	(2,228)
Taxation	28	(10,281)	(12,846)	(24,730)	(24,807)
Profit for the period		24,939	38,945	49,924	62,089

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 2016.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

<u>Group</u>	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Profit for the period	25,829	39,810	52,940	64,423
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
Net unrealised gain/(loss) on revaluation of financial investment available-for-sale	28,885	(82,881)	43,627	(83,004)
Income tax relating to components of other comprehensive income/(loss)	(6,905)	19,790	(10,411)	19,913
Exchange fluctuation reserve	296	(303)	1,647	79
Other comprehensive income/(loss) for the period, net of tax	22,276	(63,394)	34,863	(63,012)
Total comprehensive income/(loss) for the period	48,105	(23,584)	87,803	1,411

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 2016.

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Bank				
Profit for the period	24,939	38,945	49,924	62,089
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss				
Net unrealised gain/(loss) on revaluation of financial available-for-sale	28,885	(82,881)	43,627	(83,004)
Income tax relating to components of other comprehensive income/(loss)	(6,905)	19,790	(10,411)	19,913
Exchange fluctuation reserve	296	(303)	1,647	79
Other comprehensive income/(loss) for the period, net of tax	22,276	(63,394)	34,863	(63,012)
Total comprehensive income/(loss) for the period	47,215	(24,449)	84,787	(923)

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 2016.

BANK MUAMALAT MALAYSIA BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

	Note	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	
Group							
At 1 April 2016		1,195,000	582,822	(2,054)	212	219,957	1,995,937
Profit for the period		-	-	-	-	52,940	52,940
Other comprehensive income for the period		-	-	1,647	33,216	-	34,863
Total comprehensive income for the period		-	-	1,647	33,216	52,940	87,803
Transfer to statutory reserve		-	24,962	-	-	(24,962)	-
At 30 September 2016		1,195,000	607,784	(407)	33,428	247,935	2,083,740
At 1 April 2015		1,195,000	515,612	(584)	(10,592)	155,258	1,854,694
Profit for the period		-	-	-	-	64,423	64,423
Other comprehensive loss for the period		-	-	79	(63,091)	-	(63,012)
Total comprehensive income for the period		-	-	79	(63,091)	64,423	1,411
Transfer to statutory reserve		-	31,041	-	-	(31,041)	-
At 30 September 2015		1,195,000	546,653	(505)	(73,683)	188,640	1,856,105

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

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 2016.

BANK MUAMALAT MALAYSIA BERHAD
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

	Note	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 period		-	-	-	-	49,924	49,924
Other comprehensive income for the period		-	-	1,647	33,216	-	34,863
Total comprehensive income for the period		-	-	1,647	33,216	49,924	84,787
Transfer to statutory reserve		-	24,962	-	-	(24,962)	-
At 30 September 2016		1,195,000	606,187	(407)	33,428	239,348	2,073,557
At 1 April 2015		1,195,000	514,015	(584)	(10,592)	147,177	1,845,016
Profit for the period		-	-	-	-	62,089	62,089
Other comprehensive loss for the period		-	-	79	(63,091)	-	(63,012)
Total comprehensive loss for the period		-	-	79	(63,091)	62,089	(923)
Transfer to statutory reserve		-	31,041	-	-	(31,041)	-
At 30 September 2015		1,195,000	545,056	(505)	(73,683)	178,224	1,844,093

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

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 2016.

Bank Muamalat Malaysia Berhad
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UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

	Group		Bank	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Cash flows from operating activities				
Profit before zakat and taxation	80,518	92,363	76,568	89,124
Adjustment for				
Amortisation of prepaid land and lease payment	2	2	2	2
Amortisation of intangible asset	13,050	11,330	12,953	11,233
Depreciation of property, plant and equipment	9,362	10,392	9,343	10,373
Gain on disposal of property, plant and equipment	(1)	(52)	(1)	(52)
Fixed asset written off	3	2	3	2
(Accretion of discount)/amortisation of premium, net	(1,092)	1,179	(1,092)	1,179
Net gain from sale of fair value through profit or loss	(534)	-	(534)	-
Net gain from sale of financial investment available-for-sale	(7,905)	(4,593)	(7,905)	(4,593)
Net gain from sale of financial investment held-for-trading	-	(345)	-	(345)
Net gain from sale of financial investment designated at FVTPL	(3)	-	(3)	-
Net (gain)/loss on revaluation of foreign exchange transaction	(8,355)	8,905	(8,355)	8,905
Net gain from foreign exchange derivatives	(2,591)	(11,249)	(2,591)	(11,249)
Unrealised loss/(gain) on revaluation of islamic profit rate swap	11,435	(24,973)	11,435	(35,780)
Unrealised loss/(gain) on revaluation of hedged items	(6,085)	11,366	(6,085)	11,366
Gain from derecognition fair value of hedged items	(886)	-	(886)	-
Impairment loss on investment securities	10,520	-	10,520	-
Writeback of provision for commitments and contingencies	(2,282)	-	(2,282)	-
Allowance for impairment on financing	43,222	29,264	43,922	29,264
Financing written off	1,440	1,162	1,440	1,162
Finance cost	8,576	10,323	8,576	10,323
Gross dividend income	(1,615)	(1,612)	(1,612)	(1,612)
Operating profit before working capital changes	146,779	133,464	143,416	119,302

Bank Muamalat Malaysia Berhad
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UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

	Group		Bank	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
(Increase)/decrease in operating assets:				
Cash and short-term funds with original maturity of more than three months	(8,819)	-	(8,819)	-
Financial investment portfolio	(9,672)	6,359	(9,670)	6,359
Islamic derivative financial assets	9,934	(68,603)	9,934	(68,603)
Financing of customers	(270,498)	(747,194)	(290,497)	(740,395)
Statutory deposits with Bank Negara Malaysia	(6,544)	54,360	(6,544)	54,360
Other assets	8,929	(18,204)	18,724	(15,464)
Increase/(decrease) in operating liabilities:				
Deposits from customers	(915,015)	(1,730,275)	(922,466)	(1,736,943)
Investment accounts of customers	8,741	-	8,741	-
Deposits and placements of banks and other financial institutions	523,023	1,077,878	523,023	1,077,878
Islamic derivative financial liabilities	(9,933)	57,723	(9,933)	68,530
Bills and acceptances payable	(15,885)	5,307	(15,885)	5,307
Other liabilities	(11,818)	(9,240)	(11,688)	(10,451)
Cash (used in)/generated from operations	(550,778)	(1,238,425)	(571,664)	(1,240,120)
Zakat paid	(4,429)	(3,346)	(4,237)	(3,121)
Tax paid	(9,265)	(9,625)	(8,570)	(8,155)
Net cash used in operating activities	(564,472)	(1,251,396)	(584,471)	(1,251,396)
Cash flows from investing activities				
Proceeds from disposal of financial investment in securities	5,419,696	5,241,840	5,419,696	5,241,840
Purchase of financial investment in securities	(4,913,619)	(4,838,618)	(4,893,617)	(4,838,618)
Proceeds from disposal of property, plant and equipment	1	60	1	60
Purchase of investment properties	(3,689)	(430)	(3,689)	(430)
Purchase of property, plant and equipment	(5,429)	(4,845)	(5,429)	(4,845)
Purchase of intangible asset	(8,443)	(10,376)	(8,443)	(10,376)
Dividend income	1,615	1,612	1,612	1,612
Net cash generated from investing activities	490,132	389,243	510,131	389,243

Bank Muamalat Malaysia Berhad
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UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016 (28 ZULHIJAH 1437H)

	Group		Bank	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Cash flows from financing activities				
Dividend paid on Islamic subordinated sukuk	(10,300)	(10,300)	(10,300)	(10,300)
Redemption of subordinated sukuk	(400,000)	-	(400,000)	-
Additional issuance of subordinated sukuks	255,000	-	255,000	-
Net cash used in financing activities	(155,300)	(10,300)	(155,300)	(10,300)
Net decrease in cash and cash equivalents	(229,640)	(872,453)	(229,640)	(872,453)
Cash and cash equivalents at beginning of the period	1,069,101	1,226,944	1,069,101	1,226,944
Cash and cash equivalents at end of the period	839,461	354,491	839,461	354,491
Cash and cash equivalents consist of:				
Cash and short term funds	795,752	354,491	795,752	354,491
Cash and placements with financial institutions	52,528	-	52,528	-
	848,280	354,491	848,280	354,491
Less:				
Cash and short-term funds with original maturity of more than three months	(8,819)	-	(8,819)	-
	839,461	354,491	839,461	354,491

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 2016.

BANK MUAMALAT MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2016
(28 ZULHIJAH 1437H)

1. Basis of Preparation

The unaudited condensed financial statements for the half year ended 30 September 2016 of Bank Muamalat Malaysia Berhad ("BMMB" or "the Bank") and its subsidiaries (the "Group") have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act, 1965 in Malaysia.

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

The financial statements of the Group and of the Bank are prepared under the historical cost basis 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 September 2016 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 2016. 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 2016.

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 2016 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
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 101: Disclosure Initiatives	1 January 2016
Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127: Equity Method in Separate Financial Statements	1 January 2016
MFRS 14 Regulatory Deferral Accounts	1 January 2016

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.

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1. Basis of Preparation (cont'd.)

Description	Effective for annual periods beginning on or after
MFRS 107 Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019

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.

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

Guidance issued by Bank Negara Malaysia ("BNM")

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 30 September 2016, the Group and the Bank has presented required disclosures in Note 15.

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2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2016 was not qualified.

3. Significant events

There was no significant event during the financial half year ended 30 September 2016.

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 financial half year ended 30 September 2016.

5. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cashflows of the Bank during the financial half year ended 30 September 2016.

6. Changes in accounting estimates

There were no material changes in estimates during the financial half year ended 30 September 2016.

7. Dividends

There was no dividend payment during the financial half year ended 30 September 2016.

8. Performance Review and Outlook

PERFORMANCE REVIEW

The Group posted an unaudited profit before zakat and taxation of RM80.5 million for the half year ended 30 September 2016, an decrease of 12.8% from the previous corresponding period in 2015. This is largely attributed to higher income attributable to depositors by RM19.3 million (7.0%), coupled with higher allowance for impairment loss on financing and investments by RM12.5 million (49.7%) and marginally higher overheads by RM7.6 million (4.4%), as compared to the same period last year. However, it is partially offset by higher total income from investment of depositors' and shareholders' funds by RM32.6 million or 5.6%.

Total assets of the Group stood at RM22.2 billion, slightly lower from RM22.6 billion registered in March 2016, despite positive growth in financing asset. This is mainly contributed by the lower financial investments available-for-sale.

OUTLOOK

Global economic growth remained moderate and expected to weaken further due to slower growth in advanced economies, continuous lower commodity prices and volatile international financial markets. Not immune to these external uncertainties, Malaysia's economy grew at slower pace of 4.1% in the 1st half of 2016 (1H15: 5.3%) with expectation of growth to remain weak and domestic demand to continue to be the main driver of growth. Banking sector is also projected to remain on slower growth following a surprise cut in Overnight Policy Rate (OPR) to 3.00% from 3.25% in July 2016.

Premised on the above expectations, the Bank plans to further manage its costs while maintaining its cautious growth in consumer financing. The Bank continues to target on expanding its wealth management and Bancatakafal services. Embarking on a new venture in digital banking as well as sustained efforts on Ar-Rahnu business will be among the top priorities in the Bank's agenda.

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9. Financial Investments

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
(a) Financial investments designated at fair value through profit or loss				
Unquoted securities in Malaysia:				
Private equity funds	200,556	186,355	190,824	177,322
Malaysian government investment certificates	3	-	3	-
	200,559	186,355	190,827	177,322
Accumulated impairment loss	(700)	(700)	-	-
	199,859	185,655	190,827	177,322

(b) Available-for-sale

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

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
<u>At fair value</u>				
Government securities and treasury bills:				
Malaysian government investment certificates	2,529,955	2,871,545	2,529,955	2,871,545
Quoted securities in Malaysia:				
Quoted shares	103,130	90,353	102,973	90,200
Quoted securities outside Malaysia:				
Quoted shares	22,705	21,679	22,705	21,679
Unquoted securities:				
Islamic private debt securities in Malaysia	2,562,989	2,604,315	2,562,989	2,604,315
Cagamas bonds	41,061	61,222	41,061	61,222
Foreign Islamic private debt securities and sukuk	35,630	33,345	35,630	33,345
	2,639,680	2,698,882	2,639,680	2,698,882
Accumulated impairment loss	(99,151)	(87,352)	(99,151)	(87,352)
	5,196,319	5,595,107	5,196,162	5,594,954
<u>At cost</u>				
Money market instruments:				
Negotiable Islamic debt certificates	-	99,677	-	99,677
Unquoted securities:				
Shares in Malaysia	25,381	5,381	5,381	5,381
Total available-for-sale securities	5,221,700	5,700,165	5,201,543	5,700,012

(c) Held-to-maturity

	Group and Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
<u>At amortised cost</u>		
Unquoted Islamic corporate bond and sukuk in Malaysia	141,393	140,608

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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 September 2016			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	
Trading derivatives:						
Foreign exchange contracts						
- Currency forwards						
Less than one year	861,645	13,871	(11,095)	680,222	21,123	(19,656)
- Currency swaps						
Less than one year	1,613,906	19,198	(14,370)	580,728	19,123	(15,238)
- Currency spot						
Less than one year	46,290	186	(55)	72,916	305	(512)
- Dual currency investment option	-	3	(3)	-	50	(50)
	2,521,841	33,258	(25,523)	1,333,866	40,601	(35,456)
Islamic profit rate swap ("IPRS")						
Unhedged IPRS	2,175,000	-	(7,132)	2,175,000	-	(3,359)
Hedged IPRS	1,500,000	-	(18,206)	1,500,000	-	(10,544)
Total	6,196,841	33,258	(50,861)	5,008,866	40,601	(49,359)

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 September 2016			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
Islamic profit rate swap (IPRS)	1,500,000	-	(18,206)	1,500,000	-	(10,544)

Fair Value hedges

Fair value hedges are used by the Group and the Bank to protect them 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 half year ended 30 September 2016, the Group and the Bank:-

- (i) recognised a net loss of RM7,661,834 (31 March 2016: RM3,465,996) on the hedging instrument. The total net gain on the hedged items attributable to the hedged risk amounted to RM6,084,807 (31 March 2016: RM 4,469,645); and
- (ii) gain from derecognition of fair value of hedged items attributable to the hedged risk of RM885,786 (31 March 2016: RM7,052,482) 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 September 2016	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	-	-	-	14,294	779,777	-	-	-	-	-	-	794,071
Term financing:												
Home financing	6,688,413	-	-	-	8,165,083	-	-	32,538	-	-	-	14,886,034
Syndicated financing	-	-	-	-	1,697,282	-	-	-	-	-	-	1,697,282
Hire purchase receivables	1,052	-	950,819	-	-	-	-	-	-	-	-	951,871
Leasing receivables	-	7,443	-	-	-	-	-	-	-	-	-	7,443
Other term financing	1,068,750	-	-	588,381	8,505,376	-	-	170,234	-	78,936	-	10,411,677
Trust receipts	-	-	-	-	-	-	126,756	-	-	-	-	126,756
Claims on customers												
under acceptance credits	-	-	-	-	-	536,401	-	-	-	-	-	536,401
Staff financing	81,436	-	-	-	91,219	-	-	800	1,302	-	-	174,757
Revolving credit	-	-	-	-	1,122,612	-	-	-	-	-	-	1,122,612
Sukuk	-	50,541	-	-	-	-	107,229	-	-	-	-	157,770
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	85,215	85,215
	7,839,651	57,984	950,819	602,675	20,361,349	536,401	233,985	203,572	1,302	78,936	85,215	30,951,889
Less : Unearned income	(4,949,910)	-	(122,390)	(70,579)	(10,682,681)	(5,445)	(1,967)	(81,902)	(8)	-	-	(15,914,882)
Gross financing	2,889,741	57,984	828,429	532,096	9,678,668	530,956	232,018	121,670	1,294	78,936	85,215	15,037,007
Fair value changes arising from fair value hedge	-	-	-	809	9,745	-	-	-	-	-	-	10,554
	2,889,741	57,984	828,429	532,905	9,688,413	530,956	232,018	121,670	1,294	78,936	85,215	15,047,561
Less : Allowance for impaired financing												
Collective assessment	(49,062)	(28)	(23,506)	(989)	(162,347)	(1,378)	(718)	(217)	(43)	-	(3,378)	(241,666)
Individual assessment	(414)	-	(8,930)	(203)	(25,531)	(1,259)	(23,849)	(25)	-	-	-	(60,211)
Total net financing	2,840,265	57,956	795,993	531,713	9,500,535	528,319	207,451	121,428	1,251	78,936	81,837	14,745,684

11. Financing of Customers (cont'd.)

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

Group	Bai'		Ijarah		Tawarruq	Bai'		Istisna'	Qard	Shirkah Mutanaqisah	Rahnu	Total financing
	Bithaman Ajil RM'000	Ijarah RM'000	Thumma 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	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

11. Financing of Customers (cont'd.)

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

Bank 30 September 2016	Bai'		Ijarah			Bai'		Murabahah	Istisna'	Qard	Rahnu	Total financing
	Bithaman Ajil RM'000	Ijarah RM'000	Thumma Al-Bai RM'000	Inah RM'000	Tawarruq RM'000	Al-Dayn RM'000	RM'000					
Cash line	-	-	-	14,294	779,777	-	-	-	-	-	-	794,071
Term financing:												
Home financing	6,688,413	-	-	-	8,165,083	-	-	32,538	-	-	-	14,886,034
Syndicated financing	-	-	-	-	1,697,282	-	-	-	-	-	-	1,697,282
Hire purchase receivables	1,052	-	950,819	-	-	-	-	-	-	-	-	951,871
Leasing receivables	-	7,443	-	-	-	-	-	-	-	-	-	7,443
Other term financing	1,068,750	-	-	588,381	8,505,374	-	-	170,234	108,254	-	-	10,440,993
Trust receipts	-	-	-	-	-	-	126,756	-	-	-	-	126,756
Claims on customers under acceptance credits	-	-	-	-	-	536,401	-	-	-	-	-	536,401
Staff financing	81,436	-	-	-	91,219	-	-	800	1,302	-	-	174,757
Revolving credit	-	-	-	-	1,122,612	-	-	-	-	-	-	1,122,612
Sukuk	-	50,541	-	-	-	-	107,229	-	-	-	-	157,770
Ar-Rahnu	-	-	-	-	-	-	-	-	-	-	85,215	85,215
	7,839,651	57,984	950,819	602,675	20,361,347	536,401	233,985	203,572	109,556	85,215	85,215	30,981,205
Less : Unearned income	(4,949,910)	-	(122,390)	(70,579)	(10,682,681)	(5,445)	(1,967)	(81,902)	(8)	-	-	(15,914,882)
Gross financing	2,889,741	57,984	828,429	532,096	9,678,666	530,956	232,018	121,670	109,548	85,215	85,215	15,066,323
Fair value changes arising from fair value hedge	-	-	-	809	9,745	-	-	-	-	-	-	10,554
	2,889,741	57,984	828,429	532,905	9,688,411	530,956	232,018	121,670	109,548	85,215	85,215	15,076,877
Less : Allowance for impaired financing												
Collective assessment	(49,062)	(28)	(23,506)	(989)	(162,347)	(1,378)	(718)	(217)	(43)	(3,378)	-	(241,666)
Individual assessment	(414)	-	(8,930)	(203)	(25,531)	(1,259)	(23,849)	(25)	(700)	-	-	(60,911)
Total net financing	2,840,265	57,956	795,993	531,713	9,500,533	528,319	207,451	121,428	108,805	81,837	81,837	14,774,300

11. Financing of Customers (cont'd.)

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

Bank	Bai'		Ijarah			Bai'		Murabahah	Istisna'	Qard	Rahnu	Total financing
	Bithaman Ajil	Ijarah	Thumma	Inah	Tawarruq	Al-Dayn	RM'000					
31 March 2016	RM'000	RM'000	Al-Bai	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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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11. Financing of Customers

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

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Uses of Qard fund:				
Staff financing	1,294	443	1,294	443
Musarakah Financing	-	-	108,254	106,925
Other term financing	-	400	-	400
	1,294	843	109,548	107,768

(ii) By type of customer

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Domestic non-banking institutions	765,065	835,916	765,065	835,916
Domestic business enterprises:				
-Small business enterprises	124,979	128,823	124,979	128,823
-Others	3,662,418	3,512,917	3,691,734	3,522,233
Government and statutory bodies	525,898	551,921	525,898	551,921
Individuals	9,886,908	9,691,913	9,886,908	9,691,914
Other domestic entities	6,004	6,316	6,004	6,316
Foreign entities	65,735	70,118	65,735	70,118
	15,037,007	14,797,924	15,066,323	14,807,241

(iii) By profit rate sensitivity

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Fixed rate:				
Home financing	742,153	760,563	742,153	760,563
Hire purchase receivables	829,289	900,396	829,289	900,396
Others	3,567,957	3,903,838	3,597,273	3,913,155
Variable rate:				
Home financing	3,932,729	3,785,493	3,932,729	3,785,493
Others	5,964,879	5,447,634	5,964,879	5,447,634
	15,037,007	14,797,924	15,066,323	14,807,241

(iv) By residual contractual maturity

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Maturity				
- within one year	4,024,126	3,952,948	4,024,126	3,952,948
- more than one to five years	4,877,415	4,865,274	4,877,415	4,865,274
- more than five years	6,135,466	5,979,702	6,164,782	5,989,019
	15,037,007	14,797,924	15,066,323	14,807,241

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11. Financing of Customers (cont'd.)

(v) By sector

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Agriculture	101,579	79,148	101,579	79,148
Mining and quarrying	14,581	17,044	19,514	21,977
Manufacturing	532,858	611,107	532,858	611,107
Electricity, gas and water	209,254	212,463	209,254	212,463
Construction	398,340	386,410	398,340	386,410
Household	9,898,634	9,703,721	9,898,634	9,703,721
Real estate	1,105,728	1,032,415	1,105,728	1,032,415
Wholesale, retail and restaurant	528,089	503,722	532,889	508,522
Transport, storage and communication	371,584	298,803	391,584	298,803
Finance, takaful and business services	905,605	969,279	905,605	969,280
Purchase of transport vehicles	16,463	15,816	16,463	15,816
Consumption credit	1,266	410	1,266	410
Community, social and personal services	426,319	415,664	425,902	415,247
Government and statutory bodies	526,707	551,922	526,707	551,922
	15,037,007	14,797,924	15,066,323	14,807,241

(vi) By geographical area

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Domestic	14,985,084	14,742,117	15,014,400	14,751,434
Labuan Offshore	51,923	55,807	51,923	55,807
	15,037,007	14,797,924	15,066,323	14,807,241

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

The maximum credit exposure of the financing of customers amounts to RM1.5 billion (31 March 2016: RM1.5 billion). The cumulative change in fair value of the financings attributable to changes in profit rate risks amounts to a gain of RM10,554,452 (31 March 2016: RM4,469,645) and the change for the current year is a gain of RM6,084,807 (31 March 2016: 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.

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11. Financing of Customers (cont'd.)

Impaired Financing

(i) Movements in the impaired financing

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
At beginning of period	326,470	339,714	326,470	345,714
Classified as impaired during the period	200,794	460,265	200,094	460,265
Reclassified as performing during the period	(103,679)	(332,796)	(103,679)	(332,796)
Recovered during the period	(51,592)	(73,713)	(51,592)	(79,713)
Written off during the period	(31,946)	(67,000)	(31,946)	(67,000)
At end of period	340,047	326,470	339,347	326,470
Ratio of gross impaired financing to total financing	2.26%	2.21%	2.25%	2.20%

(ii) Movements in the allowance for impaired financing

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
<u>Collective assessment allowance</u>				
At beginning of period, as previously stated	208,439	239,227	208,439	239,227
Allowance made during the period	181,718	419,481	181,718	419,481
Amount written-back	(138,044)	(395,965)	(138,044)	(395,965)
Amount written-off	(10,447)	(54,304)	(10,447)	(54,304)
At end of period	241,666	208,439	241,666	208,439
As % of gross financing, less individual assessment allowance	1.61%	1.42%	1.61%	1.42%

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
<u>Individual assessment allowance</u>				
At beginning of period	81,078	42,631	81,078	48,631
Allowance made during the period	3,257	50,307	3,957	50,307
Amount written-back	(3,709)	(5,658)	(3,709)	(5,658)
Amount written-off	(20,415)	(6,202)	(20,415)	(12,202)
At end of period	60,211	81,078	60,911	81,078

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11. Financing of Customers (cont'd.)

Impaired Financing (cont'd.)

(iii) Impaired financing by sector

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Agriculture	45	48	45	48
Manufacturing	47,206	77,453	47,206	77,453
Construction	12,761	17,370	12,761	17,370
Household	242,343	194,836	242,343	194,836
Wholesale, retail and restaurant	11,864	6,469	11,164	6,469
Transport, storage and communication	19,356	22,805	19,356	22,805
Finance, takaful and business services	3,261	3,049	3,261	3,049
Purchase of transport vehicles	575	978	575	978
Community, social and personal service	2,636	3,462	2,636	3,462
	340,047	326,470	339,347	326,470

(iv) Impaired financing by geographical area

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Domestic	340,047	326,470	339,347	326,470
Labuan Offshore	-	-	-	-
	340,047	326,470	339,347	326,470

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12. Other Assets

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Deposits	7,558	7,345	7,526	7,313
Prepayments	8,175	3,945	8,096	3,881
Tax prepayment	-	6,226	-	6,226
Amount due from subsidiaries	-	-	212	6,147
Golf club membership	600	600	600	600
GST input tax	679	1,126	671	1,116
Other debtors	60,156	52,667	55,594	51,953
	77,168	71,909	72,699	77,236

13. Deferred Tax Liabilities

	Group and Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
At beginning of the year	(568)	(18,947)
Recognised in the income statement	(6,133)	21,762
Recognised in the equity	(10,411)	(3,383)
At end of the period	(17,112)	(568)

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 and Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
Deferred tax assets	5,088	10,315
Deferred tax liabilities	(22,200)	(10,883)
	(17,112)	(568)

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13. Deferred Tax Liabilities (cont'd.)

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

Deferred tax assets of the Group and the Bank:

	Available- for-sale RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
At 1 April 2016	-	10,008	307	10,315
Recognised in income statement	-	(5,172)	(55)	(5,227)
At 30 September 2016	-	4,836	252	5,088
At 1 April 2015	3,288	10,753	298	14,339
Recognised in income statement	-	(745)	9	(736)
Recognised in equity	(3,288)	-	-	(3,288)
At 31 March 2016	-	10,008	307	10,315

Deferred tax liabilities of the Group and the Bank:

	Available- for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 April 2016	(95)	(10,788)	(10,883)
Recognised in income statement	-	(906)	(906)
Recognised in equity	(10,411)	-	(10,411)
At 30 September 2016	(10,506)	(11,694)	(22,200)
At 1 April 2015	-	(33,286)	(33,286)
Recognised in income statement	-	22,498	22,498
Recognised in equity	(95)	-	(95)
At 31 March 2016	(95)	(10,788)	(10,883)

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14. Deposits from Customers

(a) By type of deposits

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Saving Deposit				
Qard	1,136,948	1,096,785	1,136,948	1,096,785
Tawarruq	4,617	-	4,617	-
Demand Deposit				
Qard	2,978,008	3,679,040	2,979,549	3,686,532
Tawarruq	4,217	-	4,217	-
Term Deposit				
Negotiable Islamic debt certificate - Bai' Inah	994,540	1,703,656	994,540	1,703,656
General investment deposits - Mudharabah	177,709	211,475	177,709	211,475
Short term accounts - Tawarruq	2,353,642	1,798,148	2,353,642	1,798,148
Fixed term accounts - Tawarruq	11,041,679	11,114,518	11,053,479	11,127,818
Other deposits	37,053	39,806	37,053	39,806
	18,728,413	19,643,428	18,741,754	19,664,220

(b) By type of customer

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Government and statutory bodies	6,309,775	7,219,162	6,309,775	7,219,162
Business enterprises	6,326,137	6,493,365	6,339,477	6,514,157
Individuals	1,507,459	1,461,371	1,507,459	1,461,371
Others	4,585,042	4,469,530	4,585,043	4,469,530
	18,728,413	19,643,428	18,741,754	19,664,220

The maturity structure of negotiable instruments debt certificate and mudharabah general investment accounts, short term accounts and fixed term accounts :

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Due within six months	13,823,212	12,441,730	13,835,012	12,455,030
More than six months to one year	716,857	2,358,927	716,857	2,358,927
More than one year to three years	1,720	1,477	1,720	1,477
More than three year to five years	25,781	25,663	25,781	25,663
	14,567,570	14,827,797	14,579,370	14,841,097

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15. Investment accounts of customers

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

	Group and Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
	Restricted investment accounts- On Balance Sheet With maturity more than one year to three years Wakalah	8,741

	Group and Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
	Restricted investment accounts- Off Balance Sheet With maturity more than one year to three years Wakalah	514

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 RM513,681 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.

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

	Group and Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
	Restricted investment accounts Non-retail financing Total investment	9,338 9,338

(iii) Profit sharing ratio and rate of return are as follows:

	Group and Bank	
	30 September 2016	
	Average profit sharing ratio (%)	Average rate of return (%)
Investment accounts of customers	93.0%	6.5%

	Group and Bank	
	31 March 2016	
	Average profit sharing ratio (%)	Average rate of return (%)
Investment accounts of customers	-	-

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16. Deposit and Placements of Banks and Other Financial Institutions

	Group and Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
	Non Mudharabah	
Bank Negara Malaysia	10,529	10,132
Others financial institutions	954,746	432,120
	965,275	442,252

17. Other Liabilities

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
	Sundry creditors	2,195	2,830	1,750
Provision for commitments and contingencies	13	13,782	13	13,782
Accrual for bonus	11,534	15,629	11,534	15,629
Accrual for Voluntary Separation Scheme	-	300	-	300
Accrued expenses	7,623	10,736	7,907	10,915
Accrual for directors' fees	336	665	336	665
Accrual for audit fees	385	431	376	414
GST output tax	180	-	157	-
Others	28,615	20,608	28,615	20,579
	50,881	64,981	50,688	64,657

18. Provision for Zakat and Taxation

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
	Zakat	2,274	4,688	2,189
Taxation	4,186	247	3,801	-
	6,460	4,935	5,990	4,512

19. Subordinated Sukuk

Prior year subordinated sukuk relate to the RM400.0 million Tier-2 Capital Islamic Subordinated Sukuk issued on 15 June 2011. The Bank has redeemed the sukuk on 15 June 2016.

The redemption was funded through setting up of a RM1.0 billion Sukuk programme (RM250.0 million was subscribed up to the closing date). The new sukuk programme will have loss absorption features to meet Basel III criteria and qualifies as Tier 2 capital for the purpose of Bank Negara Malaysia capital adequacy requirement.

There is also a new subordinated sukuk issued amounting RM5.0 million through senior sukuk programme.

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20. Income Derived from Investment of Depositors' Funds and Others

Group and Bank	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of:				
(a) General investment deposits	2,522	163,913	5,583	344,569
(b) Other deposits	288,966	101,733	581,263	188,237
	291,488	265,646	586,846	532,806

(a) Income derived from investment of general investment deposits

Finance income and hibah	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income from financing	1,978	126,122	4,337	261,221
Financial investment held-for-trading	-	-	-	11
Financial investments held-for-maturity	2	66	874	263
Financial investments available-for-sale	380	30,882	5	66,275
Money at call and deposit with financial institutions	45	1,048	129	5,198
	2,405	158,118	5,345	332,968
Amortisation of premium less accretion of discounts	(1)	(522)	(5)	(1,684)
Total finance income and hibah	2,404	157,596	5,340	331,284
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	3	47	5	223
- financial investments available-for-sale	29	654	68	2,302
	32	701	73	2,525
Fees and commission				
Guarantee fees	5	425	13	929
Safekeeping fees	21	945	43	1,992
Processing fees	2	126	5	725
Service charges and fees	23	1,760	49	3,941
Commission	35	2,360	60	3,173
	86	5,616	170	10,760
Total	2,522	163,913	5,583	344,569
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

	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Finance income and hibah				
Income from financing	226,354	78,015	451,438	142,703
Financial investment held-for-trading	-	-	-	6
Financial investments held-for-maturity	43,866	49	524	144
Financial investments available-for-sale	230	19,259	91,007	36,206
Money at call and deposit with financial institutions	5,400	853	13,488	2,840
	275,850	98,176	556,457	181,899
Amortisation of premium less accretion of discounts	(120)	(364)	(503)	(920)
Total finance income and hibah	275,730	97,812	555,954	180,979
Other operating income				
Net gain from sale of:				
- financial investments designated at FVTPL	297	38	529	122
- financial investments available-for-sale	3,343	468	7,057	1,258
Unrealised gain/(loss) on revaluation from financial investments designated at FVTPL	(31)	-	3	-
	3,609	506	7,589	1,380
Fees and commission				
Guarantee fees	559	266	1,377	508
Safekeeping fees	2,417	587	4,474	1,088
Processing fees	232	109	469	396
Service charges and fees	2,594	1,109	5,152	2,153
Commission	3,825	1,344	6,248	1,733
	9,627	3,415	17,720	5,878
Total	288,966	101,733	581,263	188,237
Of which :				
Financing loss earned on impaired financing	-	-	-	-

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21. Income Derived from Investment of Shareholders' Funds

Group	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Finance income and hibah				
Financial investments available-for-sale	4,207	5,515	8,329	10,945
Financial investments designated at FVTPL	(2)	-	(360)	-
Money at call and deposit with financial institutions	911	235	1,567	520
	5,116	5,750	9,536	11,465
Amortisation of premium less accretion of discounts	811	569	1,596	1,426
Total finance income and hibah	5,927	6,319	11,132	12,891
Other operating income				
Net gain/(loss) from foreign exchange transaction	(12,214)	(12,911)	8,355	(8,905)
Net gain on revaluation from foreign exchange derivatives	19,085	10,291	2,591	11,249
Net gain from sale of financial investment available-for-sale	398	712	780	1,033
Gross dividend income from investment:				
-unquoted in Malaysia	-	-	1,612	1,612
-subsidiary	1	-	3	-
Net dividend paid for Islamic profit rate swap	(1,681)	(667)	(2,171)	(855)
Unrealised (loss)/gain on revaluation of Islamic profit rate swap	(8,780)	29,602	(11,435)	35,780
Unrealised gain/(loss) on revaluation from hedged items	4,362	(16,765)	6,085	(17,533)
Gain from derecognition fair value of hedged items	443	443	886	6,167
	1,614	10,705	6,706	28,548
Fees and commission				
Corporate advisory fees	5,883	1,874	6,634	3,469
Service charges and fees	1,640	1,368	3,913	3,403
Commission	404	895	561	1,937
	7,927	4,137	11,108	8,809
Other income				
Rental income	59	140	254	315
Gain on sale of property, plant and equipment	-	52	1	52
	59	192	255	367
Total	15,527	21,353	29,201	50,615

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21. Income Derived From Investment Of Shareholders' Funds (cont'd)

Bank	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Finance income and hibah				
Financial investments available-for-sale	4,207	5,515	8,329	10,945
Financial investments designated at FVTPL	(2)	-	(360)	-
Money at call and deposit with financial institutions	911	235	1,567	520
	5,116	5,750	9,536	11,465
Amortisation of premium less accretion of discounts	811	569	1,596	1,426
Total finance income and hibah	5,927	6,319	11,132	12,891
Other operating income				
Net gain/(loss) from foreign exchange transaction	(12,214)	(12,911)	8,355	(8,905)
Net gain on revaluation from exchange derivatives	19,085	10,291	2,591	11,249
Net gain from sale of financial investment available-for-sale	398	712	780	1,033
Gross dividend income from investment: -unquoted in Malaysia	-	-	1,612	1,612
Net dividend paid for Islamic profit rate swap	(1,681)	(667)	(2,171)	(855)
Unrealised (loss)/gain on revaluation of Islamic profit rate swap	(8,780)	29,602	(11,435)	35,780
Unrealised gain/(loss) on revaluation from hedged items	4,362	(16,322)	6,085	(17,533)
Gain from derecognition fair value of hedged items	443	443	886	6,167
	1,613	10,705	6,703	28,548
Fees and commission				
Corporate advisory fees	5,515	1,283	5,828	2,271
Service charges and fees	69	82	152	130
Commission	404	895	561	1,937
	5,988	2,260	6,541	4,338
Other income				
Rental income	59	140	254	315
Gain on sale of property, plant and equipment	-	52	1	52
	59	192	255	367
Total	13,587	19,476	24,631	46,144

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22. Allowance for Impairment on Financing

Group	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Allowance for impairment on financing				
(a) Individual assessment allowance				
Made during the period	1,448	14,232	3,257	18,065
Written back during the period	(1,868)	(1,414)	(3,709)	(2,286)
	(420)	12,818	(452)	15,779
(b) Collective assessment allowance				
Made during the period	92,862	108,942	181,718	230,100
Written back during the period	(65,770)	(111,359)	(138,044)	(216,615)
	27,092	(2,417)	43,674	13,485
Bad debts on financing:				
Written off	1,259	58	1,440	1,162
Recovered	(3,186)	(3,385)	(6,905)	(5,209)
	(1,927)	(3,327)	(5,465)	(4,047)
	24,745	7,074	37,757	25,217

Bank	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Allowance for impairment on financing				
(a) Individual assessment allowance				
Made during the period	1,448	14,232	3,957	18,065
Written back during the period	(1,868)	(1,414)	(3,709)	(2,286)
	(420)	12,818	248	15,779
(b) Collective assessment allowance				
Made during the period	92,862	108,942	181,718	230,100
Written back during the period	(65,770)	(111,359)	(138,044)	(216,615)
	27,092	(2,417)	43,674	13,485
Bad debts on financing:				
Written off	1,259	58	1,440	1,162
Recovered	(3,186)	(3,385)	(6,905)	(5,209)
	(1,927)	(3,327)	(5,465)	(4,047)
	24,745	7,074	38,457	25,217

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23. Impairment loss on investments

	3 months ended		6 months ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Group and Bank	RM'000	RM'000	RM'000	RM'000
Loss on corporate bonds included under available-for-sale financial investments	9,077	-	10,520	-
	9,077	-	10,520	-

24. Income Attributable to Depositors

	3 months ended		6 months ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Group	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
Mudharabah funds	15,295	10,752	31,132	26,710
Non-Mudharabah funds	130,917	125,498	266,129	246,593
Deposits and placements of banks and other financial institutions:				
Mudharabah funds	-	-	-	4,617
Non-Mudharabah funds	-	9	3	9
	146,212	136,259	297,264	277,929

	3 months ended		6 months ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Bank	RM'000	RM'000	RM'000	RM'000
Deposits from customers:				
Mudharabah funds	15,295	10,796	31,132	26,797
Non-Mudharabah funds	131,011	125,604	266,332	246,708
Deposits and placements of banks and other financial institutions:				
Mudharabah funds	-	-	-	4,617
Non-Mudharabah funds	-	9	3	9
	146,306	136,409	297,467	278,131

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25. Personnel expenses

Group	3 months ended		6 months ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salary and wages	31,129	31,199	61,345	63,507
Contribution to defined contribution plan	6,817	6,539	12,912	12,950
Social security contributions	334	271	615	554
Allowances and bonuses	5,150	5,871	14,187	12,101
Mutual Separation Scheme	206	-	206	-
Others	2,864	3,612	6,421	8,283
	46,500	47,492	95,686	97,395

Bank	3 months ended		6 months ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Salary and wages	30,628	30,682	60,289	62,507
Contribution to defined contribution plan	6,714	6,459	12,719	12,796
Social security contributions	334	271	615	554
Allowances and bonuses	4,970	5,801	13,957	11,988
Mutual Separation Scheme	206	-	206	-
Others	2,847	3,574	6,384	8,235
	45,699	46,787	94,170	96,080

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26. Other overheads and expenditures

Group	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Promotion				
Advertisement and publicity	1,736	2,141	4,537	4,593
Others	2,082	1,515	3,302	2,977
Establishment				
Rental	2,989	2,809	6,251	5,621
Depreciation	4,603	5,062	9,362	10,392
Amortisation of intangible assets	6,756	5,902	13,050	11,330
Amortisation of prepaid land lease payment	1	1	2	2
Information technology expenses	7,157	5,935	14,916	13,858
Repair and maintenance	377	518	779	1,096
Hire of equipment	1,246	747	2,426	1,768
Takaful	1,988	1,658	6,727	4,196
Utilities expenses	1,202	1,364	2,560	2,644
Security expenses	2,263	1,746	3,916	3,965
Others	846	844	1,653	1,600
General expenses				
Auditors' fees	341	86	346	171
Professional fees	534	269	1,347	634
Legal expenses	437	222	1,274	560
Telephone	495	477	852	875
Stationery and printing	513	686	1,019	1,188
Postage and courier	391	430	866	731
Travelling	391	435	821	1,180
Directors remuneration and Shariah Committee allowance	851	745	1,737	1,731
Others	2,731	870	5,804	3,123
	39,930	34,462	83,547	74,235

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26. Other overheads and expenditures (cont'd)

Bank	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Promotion				
Advertisement and publicity	1,736	2,141	4,537	4,593
Others	2,079	1,513	3,287	2,973
Establishment				
Rental	2,820	2,779	5,854	5,561
Depreciation	4,643	5,102	9,343	10,373
Amortisation of intangible assets	6,658	5,804	12,953	11,233
Amortisation of prepaid land lease payment	1	1	2	2
Information technology expenses	7,157	5,935	14,916	13,858
Repair and maintenance	308	513	634	1,091
Hire of equipment	1,140	666	2,178	1,612
Takaful	1,988	1,658	6,727	4,196
Utilities expenses	1,195	1,356	2,546	2,628
Security expenses	2,263	1,746	3,916	3,965
Others	846	844	1,653	1,600
General expenses				
Auditors' fees	341	86	346	171
Professional fees	469	215	1,241	565
Legal expenses	437	222	1,274	560
Telephone	495	477	851	874
Stationery and printing	503	680	1,005	1,179
Postage and courier	391	430	866	731
Travelling	383	431	810	1,172
Directors remuneration and Shariah Committee allowance	841	732	1,714	1,708
Others	3,276	1,045	6,887	3,471
	39,970	34,376	83,540	74,116

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27. Zakat

Group	3 months ended		6 months ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Provision for zakat for the year	937	1,364	1,999	2,313
Under provision in prior year	-	-	16	-
	937	1,364	2,015	2,313

Bank	3 months ended		6 months ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Provision for zakat for the year	903	1,328	1,914	2,228

28. Taxation

Group	3 months ended		6 months ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Current income tax	4,497	10,256	19,430	22,702
Deferred tax:				
Relating to origination and reversal of temporary differences	6,133	2,925	6,133	2,925
	10,630	13,181	25,563	25,627

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28. Taxation (cont'd)

Bank	3 months ended		6 months ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Current income tax	9,921	9,921	18,597	21,882
Deferred tax:				
Relating to origination and reversal of temporary differences	2,925	2,925	6,133	2,925
	12,846	12,846	24,730	24,807

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 2016: 24%) of the estimated assessable profit for the period.

29. Credit Exposures Arising from Credit Transactions with Connected Parties

	Group and Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
Outstanding credit exposures with connected parties (RM'000)	1,385,571	1,552,136
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	5.7%	6.5%

The credit exposures above are derived 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.

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

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

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30. 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 September 2016		
	Principal	Credit	Risk
	Amount	Equivalent	Weighted
	RM'000	Amount	Assets
		RM'000	RM'000
The commitments and contingencies constitute the following:			
Contingent liabilities			
Direct credit substitutes	58,298	58,298	58,298
Trade-related contingencies	3,278	656	229
Transaction related contingencies	444,344	222,172	222,015
Commitments			
Credit extension commitment:			
Maturity within one year	948,914	189,783	182,880
Maturity exceeding one year	2,775,321	1,387,661	616,396
Islamic derivative financial instruments			
Foreign exchange related contracts	2,521,841	80,910	42,958
Profit rate related contracts	3,675,000	46,438	9,288
	10,426,996	1,985,918	1,132,064

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30. Commitments and Contingencies (cont'd.)

Group and Bank
31 March 2016

	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	61,401	61,401	60,691
Trade-related contingencies	9,778	1,956	1,444
Transaction related contingencies	247,807	123,904	123,775
Commitments			
Credit extension commitment:			
Maturity within one year	808,248	161,650	155,099
Maturity exceeding one year	1,878,796	939,398	185,501
Islamic derivative financial instruments			
Foreign exchange related contracts	1,333,866	61,167	37,838
Profit rate related contracts	3,675,000	48,901	9,780
	8,014,896	1,398,377	574,128

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31. Capital Adequacy

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

	Group		Bank	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Computation of Total Risk Weighted Assets ("RWA")				
Total credit RWA	13,898,177	13,248,485	13,835,364	13,253,311
Total market RWA	83,857	80,829	83,857	80,829
Total operational RWA	1,108,609	1,078,204	1,091,783	1,062,151
Total RWA	15,090,643	14,407,518	15,011,004	14,396,291
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	219,958	219,957	214,387	214,387
Other Reserves				
Statutory reserve	582,822	582,822	581,225	581,225
Unrealised gain on available for-sale financial instruments	15,042	95	15,043	95
Foreign exchange translation reserve	(407)	(2,054)	(407)	(2,054)
Regulatory Adjustment				
Less: Deferred tax assets (net)	-	-	-	-
Less: Investment in subsidiaries	-	-	(8,055)	(8,055)
Total Common Equity Tier-I Capital	2,012,415	1,995,820	1,997,193	1,980,598
Total Tier-I Capital	2,012,415	1,995,820	1,997,193	1,980,598
<u>Tier-II capital</u>				
Subordinated sukuk	254,279	243,647	254,279	243,647
Collective assessment allowance	82,800	77,134	82,800	77,134
Total Tier-II Capital	337,079	320,781	337,079	320,781
Total Capital Base	2,349,494	2,316,601	2,334,272	2,301,379
Ratio (%)				
CET 1 Capital	13.34%	13.85%	13.30%	13.76%
Tier 1 Capital	13.34%	13.85%	13.30%	13.76%
Total Capital	15.57%	16.08%	15.55%	15.99%

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31. 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 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 September 2016 RM'000		31 March 2016 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%	5,196,156	-	6,045,417	-
20%	2,777,883	555,577	2,655,462	531,092
35%	2,423,175	848,111	2,219,360	776,776
50%	1,360,500	680,250	1,234,416	617,208
75%	2,685,362	2,014,022	2,315,148	1,736,361
100%	9,582,223	9,582,223	9,526,093	9,526,093
150%	145,329	217,994	40,636	60,955
Risk weighted assets for credit risk	24,170,628	13,898,177	24,036,532	13,248,485
Risk weighted assets for market risk		83,857		80,829
Risk weighted assets for operational risk		1,108,609		1,078,204
Total risk weighted assets		15,090,643		14,407,518

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31. Capital Adequacy (cont'd.)

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

	Bank			
	30 September 2016 RM'000	Total risk weighted assets RM'000	31 March 2016 RM'000	Total risk weighted assets RM'000
	Total exposures after netting and credit risk mitigation RM'000		Total exposures after netting and credit risk mitigation RM'000	
0%	5,196,156	-	6,045,417	-
20%	2,777,883	555,577	2,655,462	531,092
35%	2,423,175	848,111	2,219,360	776,776
50%	1,360,500	680,250	1,234,416	617,208
75%	2,685,362	2,014,022	2,315,148	1,736,361
100%	9,687,178	9,687,178	9,530,919	9,530,919
150%	33,484	50,226	40,636	60,955
Risk weighted assets for credit risk	24,163,738	13,835,364	24,041,358	13,253,311
Risk weighted assets for market risk		83,857		80,829
Risk weighted assets for operational risk		1,091,783		1,062,151
Total risk weighted assets		<u>15,011,004</u>		<u>14,396,291</u>

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32. 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 (ie. prices) or indirectly (ie. 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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32. 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	<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	
30 September 2016				
Non-financial assets				
Investment properties	-	-	36,218	36,218
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	199,859	199,859
Financial investments available-for-sale	106,373	5,103,664	11,663	5,221,700
Derivative financial assets	-	33,258	-	33,258
Total financial assets measured at fair value	106,373	5,136,922	211,522	5,454,817
Financial liabilities				
Derivative financial liabilities	-	50,861	-	50,861
Total financial liabilities measured at fair value	-	50,861	-	50,861

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32. 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 2016				
Non-financial assets				
Investment properties	-	-	32,529	32,529
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	186,355	186,355
Financial investments available-for-sale	95,930	5,584,971	19,264	5,700,165
Derivative financial assets	-	40,601	-	40,601
Total financial assets measured at fair value	95,930	5,625,572	205,619	5,927,121
Financial liabilities				
Derivative financial liabilities	-	49,359	-	49,359
Total financial liabilities measured at fair value	-	49,359	-	49,359

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32. 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.)

Bank	<u>Valuation technique using</u>			Total
	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
30 September 2016				
Non-financial assets				
Investment properties	-	-	36,218	36,218
Financial assets				
Financial investments designated at fair value through profit and loss	-	-	190,827	190,827
Financial investments available-for-sale	106,218	5,083,662	11,663	5,201,543
Derivative financial assets	-	33,258	-	33,258
Total financial assets measured at fair value	106,218	5,116,920	202,490	5,425,628
Financial liabilities				
Derivative financial liabilities	-	50,861	-	50,861
Total financial liabilities measured at fair value	-	50,861	-	50,861

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32. 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.)

Bank (cont'd.)	<u>Valuation technique using</u>			Total
	Quoted Market Price Level 1 RM'000	Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
31 March 2016				
Non-financial assets				
Investment properties	-	-	32,529	32,529
Financial assets				
Financial investments designated at fair value through profit and 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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32. 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 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
At beginning of the period	205,619	140,656	196,586	136,556
Gains recognised				
in income statement	(8,556)	30,448	(8,556)	30,448
Purchases	370	27,011	370	27,011
Sales/redemption	-	(474)	-	(474)
Reclassification	-	4,933	-	-
Foreign exchange				
translation difference	14,090	6,526	14,090	6,526
Coupon received	-	(3,481)	-	(3,481)
At end of the period	211,523	205,619	202,490	196,586

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

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Total (loss)/gain recognised in income statement for financial instruments measured at fair value at the end of the financial period	(8,556)	30,448

	Bank	
	30 September 2016 RM'000	31 March 2016 RM'000
Total (loss)/gain recognised in income statement for financial instruments measured at fair value at the end of the financial period	(8,556)	30,448